

Kimlun Corporation Berhad
[Registration No.: 200901023978 (867077-X)]
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the 2nd Quarter Ended 30 June 2022

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/06/2022 RM'000	Preceding Year Quarter 30/06/2021 RM'000	Current Year To Date 30/06/2022 RM'000	Preceding Year To Date 30/06/2021 RM'000
Revenue	186,627	214,331	360,577	424,606
Cost of sales	(161,289)	(195,752)	(327,639)	(383,554)
Gross profit	25,338	18,579	32,938	41,052
Other income	1,622	1,693	2,480	4,347
Selling and administrative expenses	(10,719)	(13,155)	(22,335)	(22,128)
Finance costs	(3,062)	(3,745)	(6,150)	(7,388)
Share of loss of joint ventures	(318)	(128)	(679)	(253)
Profit before tax	12,861	3,244	6,254	15,630
Income tax expense	(4,065)	(901)	(3,585)	(4,199)
Profit net of tax	8,796	2,343	2,669	11,431
Other comprehensive income	779	-	874	1
Total comprehensive income for the period	9,575	2,343	3,543	11,432
Profit attributable to :				
Owners of the Company	8,865	2,375	2,779	11,497
Non-controlling interests	(69)	(32)	(110)	(66)
	8,796	2,343	2,669	11,431
Earnings Per Share (Sen)				
- Basic (2)	2.51	0.67	0.79	3.25
- Diluted (2)	2.51	0.67	0.79	3.25
Total comprehensive income attributable to :				
Owners of the Company	9,644	2,375	3,653	11,498
Non-controlling interests	(69)	(32)	(110)	(66)
	9,575	2,343	3,543	11,432

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 2021 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 2022

	Unaudited As at 30/06/2022 RM'000	Audited As at 31/12/2021 RM'000
Assets		
Non- current assets		
Property, plant and equipment	128,580	137,736
Right-of-use asset	4,302	4,935
Land held for property development	216,149	214,372
Investment properties	143	146
Other investments	75	75
Investment in joint ventures	16,647	17,087
Deferred tax assets	5,357	2,863
	<u>371,253</u>	<u>377,214</u>
Current assets		
Properties held for sale	14,125	-
Property Development costs	88,249	84,864
Inventories	73,566	83,760
Trade and other receivables	500,387	528,159
Prepayment	6,841	5,992
Contract assets	194,179	175,224
Current tax assets	-	1,694
Cash and bank balances	98,940	69,536
	<u>976,287</u>	<u>949,229</u>
TOTAL ASSETS	<u><u>1,347,540</u></u>	<u><u>1,326,443</u></u>
EQUITY AND LIABILITIES		
Current liabilities		
Loans and borrowings	185,928	158,572
Lease liability	2,474	2,479
Trade and other payables	229,339	242,447
Contract liabilities	21,532	24,147
Current tax liabilities	1,629	-
Provisions	15,336	16,737
	<u>456,238</u>	<u>444,382</u>
Net current assets	<u>520,049</u>	<u>504,847</u>
Non-current liabilities		
Loans and borrowings	157,938	148,491
Lease liabilities	1,899	2,521
	<u>159,837</u>	<u>151,012</u>
TOTAL LIABILITIES	<u>616,075</u>	<u>595,394</u>
Net assets	<u>731,465</u>	<u>731,049</u>
Equity		
Share capital	255,944	255,944
Treasury shares	(24)	(24)
Other reserves	34,489	33,615
Retained earnings	430,989	431,744
Equity attributable to owners of the Company	<u>721,398</u>	<u>721,279</u>
Non-controlling interests	10,067	9,770
Total equity	<u>731,465</u>	<u>731,049</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,347,540</u></u>	<u><u>1,326,443</u></u>
Net Assets Per Share Attributable to owners of the Company (RM)	2.04	2.04

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 2021 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 2022

	Attributable to owners of the Company							
	<----- Non-distributable ----->				Distributable			
	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	Non-controlling interest RM'000	Total Equity RM'000
<u>YTD ended 30 June 2022</u>								
Balance At 1/1/2022	255,944	(24)	34,194	(579)	431,744	721,279	9,770	731,049
Total comprehensive income for the period	-	-	-	874	2,779	3,653	(110)	3,543
<u>Transaction with owner</u>								
Acquisition of non-controlling interest	-	-	-	-	-	-	407	407
Dividend (as detailed in Note B10)	-	-	-	-	(3,534)	(3,534)	-	(3,534)
At 30/06/2022	255,944	(24)	34,194	295	430,989	721,398	10,067	731,465
<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

(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 2021 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 2022

	Current Year To Date 30/06/2022	Preceding Year To Date 30/06/2021
Operating activities		
Profit before tax	6,254	15,630
Adjustment for :		
Allowance for impairment on trade receivables	-	222
Reversal of allowance for impairment on trade receivables	(40)	-
Bad Debts written off	20	6
Bad Debts recovered	-	(833)
Unrealised foreign exchange gain	(2,740)	(1,749)
Depreciation	18,244	20,760
Depreciation of right-of-use assets	1,550	1,663
Depreciation of investment properties	3	3
Reversal of provision for obsolete inventories	-	(76)
(Reversal of provision)/Provision for defect liabilities costs	(1,401)	1,016
Loss/(Gain) on disposal of property, plant and equipment	107	(1,397)
Gain on derecognition of right-of-use assets	(1)	(5)
Fixed asset written off	150	189
Interest expenses	6,150	7,388
Interest income	(722)	(390)
Share of loss of joint ventures	679	253
Operating cash flows before changes in working capital	28,253	42,680
<u>Changes in working capital</u>		
Land held for development	(1,055)	(2,928)
Property development costs	(3,348)	(10)
Inventories	10,194	59,628
Receivables	15,927	(49,812)
Other current assets	(18,162)	21,274
Payables	(13,253)	(13,028)
Other current liabilities	(3,902)	(12,057)
Cash flows generated from operations	14,654	45,747
Interest paid	(6,620)	(7,794)
Tax paid	(2,756)	(2,242)
Interest received	437	390
Net cash flows generated from operating activities	5,715	36,101
Investing activities		
Purchase of property, plant and equipment	(7,431)	(3,614)
Proceeds from disposal of property, plant & equipment	30	2,274
Net cash flows used in investing activities	(7,401)	(1,340)
Financing activities		
Proceeds from/(Repayment of) loans and borrowings	43,889	(19,116)
Advance from a minority shareholder	294	-
Repayment to joint ventures	(4,324)	(5,454)
Repayment to hire purchase creditors	(8,869)	(12,028)
Repayment of lease liabilities	(1,542)	(1,668)
Withdrawal/(Pledge of) fixed deposit with licensed banks	5,206	(780)
Net cash flows generated from/(used in) financing activities	34,654	(39,046)
Net increase/(decrease) in cash and cash equivalents	32,968	(4,285)
Effects of exchange rate changes on cash and cash equivalents	1,643	1,354
Cash and cash equivalents at beginning of financial period	45,617	33,044
Cash and cash equivalents at end of financial period	80,228	30,113
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	98,940	58,325
Less: Pledge of fixed deposit with licensed banks	(18,712)	(22,531)
Bank overdrafts (included within short term borrowings)	-	(5,681)
	80,228	30,113

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 2021 and the accompanying notes attached to the interim financial statements

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022

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 2021 (“FY2021 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 FY2021 AFS except for the adoption of the following amendments to MFRS that are mandatory for annual financial periods beginning on or after 1 January 2022:

Amendments to MFRS 3: Reference to the Conceptual Framework
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract
Annual improvements to MFRS Standards 2018 – 2020

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 2021.

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.

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.

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A7. Changes in Debt and Equity Securities

Save for one issuance of Islamic commercial papers ("ICP") at nominal value of RM5.9 million, 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, and land for development not provided for as at 30 June 2022 are as follows:

	RM'000
Approved and contracted for	<u>113,099</u>

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

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM9.06 million during the financial year-to-date, mainly incurred for the purchase of heavy machineries to meet the requirements of construction projects and quarry operation.

A12. Material events subsequent to the end of period reported

There were no material events subsequent to the end of the current financial quarter up to 22 August 2022, being the latest practicable date ("LPD"), which is not earlier than 7 days from the date of issuance of this quarterly report, that have not been reflected in this quarterly report.

A13. Changes in composition of the group

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

A14. Contingent liabilities or contingent assets

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

A15. Significant Related Party Transactions

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

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022

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 2022:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	243,164	86,372	31,033	8	0	360,577
Inter-segment sales	4,085	58,041	0	2,338	(64,464)	0
Total revenue	247,249	144,413	31,033	2,346	(64,464)	360,577
RESULTS						
Profit from operations	1,275	27,396	3,960	2,346	(2,039)	32,938
Other operating income						2,480
Selling and administrative expenses						(22,335)
Finance costs						(6,150)
Share of profit of a joint venture						(691)
Profit before tax						6,254
Income tax expense						(3,585)
Profit net of tax						2,669
Segment Assets	700,975	367,427	379,943	402,392	(503,197)	1,347,540
Segment Liabilities	323,213	179,754	205,906	88,606	(181,404)	616,075

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022

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 2022

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 31/3/2022 RM'000	Current quarter compared to preceding quarter	
	Current Year Quarter 30/6/2022 RM'000	Preceding Year Quarter 30/6/2021 RM'000	Amount RM'000	%	Current Year To Date 30/6/2022 RM'000	Preceding Year To Date 30/6/2021 RM'000	Amount RM'000	%		Amount RM'000	%
Revenue											
Construction	134,645	134,174	471	0.4%	247,249	288,088	(40,839)	-14.2%	112,604	22,041	19.6%
Manufacturing & Trading	104,548	62,760	41,788	66.6%	144,413	139,485	4,928	3.5%	39,865	64,683	162.3%
Property Development	1,489	43,798	(42,309)	-96.6%	31,033	48,844	(17,811)	-36.5%	29,544	(28,055)	-95.0%
Investment	1,194	105	1,089	1037%	2,346	199	2,147	1079%	1,152	42	3.6%
Elimination	(55,249)	(26,506)	(28,743)	108.4%	(64,464)	(52,010)	(12,454)	23.9%	(9,215)	(46,034)	499.6%
Consolidated revenue	186,627	214,331	(27,704)	-12.9%	360,577	424,606	(64,029)	-15.1%	173,950	12,677	7.3%
Gross profit ("GP")											
Construction	2,987	7,604	(4,617)	-60.7%	1,275	16,099	(14,824)	-92.1%	(1,712)	4,699	274.5%
Manufacturing & Trading	21,928	5,880	16,048	272.9%	27,396	18,779	8,617	45.9%	5,468	16,460	301.0%
Property Development	322	4,730	(4,408)	-93.2%	3,960	5,601	(1,641)	-29.3%	3,638	(3,316)	-91.1%
Investment	1,194	105	1,089	1037%	2,346	199	2,147	1079%	1,152	42	3.6%
Elimination	(1,093)	260	(1,353)	-520.4%	(2,039)	374	(2,413)	-645.2%	(946)	(147)	15.5%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022

	Individual Quarter (2nd Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 31/3/2022 RM'000	Current quarter compared to preceding quarter	
	Current Year Quarter 30/6/2022 RM'000	Preceding Year Quarter 30/6/2021 RM'000	Amount RM'000	%	Current Year To Date 30/6/2022 RM'000	Preceding Year To Date 30/6/2021 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	25,338	18,579	6,759	36.4%	32,938	41,052	(8,114)	-19.8%	7,600	17,738	233.4%
GP margin											
Construction	2.2%	5.7%			0.5%	5.6%			-1.5%		
Manufacturing & Trading	21.0%	9.4%			19.0%	13.5%			13.7%		
Property Development	21.6%	10.8%			12.8%	11.5%			12.3%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	13.6%	8.7%			9.1%	9.7%			4.4%		
Other income	1,622	1,693	(71)	-4.2%	2,480	4,347	(1,867)	-42.9%	858	764	89.0%
Selling & administrative expenses	(10,719)	(13,155)	2,436	-18.5%	(22,335)	(22,128)	(207)	0.9%	(11,616)	897	-7.7%
Finance costs	(3,062)	(3,745)	683	-18.2%	(6,150)	(7,388)	1,238	-16.8%	(3,088)	26	-0.8%
Share of loss of joint ventures	(318)	(128)	(190)	148.4%	(679)	(253)	(426)	168.4%	(361)	43	-11.9%
Profit before tax	12,861	3,244	9,617	296.5%	6,254	15,630	(9,376)	-60.0%	(6,607)	19,468	294.7%
Profit net of tax	8,796	2,343	6,453	275.4%	2,669	11,431	(8,762)	-76.7%	(6,127)	14,923	243.6%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022

B1. Operating Segments Review

(a) 2nd Quarter ("Q2") financial year ending/ended 31 December ("FY") 2022 compared to Q2 FY2021

The Group recorded revenue of RM186.63 million in Q2 FY2022, which was RM27.70 million (12.9%) lower compared to RM214.33 million recorded in Q2 FY2021. Conversely, the Group achieved a higher gross profit ("GP") of RM25.34 million in Q2 FY2022, against RM18.58 million recorded in Q2 FY2021.

The decline in revenue was mainly due to lower sales achieved by the property development division during Q2 FY2022 as Phase 1 of Bukit Bayu Development had been fully sold in Q1 FY2022. The decline in the revenue of the property development division from RM43.80 million in Q2 FY2021 to RM1.49 million in Q2 FY2022 (i.e. declined by RM42.31 million) was partly mitigated by the improvement in revenue of the manufacturing and trading ("M&T") division. The M&T division recorded revenue generated from external sales of RM52.45 million in Q2 FY2022, which was RM14.31 million (37.5%) higher compared to RM38.14 million recorded in Q2 FY2021, on higher fulfilment of sales order in hand.

The improvement in GP was attributable to the combined effects of the followings:

- (i) Higher revenue contribution from the more profitable M&T division;
- (ii) Higher GP margin of the M&T division on execution of better margin sales orders, and better absorption of sunk costs enabled by higher level of operation;
- (iii) Lower GP contribution from the construction division on lower GP margin attributable to higher costs of raw materials, energy and commodities attributable to the pandemic-inflicted supply chain disruptions and supply constrictions, further exacerbated by the Russia-Ukraine war;
- (iv) Lower GP contribution from the property development division, in line with lower revenue in Q2 FY2022.

Other income was marginally lower at RM1.62 million in Q2 FY2022.

Selling and administrative expenses ("S&M") of RM10.72 million in Q2 FY2022 were RM2.44 million (18.5%) lower compared to RM13.16 million in Q2 FY2021, mainly due to lower sales commission incurred by the property development division, in line with lower sales in Q2 FY2022.

Finance costs of RM3.06 million in Q2 FY2022 were RM0.68 million (18.2%) lower compared to RM3.74 million in Q2 FY2021, mainly due to lower utilization of banking facilities during the period.

Share of loss of joint ventures was marginally higher at RM0.32 million in Q2 FY2022.

Due to the variances in gross profit, other income and expenses as stated above, profit before tax improved from RM3.24 million recorded in Q2 FY2021 to RM12.86 million recorded in Q2 FY2022. Profit net of tax had also improved from RM2.34 million recorded in Q2 FY2021 to RM8.80 million recorded in Q2 FY2022.

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2022

(b) Year to date FY2022 (“YTD 2022”) compared to year to date FY2021 (“YTD 2021”)

The Group recorded revenue of RM360.58 million in YTD 2022, which was RM64.03 million (15.1%) lower compared to RM424.61 million recorded in YTD 2021. The Group recorded a lower GP of RM32.94 million in YTD 2022, against RM41.05 million recorded in YTD 2021.

The decline in revenue was mainly due to lower sales achieved by the construction division and property development division.

Construction revenue of RM247.25 million recorded in YTD 2022 was RM40.84 million (14.2%) lower than RM288.09 million recorded in YTD 2021 due to the following:

- (i) the completion of the Pan Borneo Highway Sarawak project (“PBH Project”) during YTD 2022; and
- (ii) timing lag between the completion of old projects and active contribution of new projects secured. Most of the projects in hand were secured in the later part of year 2021, and some of these new projects are in early stage of construction.

The decline in GP was due to the combined effects of the followings:

- (i) Lower revenue achieved during YTD 2022;
- (ii) Lower GP margin of the construction division as elaborated in note B(1)(a)(iii); and
- (iii) Higher GP margin of the M&T division as elaborated in note B(1)(a)(ii);

Other income of RM2.48 million in YTD 2022 was RM1.87 million (42.9%) lower against RM4.35 million in YTD 2021, mainly due to higher gains from disposal of plant and machineries in YTD 2021.

S&M expenses were marginally higher at RM22.34 million in YTD 2022.

Finance costs of RM6.15 million in YTD 2022 were RM1.24 million (16.8%) lower against RM7.39 million in YTD 2021, mainly due to lower utilization of banking facilities during the period.

Share of loss of joint ventures was marginally higher at RM0.68 million in YTD 2022.

Due to the variances in gross profit, other income and expenses as stated above, profit before tax declined from RM15.63 million recorded in YTD 2021 to RM6.25 million recorded in YTD 2022. Profit net of tax had also declined from RM11.43 million recorded in YTD 2021 to RM2.67 million recorded in YTD 2022.

(c) Group Cash Flow Review

For YTD 2022, the Group registered net cash generated from operating activities of RM5.72 million. Net cash used in investing activities of RM7.40 million was due to the purchase of property, plant and equipment. Net cash generated from financing activities of RM34.65 million was mainly due to proceeds from loans and borrowings. Cash and cash equivalents increased by RM32.97 million in YTD 2022.

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B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q1 FY2022)

Revenue recorded in Q2 FY2022 was higher compared to Q1 FY2022 on higher revenue achieved by the M&T division. The M&T division recorded revenue generated from external sales of RM52.45 million in Q2 FY2022, which was RM18.53 million (54.6%) higher compared to RM33.92 million recorded in Q1 FY2022, on higher fulfilment of sales order in hand.

GP was higher in Q2 FY2022 compared to Q1 FY2022, mainly attributable to higher revenue contribution from the more profitable M&T division and improvement in the GP margin of the M&T division as elaborated in note B(1)(a)(ii).

S&M expenses declined by RM0.90 million in Q2 FY2022, mainly attributable to lower sales commission incurred by the property development division, in line with lower sales in Q2 FY2022.

Finance costs and share of loss of joint ventures in Q2 FY2022 approximate the level recorded in Q1 FY2022.

Consequently, the Group recorded a better profit before tax and profit net of tax in Q2 FY2022 compared to Q2 FY2021.

B3. Prospects For 2022

The Group has an estimated construction and manufacturing balance order book of approximately RM1.57 billion and RM0.34 billion respectively as at 30 June 2022, contributed by numerous construction contracts and supply contracts. The balance order book is expected to support the Group's performance in 2022.

Notwithstanding, the pandemic-inflicted supply chain disruptions and supply constrictions, rising cost of raw materials, higher energy costs and commodity prices and shortage of workers will continue to weigh on our operation and profitability. The supply chain constrictions and commodity price escalation are further compounded by the Russia–Ukraine war.

In response to these challenges, the Group has taken measures such as placement of advance bulk purchase orders to lock in raw materials supply at a better bulk purchase price, adoption of IBS construction whenever possible to reduce reliance on labour, and negotiate with suppliers for early payment discount.

Our on-going projects and sales orders comprises contracts secured from, amongst other, Samling Resources Sdn Bhd, Exyte Malaysia Sdn Bhd, UEM Sunrise Bhd Group, S P Setia Bhd Group and Eng Lee Engineering Pte Ltd. Our on-going projects and sales orders include the following:

- (a) the main works for Construction And Maintenance Of Sarawak-Sabah Link Road Construction Project (Lawas-Long Lopeng Junction) for a contract sum of RM0.78 billion. The estimated completion period of the project is year 2025;
- (b) 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 2023;
- (c) The supply of pre-cast concrete pipes to Singapore Deep Tunnel Sewerage Phase 2 project for S\$15.39 million. The estimated completion period of the sales orders is year 2023; and

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- (d) The supply of pre-cast concrete components to a resort project, sports centre project, PUB subsea tunnel project, train testing centre and Changi Airport related project at aggregate contract value of S\$36.27 million. The estimated completion period of these sales orders is year 2023.

The Group will continue to bid for projects and sales orders in order to replenish the Group's order book and contribute positively to the Group's result in 2022 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.

Malaysia Construction Sector

The Group expects some tender opportunities from the following public sector projects in 2022:

Phase 2 of Pan Borneo Highway Sarawak;

Autonomous Rapid Transit (ART) Sarawak;

Johor-Singapore Rapid Transit System;

Klang Valley MRT Line 3;

Some hospitals projects; and

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 (BCA) projects the total construction demand (i.e. the value of construction contracts to be awarded) in 2022 to be between S\$27 billion and S\$32 billion.

The public sector is expected to contribute about 60 per cent of the total construction demand, between S\$16 billion and S\$19 billion. This is supported by the strong pipeline of public housing projects including those under the Home Improvement Programme, as well as healthcare developments and infrastructure works such as the Cross Island MRT Line (Phase 1).

The private sector construction demand is anticipated to reach between S\$11 billion and S\$13 billion in 2022, comparable with the volume in 2021.

Over the medium-term, BCA expects the total construction demand to reach between S\$25 billion and S\$32 billion per year from 2023 to 2026.

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.

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

Property Development Division

The Group launched a development project, namely 100 Trees Private Estate ("100 Trees Project"), which comprises 60 units of semi-detached houses in Bandar Seri Alam, Johor, with estimated gross development value ("GDV") of approximately RM61 million, in late 2021. This project is expected to contribute positively to the Group's revenue and profit, with further construction progress and further sales.

The Group is in the process of applying for building plan approval from the authority for its Phase 2 of the Bukit Bayu Project, which comprises of 16 units of bungalows, with GDV of approximately RM37 million.

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 30.6.2022 RM'000	Cumulative Quarter 6 months ended 30.6.2022 RM'000
(a) interest income	379	722
(b) other income including investment Income	1,242	1,865
(c) interest expense	3,062	6,150
(d) depreciation and amortization	9,982	19,797
(e) provision for and write off of receivables	20	20
(f) provision for and write off of inventories	-	-
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	-	107
(h) impairment of assets	-	-
(i) foreign exchange (gain) or loss	180	215
(j) gain or loss on derivatives	-	-
(k) exceptional items	-	-

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B6. Taxation

	Current Quarter 3 months ended 30.6.2022 RM'000	Cumulative Quarter 6 months ended 30.6.2022 RM'000
In respect of the current period		
- Income tax	5,135	6,079
- Deferred tax	(1,070)	(2,512)
	4,065	3,567
In respect of prior year		
- Income tax	-	-
- Deferred tax	-	18
	4,065	3,585

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) At the Annual General Meeting held on 2 June 2022 ("13th 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 2021 ("FYE 2021 Final Dividend"). The FYE 2021 Final Dividend was paid on 15 July 2022.

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B8. Group Borrowing and Debts Securities

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

	Interest rate per annum YTD 2022	As at 30.6.2022 RM'000	As at 30.6.2021 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	1.68% to 4.06%	5,655	14,431
Term loans	4.30% to 5.70%	77,283	88,495
<u>Unsecured:</u>			
IMTN	4.49% to 5.06%	75,000	-
		<u>157,938</u>	<u>102,926</u>
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	3.63% to 6.89%	-	5,681
Hire purchase creditors	1.68% to 4.06%	11,406	20,553
Bankers' acceptance	2.59% to 3.65%	74,035	51,853
Invoices financing	1.80% to 3.95%	55,524	167,885
Term loans and revolving credits	3.27% to 5.70%	36,063	30,320
<u>Unsecured:</u>			
ICP	4.00%	8,900	-
		<u>185,928</u>	<u>276,292</u>

The borrowings are denominated in the following currencies

	As at 30.6.2022 RM'000	As at 30.6.2021 RM'000
Long term borrowings		
Ringgit Malaysia	<u>157,938</u>	<u>102,926</u>
Short term borrowings		
Ringgit Malaysia	183,173	274,201
Singapore Dollar	2,755	2,091
	<u>185,928</u>	<u>276,292</u>

All borrowings, other than hire purchase financing, IMTN and ICP which are based on fixed interest rate, are based on floating interest rate.

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B9. Material Litigation

There was no material litigation as at the LPD.

B10. Dividends

- (a) The FYE 2021 Final Dividend was approved by the Shareholders at the 13th AGM, as detailed in Note B7(c).
- (b) The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 30 June 2022.
- (c) Dividend declared during the previous year's corresponding period:

A final single-tier dividend of RM0.01 per share in respect of the financial year ended 31 December 2020.

B11. Earnings Per Share ("EPS")

	Current Quarter Ended		Year to-Date Ended	
	30.6.2022	30.6.2021	30.6.2022	30.6.2021
Profit attributable to owners of the Company (RM'000)	8,865	2,375	2,779	11,497
Weighted average number of ordinary shares in issue ('000)	353,358	353,358	353,358	353,358
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	353,358	353,358	353,358
Basic earnings per share (Sen)	2.51	0.67	0.79	3.25
Diluted earnings per share (Sen)	2.51	0.67	0.79	3.25

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

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