

Kimlun Corporation Berhad
[Registration No.: 200901023978 (867077-X)]
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the 2nd Quarter Ended 30 June 2023

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/06/2023 RM'000	Preceding Year Quarter 30/06/2022 RM'000	Current Year To Date 30/06/2023 RM'000	Preceding Year To Date 30/06/2022 RM'000
Revenue	202,792	186,627	375,963	360,577
Cost of sales	(190,706)	(161,289)	(349,413)	(327,639)
Gross profit	12,086	25,338	26,550	32,938
Other income	1,146	1,622	1,921	2,480
Selling and administrative expenses	(7,129)	(10,719)	(16,046)	(22,335)
Finance costs	(3,895)	(3,062)	(7,586)	(6,150)
Share of loss of joint ventures	(652)	(318)	(1,364)	(679)
Profit before tax	1,556	12,861	3,475	6,254
Income tax expense	(1,491)	(4,065)	(3,058)	(3,585)
Profit net of tax	65	8,796	417	2,669
Other comprehensive (loss)/income	(48)	779	(62)	874
Total comprehensive income for the period	17	9,575	355	3,543
Profit/(Loss) attributable to :				
Owners of the Company	100	8,865	512	2,779
Non-controlling interests	(35)	(69)	(95)	(110)
	65	8,796	417	2,669
Profit Per Share (Sen)				
- Basic (2)	0.03	2.51	0.14	0.79
- Diluted (2)	0.03	2.51	0.14	0.79
Total comprehensive income/(loss) attributable to :				
Owners of the Company	52	9,644	450	3,653
Non-controlling interests	(35)	(69)	(95)	(110)
	17	9,575	355	3,543

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 2022 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 2023

	Unaudited As at 30/06/2023 RM'000	Audited As at 31/12/2022 RM'000
Assets		
Non-current assets		
Property, plant and equipment	131,095	131,118
Right-of-use asset	4,978	5,984
Land held for property development	302,488	145,984
Investment properties	136	140
Other investments	75	75
Investment in joint ventures	14,364	15,240
Deferred tax assets	19,109	18,232
	<u>472,245</u>	<u>316,773</u>
Current assets		
Properties held for sale	14,125	14,125
Property Development costs	172,815	172,914
Inventories	66,592	67,450
Trade and other receivables	420,745	418,269
Prepayment	7,193	8,060
Contract assets	212,344	230,949
Cash and bank balances	62,081	72,229
	<u>955,895</u>	<u>983,996</u>
TOTAL ASSETS	<u><u>1,428,140</u></u>	<u><u>1,300,769</u></u>
EQUITY AND LIABILITIES		
Current liabilities		
Loans and borrowings	167,259	151,644
Lease liability	2,689	2,770
Trade and other payables	265,581	230,710
Contract liabilities	20,558	15,733
Current tax liabilities	794	3,772
Provisions	10,519	11,541
	<u>467,400</u>	<u>416,170</u>
Net current assets	<u>488,495</u>	<u>567,826</u>
Non-current liabilities		
Loans and borrowings	224,417	155,994
Lease liabilities	2,406	3,315
	<u>226,823</u>	<u>159,309</u>
TOTAL LIABILITIES	<u>694,223</u>	<u>575,479</u>
Net assets	<u>733,917</u>	<u>725,290</u>
Equity		
Share capital	255,944	255,944
Treasury shares	(24)	(24)
Other reserves	33,432	33,494
Retained earnings	417,960	420,982
Equity attributable to owners of the Company	<u>707,312</u>	<u>710,396</u>
Non-controlling interests	26,605	14,894
Total equity	<u>733,917</u>	<u>725,290</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,428,140</u></u>	<u><u>1,300,769</u></u>
Net Assets Per Share Attributable to owners of the Company (RM)	2.00	2.01

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 2022 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 2023

	Attributable to owners of the Company				Retained earnings	Sub-Total	Non-controlling interest	Total Equity
	Non-distributable			Distributable				
	Share capital	Treasury shares	Warrants reserve	Foreign currency translation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>YTD ended 30 June 2023</u>								
Balance At 1/1/2023	255,944	(24)	34,194	(700)	420,982	710,396	14,894	725,290
Total comprehensive income for the period	-	-	-	(62)	512	450	(95)	355
<u>Transactions with owner</u>								
Acquisition of non-controlling interest	-	-	-	-	-	-	11,806	11,806
Dividend (as detailed in Note B10)	-	-	-	-	(3,534)	(3,534)	-	(3,534)
At 30/06/2023	255,944	(24)	34,194	(762)	417,960	707,312	26,605	733,917
<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>Transactions 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

(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 2022 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 2023

	Current Year To Date 30/06/2023	Preceding Year To Date 30/06/2022
Operating activities		
Profit before tax	3,475	6,254
Adjustment for :		
Reversal of allowance for impairment on trade receivables	(4)	(40)
Bad debts written off	14	20
Unrealised foreign exchange gain	(7,244)	(2,740)
Depreciation	12,005	18,244
Depreciation of right-of-use assets	1,532	1,550
Depreciation of investment properties	3	3
Reversal of provision for defect liabilities costs	(1,022)	(1,401)
(Gain)/Loss on disposal of property, plant and equipment	(44)	107
Gain on derecognition of right-of-use assets	(3)	(1)
Fixed asset written off	446	150
Interest expenses	7,586	6,150
Interest income	(879)	(722)
Share of loss of joint ventures	1,364	679
Operating cash flows before changes in working capital	<u>17,229</u>	<u>28,253</u>
Changes in working capital		
Land held for property development	(143,773)	(1,055)
Property development costs	1,213	(3,348)
Inventories	858	10,194
Receivables	(9,217)	15,927
Other current assets	63,286	(18,162)
Payables	2,302	(13,253)
Other current liabilities	4,969	(3,902)
Cash flows (used in)/generated from operations	<u>(63,133)</u>	<u>14,654</u>
Interest paid	(9,931)	(6,620)
Tax paid	(6,913)	(2,756)
Interest received	459	437
Net cash flows (used in)/generated from operating activities	<u>(79,518)</u>	<u>5,715</u>
Investing activities		
Purchase of property, plant and equipment	(2,348)	(7,431)
Proceeds from disposal of property, plant & equipment	66	30
Net cash flows used in investing activities	<u>(2,282)</u>	<u>(7,401)</u>
Financing activities		
Proceeds from loans and borrowings	79,885	43,889
Advance from a corporate shareholder of a subsidiary	494	294
Repayment to joint ventures	(2,649)	(4,324)
Repayment to hire purchase creditors	(5,951)	(8,869)
Repayment of lease liabilities	(1,512)	(1,542)
(Pledge)/Uplift of fixed deposit with licensed banks	(862)	5,206
Net cash flows generated from financing activities	<u>69,405</u>	<u>34,654</u>
Net (decrease)/increase in cash and cash equivalents	(12,395)	32,968
Effects of exchange rate changes on cash and cash equivalents	1,385	1,643
Cash and cash equivalents at beginning of financial period	60,345	45,617
Cash and cash equivalents at end of financial period	49,335	80,228
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	62,081	98,940
Less: Pledge of fixed deposit with licensed banks	<u>(12,746)</u>	<u>(18,712)</u>
	<u>49,335</u>	<u>80,228</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 2022 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 2023

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 2022 (“FY2022 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 FY2022 AFS except for the adoption of the following amendments to MFRS that are mandatory for annual financial periods beginning on or after 1 January 2023:

Amendments to MFRS 101: Disclosure of Accounting Policies
Amendments to MFRS 108: Definition of Accounting Estimates
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 2022.

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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UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2023

A7. Changes in Debt and Equity Securities

Save as disclosed below, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial year-to-date;

- (a) redemption of 1 tranche of Islamic commercial papers (“ICP”) with nominal value of RM5.9 million; and
- (b) issuance of two tranches of 12 months ICP with aggregate nominal value of RM12.86 million.

A8. Dividend Paid

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

A9. Valuation of property, plant and equipment

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

A10. Capital commitments

Capital commitment for property, plant and equipment not provided for as at 30 June 2023 are as follows:

	RM'000
Approved and contracted for	<u>9,757</u>

The capital commitment is mainly for the purchase of tunnel formworks and lorries.

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment (“PPE”) amounting to RM12.45 million during the financial year-to-date, mainly incurred for the purchase of heavy machineries and formworks.

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 2023, 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 2023

A16. Segmental Information

The Group is organized into the following operating segments:-

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

The segment revenue and results for the financial period ended 30 June 2023:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	268,991	96,570	10,396	6	0	375,963
Inter-segment sales	11,019	30,615	0	1,980	(43,614)	0
Total revenue	280,010	127,185	10,396	1,986	(43,614)	375,963
RESULTS						
Gross profit/(loss)	8,901	17,156	1,739	1,986	(3,232)	26,550
Other operating income						1,921
Selling and administrative expenses						(16,046)
Finance costs						(7,586)
Share of loss of joint ventures						(1,364)
Profit before tax						3,475
Income tax expense						(3,058)
Profit net of tax						417
Segment Assets	682,595	367,941	519,327	433,539	(575,262)	1,428,140
Segment Liabilities	342,246	147,632	303,650	119,882	(219,187)	694,223

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2023

The segment revenue and results for the financial period ended 30 June 2022:

REVENUE	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
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						
Gross profit/(loss)	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 loss of a joint venture						(679)
(Loss) before tax						6,254
Income tax credit						(3,585)
(Loss) 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 2023

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

	Individual Quarter (Quarter 2)		Changes		Cumulative Period		Changes		Preceding Quarter 31/3/2023 RM'000	Current quarter compared to preceding quarter	
	Current Year Quarter 30/6/2023 RM'000	Preceding Year Quarter 30/6/2022 RM'000	Amount RM'000	%	Current Year To Date 30/6/2023 RM'000	Preceding Year To Date 30/6/2022 RM'000	Amount RM'000	%		Amount RM'000	%
Revenue											
Construction	154,276	134,645	19,631	14.6%	280,010	247,249	32,761	13.3%	125,734	28,542	22.7%
Manufacturing & Trading	61,231	104,548	(43,317)	-41.4%	127,185	144,413	(17,228)	-11.9%	65,954	(4,723)	-7.2%
Property Development	5,561	1,489	4,072	273.5%	10,396	31,033	(20,637)	-66.5%	4,835	726	15.0%
Investment	1,098	1,194	(96)	-8.0%	1,986	2,346	(360)	-15.3%	888	210	23.6%
Elimination	(19,374)	(55,249)	35,875	-64.9%	(43,614)	(64,464)	20,850	-32.3%	(24,240)	4,866	-20.1%
Consolidated revenue	202,792	186,627	16,165	8.7%	375,963	360,577	15,386	4.3%	173,171	29,621	17.1%
Gross profit/(loss) ("GP")											
Construction	4,937	2,987	1,950	65.3%	8,901	1,275	7,626	598.1%	3,964	973	24.5%
Manufacturing & Trading	6,756	21,928	(15,172)	-69.2%	17,156	27,396	(10,240)	-37.4%	10,400	(3,644)	-35.0%
Property Development	930	322	608	188.8%	1,739	3,960	(2,221)	-56.1%	809	121	15.0%
Investment	1,098	1,194	(96)	-8.0%	1,986	2,346	(360)	-15.3%	888	210	23.6%
Elimination	(1,635)	(1,093)	(542)	49.6%	(3,232)	(2,039)	(1,193)	58.5%	(1,597)	(38)	2.4%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2023

	Individual Quarter (Quarter 2)		Changes		Cumulative Period		Changes		Preceding Quarter 31/3/2023 RM'000	Current quarter compared to preceding quarter	
	Current Year Quarter 30/6/2023 RM'000	Preceding Year Quarter 30/6/2022 RM'000	Amount RM'000	%	Current Year To Date 30/6/2023 RM'000	Preceding Year To Date 30/6/2022 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	12,086	25,338	(13,252)	-52.3%	26,550	32,938	(6,388)	-19.4%	14,464	(2,378)	-16.4%
GP margin											
Construction	3.2%	2.2%			3.2%	0.5%			3.2%		
Manufacturing & Trading	11.0%	21.0%			13.5%	19.0%			15.8%		
Property Development	16.7%	21.6%			16.7%	12.8%			16.7%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	6.0%	13.6%			7.1%	9.1%			8.4%		
Other income	1,146	1,622	(476)	-29.3%	1,921	2,480	(559)	-22.5%	775	371	47.9%
Selling & administrative expenses	(7,129)	(10,719)	3,590	-33.5%	(16,046)	(22,335)	6,289	-28.2%	(8,917)	1,788	-20.1%
Finance costs	(3,895)	(3,062)	(833)	27.2%	(7,586)	(6,150)	(1,436)	23.3%	(3,691)	(204)	5.5%
Share of (loss) of joint ventures	(652)	(318)	(334)	105.0%	(1,364)	(679)	(685)	-100.9%	(712)	60	-8.4%
(Loss)/profit before tax	1,556	12,861	(11,305)	-87.9%	3,475	6,254	(2,779)	-44.4%	1,919	(363)	-18.9%
(Loss)/profit net of tax	65	8,796	(8,731)	-99.3%	417	2,669	(2,252)	-84.4%	352	(287)	-81.5%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2023

NOTES TO REPORT

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

B1. Operating Segments Review

- (a) Quarter 2 Financial Year Ending 31 December (“FY”) 2023 (“current quarter”) vs Quarter 2 FY2022

Consolidated revenue of RM202.79 million for the current quarter was RM16.17 million (8.7%) higher compared to RM186.63 million recorded in Quarter 2 FY2022. Conversely, consolidated gross profit (“GP”) of RM12.09 million for the current quarter was RM13.25 million (52.3%) lower compared to RM25.34 million recorded in Quarter 2 FY2022.

Other income of RM1.15 million for the current quarter was RM0.48 million (29.3%) lower against Quarter 2 FY2022.

Selling and administrative (“S&A”) expenses of RM7.13 million for the current quarter was RM3.59 million (33.5%) lower compared to Quarter 2 FY2022.

Finance costs of RM3.90 million for the current quarter were RM0.83 million (27.2%) higher compared to Quarter 2 FY2022.

Share of loss of joint ventures of RM0.65 million for the current quarter was higher by RM0.33 million (105.0%) compared to Quarter 2 FY2022.

Due to the variances stated above, the Group recorded a lower profit before tax (“PBT”) of RM1.56 million for the current quarter against RM12.86 million of Quarter 2 FY2022. Profit net of tax was likewise lower at RM0.06 million in the current quarter.

- (b) Year to date FY2023 (“YTD 2023”) compared to year to date FY2022 (“YTD 2022”)

Consolidated revenue of RM375.96 million for YTD 2023 was RM15.38 million (4.3%) higher compared to RM360.58 million recorded in YTD 2022. Conversely, consolidated GP of RM26.55 million for YTD 2023 was RM6.39 million (19.4%) lower compared to RM32.94 million recorded in YTD 2022.

Other income of RM1.92 million for YTD 2023 was RM0.56 million (22.5%) lower against YTD 2022.

S&A expenses of RM16.05 million for YTD 2023 was RM6.29 million (28.2%) lower compared to YTD 2022.

Finance costs of RM7.59 million for YTD 2023 were RM1.44 million (23.3%) higher compared to YTD 2022.

Share of loss of joint ventures of RM1.36 million for YTD 2023 was higher by RM0.69 million (100.9%) compared to YTD 2022.

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2023

Due to the variances stated above, the Group recorded a lower PBT of RM3.48 million for YTD 2023 against RM6.25 million of YTD 2022. Profit net of tax was likewise lower at RM0.42 million for YTD 2023.

(c) Performance review

For the current quarter, the increase in the consolidated revenue was attributable to the increase in external sales revenue (“external revenue”) generated by the construction and property development (“PD”) divisions, partly offset by the decline in external revenue generated by the manufacturing and trading (“M&T”) division.

For YTD 2023, the increase in the consolidated revenue was mainly attributable to the increase in external revenue generated by the construction and M&T divisions, partly offset by the decline in external revenue generated by the PD division.

The construction division’s external revenue increased from RM132.68 million in Quarter 2 FY2022 to RM149.05 million in the current quarter, and from RM243.13 million in YTD 2022 to RM268.99 in YTD 2023. The improvement in the division’s external revenue was mainly attributable to the acceleration of construction progress of new projects secured in FY2021 and FY2022.

Despite of the strong balance order book in hand, high new orders secured in FY2022, the M&T division’s external revenue decreased from RM52.45 million in Quarter 2 FY2022 to RM48.18 million in the current quarter, due to the timing lag between the completion of some fast track projects and the active production for new orders. Most of the new manufacturing sales projects are currently in production planning or/and product design submission stage.

The M&T’s external revenue increased from RM86.37 million in YTD 2022 to RM96.57 million in YTD 2023, mainly due to acceleration of production progress of certain orders in hand in the first quarter of FY2023.

The PD division’s external revenue increased from RM1.49 million in Quarter 2 FY2022 to RM5.56 million in the current quarter on further sales of the 100 Trees Private Estate development project. The PD division’s external revenue decreased from RM31.03 million in YTD 2022 to RM10.40 million in YTD 2023 in the absence of sales of Phase 1 of Bukit Bayu, Seksyen U10, Shah Alam project which, save for 1 unit, had been fully sold in FY 2022.

Despite of the higher consolidated revenue achieved and better GP margin achieved by the construction division in the current quarter and YTD 2023, the consolidated GP and GP margin for the respective period were lower compared to last year’s corresponding period mainly due to lower GP and GP margin recorded by the M&T division.

Construction division’s GP margin improved from 2.2% in Quarter 2 FY2022 to 3.2% in the current quarter, and from 0.5% in YTD 2022 to 3.2% in YTD 2023, mainly due to higher construction revenue enabled better absorption of sunk costs such as depreciation, payroll and rental. On the back of higher revenue and improved GP margin, the construction division’s GP increased by RM1.95 million (65.3%) and RM7.63 million (598.1%) in the current quarter and YTD 2023 respectively compared to last year’s corresponding periods.

M&T division’s GP decreased from RM21.93 million in Quarter 2 FY2022 to RM6.76 million in the current quarter, and from RM27.40 million in YTD 2022 to RM17.16 million in YTD 2023, due to lower total revenue and lower GP margin achieved in the current quarter and YTD 2023.

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The total revenue of the M&T division is as below:

	Current Quarter	Quarter 2 FY2022	YTD 2023	YTD 2022
Revenue from:	RM'000	RM'000	RM'000	RM'000
External sales	48,182	52,453	96,570	86,372
Inter-segment sales	13,049	52,095	30,615	58,041
Total	61,231	104,548	127,185	144,413

The significant decrease in the inter-segment sales was due to a large order which contributed significantly to the inter-segment sales in the preceding year was at tail end in the current quarter.

M&T division's GP margin declined from 21.0% in Quarter 2 FY2022 to 11.0% in the current quarter, and from 19.0% in YTD 2022 to 13.5% in YTD 2023, due to lower total revenue, while sunk costs remained substantially the same.

Other income was lower in the current quarter and YTD 2023 in the absence of income from disposal of used moulds.

S&A expenses were lower in the current quarter and YTD 2023 mainly due to foreign exchange gains arose from the strengthening of Singapore Dollar against Ringgit Malaysia during the period.

Finance costs were higher in the current quarter and YTD 2023 mainly due to hike in interest rate.

Share of loss of joint ventures was higher in the current quarter and YTD 2023 mainly due to low business activities of joint venture companies.

(d) Group Cash Flow Review

For the current period, the net cash used in operating activities was RM79.52 million, mainly as payment for land held for property development. Net cash used in investing activities of RM2.28 million was for the purchase of PPE. Net cash from financing activities of RM69.41 million was mainly from loan drawn down to pay for land held for property development.

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

Consolidated revenue recorded in the current quarter was RM29.62 million (17.1%) higher compared to the preceding quarter mainly attributable to higher external revenue generated by the construction, supported by the acceleration of construction progress of new construction projects secured in FY2022.

Despite of higher revenue achieved in the current quarter, consolidated GP was lower due to:

- (i) lower total revenue generated by the more profitable M&T division; and
- (ii) M&T division's sunk costs remained substantially the same while its total revenue decline.

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S&A expenses were lower by RM1.79 million (20.1%) in the current quarter mainly due to foreign exchange gains arose from the strengthening of Singapore Dollar against Ringgit Malaysia during the current quarter.

Finance costs were higher by RM0.20 million (5.5%) mainly due to higher utilisation of banking facilities during the current quarter.

The Group recorded PBT of RM1.56 million and PAT of RM0.06 million in the current quarter, against PBT of RM19.19 million and PAT of RM0.35 million in the preceding quarter.

B3. Prospects For 2023

The Group has an estimated construction and manufacturing balance order book of approximately RM1.84 billion and RM0.30 billion respectively as at 30 June 2023, contributed by numerous construction contracts and supply contracts. The balance order book is expected to support the Group's performance in 2023.

Notwithstanding, rising cost of raw materials, higher energy costs and commodity prices and shortage of workers will continue to weigh on our operation and profitability.

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 China Communications Construction Company 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;
- (a) The supply of pre-cast concrete pipes to Singapore Deep Tunnel Sewerage Phase 2 project for S\$23.92 million. The estimated completion period of the sales orders is year 2025; and
- (b) The supply of pre-cast concrete sleepers and tunnel lining segments ("TLS") to Singapore MRT project at aggregate contract value of S\$50.78 million. The estimated completion period of these sales orders is year 2026.

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 2023 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 2023:

Phase 2 of Pan Borneo Highway Sarawak;

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Flood mitigation projects;

Johor-Singapore Rapid Transit System;
Road upgrading works in Johor:

Klang Valley MRT Line 3; 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 in 2023 (i.e. the value of construction contracts to be awarded) to range 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 a continued strong pipeline of public housing projects amid Housing Development Board's (HDB) ramping up of Build-To-Order (BTO) flats supply. Industrial and institutional building construction is expected to contribute strongly to public sector demand, with more projects for the construction of water treatment plants, educational buildings and community clubs. Civil engineering construction demand is anticipated to stay firm with continued support from MRT line construction and other infrastructure works.

Private sector construction demand is projected to be between S\$11 billion and S\$13 billion in 2023, comparable with 2022 figures. Both residential and industrial building construction demand are expected to be similar to last year's level, underpinned by the development of new condominiums and high-specification industrial buildings. Due to the rescheduling of some major projects from 2022 to 2023 as well as the redevelopment of old commercial premises to enhance asset values, commercial building demand is anticipated to increase.

Over the medium-term, BCA expects the total construction demand to reach between \$25 billion and \$32 billion per year from 2024 to 2027.

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 Singapore.

Property Development Division

The Group's on-going 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, is expected to contribute positively to the Group's revenue and profit, with further construction progress and further sales.

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The Group expects to launch Phase 2 of the Bukit Bayu Project, which comprises of 16 units of bungalows, with GDV exceeding RM48 million, in the second half of 2023.

The Group expects to submit its development planning application in relation to few of its land bank for the relevant authorities' approval this year.

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 30.6.2023 RM'000	Cumulative Quarter 6 months ended 30.6.2023 RM'000
(a) interest income	453	879
(b) other income including investment Income	687	999
(c) interest expense	3,895	7,586
(d) depreciation and amortization	6,501	13,540
(e) provision for and write off of receivables	10	10
(f) provision for and write off of inventories	0	0
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	(8)	(44)
(h) impairment of assets	0	0
(i) foreign exchange (gain) or loss	(3,224)	(4,181)
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

B6. Taxation

	Current Quarter 3 months ended 30.6.2023 RM'000	Cumulative Quarter 6 months ended 30.6.2023 RM'000
In respect of the current period		
- Income tax	2,019	3,934
- Deferred tax	(528)	(876)
	1,491	3,058
In respect of prior year		
- Income tax	-	-
- Deferred tax	-	-

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1,491	3,058
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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 on unutilized tax losses and unabsorbed capital allowances were not recognised 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 was completed on 4 April 2023.

- (b) At the Annual General Meeting held on 2 June 2023 ("14th 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 2022 ("FYE 2022 Final Dividend"). The FYE 2022 Final Dividend was paid on 20 July 2023.

B8. Group Borrowings and Debts Securities

The Group's borrowings and debts securities as at 30 June 2023 are as follows:

	Interest rate per annum YTD 2023	As at 30.6.2023 RM'000	As at 30.6.2022 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	1.88% to 4.06%	11,827	5,655
Term loans and revolving credits	5.32% to 6.70%	137,590	77,283
<u>Unsecured:</u>			
IMTN	4.49% to 5.07%	75,000	75,000
		224,417	157,938
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	5.76% to 7.89%	-	-
Hire purchase creditors	1.88% to 4.06%	7,293	11,406
Bankers' acceptance	3.75% to 5.05%	66,987	74,035
Invoice financing	4.55% to 5.40%	44,042	55,524
Term loans and revolving credits	4.92% to 6.26%	36,077	36,063
<u>Unsecured:</u>			
ICP	5.00%	12,860	8,900
		12,860	8,900

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167,259	185,928
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The borrowings are denominated in the following currencies:

	As at 30.6.2023 RM'000	As at 30.6.2022 RM'000
Long term borrowings		
Ringgit Malaysia	224,417	157,938
Short term borrowings		
Ringgit Malaysia	167,259	183,173
Singapore Dollar	-	2,755
	167,259	185,928

All borrowings, other than hire purchase financing, IMTN and ICP which are 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 2022 Final Dividend was approved by the Shareholders at the 14th AGM, as detailed in Note B7(b).
- (b) The Board of Directors does not recommend the payment of any interim dividend for the financial quarter ended 30 June 2023.
- (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 2021.

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

	Current Quarter Ended		Year to-Date Ended	
	30.6.2023	30.6.2022	30.6.2023	30.6.2022
Profit/(loss) attributable to owners of the Company (RM'000)	100	8,865	512	2,779
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

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Adjusted weighted average number of ordinary shares in issue ('000)	353,358	353,358	353,358	353,358
Basic earnings/(loss) per share ("BELPS") (Sen)	0.03	2.51	0.14	0.79
Diluted earnings/(loss) per share ("DELPS") (Sen)	0.03	2.51	0.14	0.79

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

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