

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the Second Quarter Ended 30 June 2017

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/06/2017 RM'000	Preceding Year Quarter 30/06/2016 RM'000	Current Year To Date 30/06/2017 RM'000	Preceding Year To Date 30/06/2016 RM'000
Revenue	194,798	246,355	364,977	481,150
Cost of sales	(165,212)	(206,033)	(309,309)	(404,957)
Gross profit	29,586	40,322	55,668	76,193
Other income	1,879	2,273	5,163	4,720
Selling and administrative expenses	(10,113)	(9,176)	(18,225)	(23,276)
Finance costs	(1,535)	(2,110)	(3,078)	(4,299)
Share of profit of joint ventures	153	(264)	289	422
Profit before tax	19,970	31,045	39,817	53,760
Income tax expense	(5,173)	(6,924)	(9,638)	(12,536)
Profit net of tax	14,797	24,121	30,179	41,224
Other comprehensive income	(10)	(8)	(16)	5
Total comprehensive income for the period	14,787	24,113	30,163	41,229
Profit attributable to :				
Owners of the Company	14,795	24,121	30,176	41,224
Non-controlling interests	2	-	3	-
	14,797	24,121	30,179	41,224
Earnings Per Share (Sen)				
- Basic (2)	4.77	8.03	9.73	13.72
- Diluted (2)	4.54	7.91	9.29	13.68
Total comprehensive income attributable to :				
Owners of the Company	14,785	24,113	30,160	41,229
Non-controlling interests	2	-	3	-
	14,787	24,113	30,163	41,229

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 2016 and the accompanying notes attached to the interim financial statements.

(2) Please refer to Note B12 for details.

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statements of Financial Position
As at 30 June 2017

	Unaudited As at 30/06/2017 RM'000	Audited As at 31/12/2016 RM'000
Assets		
Non- current assets		
Property, plant and equipment	178,523	155,787
Land held for property development	68,825	51,766
Investment properties	5,656	5,637
Other investments	277	256
Investment in joint ventures	17,880	17,291
	<u>271,161</u>	<u>230,737</u>
Current assets		
Properties held for sale	1,829	1,829
Property Development costs	31,443	54,157
Inventories	47,741	18,445
Trade and other receivables	421,481	466,754
Other current assets	120,530	134,251
Cash and bank balances	88,724	79,025
	<u>711,748</u>	<u>754,461</u>
TOTAL ASSETS	<u><u>982,909</u></u>	<u><u>985,198</u></u>
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	13,011	10,676
Loans and borrowings	38,493	47,373
Trade and other payables	269,807	284,582
Other current liability	34,124	33,076
	<u>355,435</u>	<u>375,707</u>
Net current assets	<u>356,313</u>	<u>378,754</u>
Non-current liabilities		
Loans and borrowings	74,801	67,662
Deferred tax liabilities	3,412	2,566
	<u>78,213</u>	<u>70,228</u>
TOTAL LIABILITIES	<u>433,648</u>	<u>445,935</u>
Net assets	<u>549,261</u>	<u>539,263</u>
Equity		
Share capital	155,145	155,145
Share premium	47,971	47,971
Treasury shares	(24)	(24)
Other reserves	34,800	34,816
Retained earnings	311,368	301,357
Equity attributable to owners of the Company	<u>549,260</u>	<u>539,265</u>
Non-controlling interests	1	(2)
Total equity	<u>549,261</u>	<u>539,263</u>
TOTAL EQUITY AND LIABILITIES	<u><u>982,909</u></u>	<u><u>985,198</u></u>
Net Assets Per Share Attributable to owners of the Company (RM)	1.77	1.74

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 2016 and the accompanying notes attached to the interim financial statements.

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Cash Flow
For The Period Ended 30 June 2017

	Current Year To Date 30/06/2017 RM'000	Preceding Year To Date 30/06/2016 RM'000
Operating activities		
Profit before tax	39,817	53,760
Adjustment for :		
Unrealised foreign exchange loss	5,104	312
Depreciation	10,959	9,680
Bad debts recovered	(809)	(211)
Impairment of goodwill	-	3
Net fair value profit on investment securities	(19)	-
Gain on disposal of property, plant and equipment	(1,318)	(26)
Fixed asset written off	43	10
Interest expenses	1,691	2,650
Interest income	(911)	(709)
Share of profit of joint ventures	(289)	(422)
Operating cash flows before changes in working capital	<u>54,268</u>	<u>65,047</u>
<u>Changes in working capital</u>		
Development property	22,714	(2,185)
Inventories	(29,295)	1,532
Receivables	64,249	(2,583)
Other current assets	9,620	(30,437)
Payables	(54,792)	(13,742)
Other current liabilities	1,048	(2,808)
Cash flows generated from operations	<u>67,812</u>	<u>14,824</u>
Interest paid	(1,691)	(2,650)
Tax paid	(6,456)	(5,877)
Interest received	911	709
Net cash flows generated from operating activities	<u>60,576</u>	<u>7,006</u>
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(17,059)	(755)
Purchase of property, plant and equipment	(16,548)	(3,448)
Proceeds from disposal of property, plant & equipment	1,386	55
Additional expenditure incurred on investment property	(19)	(10)
Investment in joint venture company	(300)	(1,020)
Net cash flows used in investing activities	<u>(32,540)</u>	<u>(5,178)</u>
Financing activities		
Repayment of loans and borrowings	(13,402)	(14,847)
Repayment to hire purchase creditors	(2,073)	(4,064)
Net cash flows used in financing activities	<u>(15,475)</u>	<u>(18,911)</u>
Net increase/(decrease) in cash and cash equivalents	12,561	(17,083)
Effects of exchange rate changes on cash and cash equivalents	662	(176)
Cash and cash equivalents at beginning of financial period	<u>68,960</u>	<u>83,311</u>
Cash and cash equivalents at end of financial period	<u>82,183</u>	<u>66,052</u>
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	88,724	71,752
Bank overdrafts (included within short term borrowings)	(6,541)	(5,700)
	<u>82,183</u>	<u>66,052</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 2016 and the accompanying notes attached to the interim financial statements

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Changes in Equity
As at 30 June 2017

	Attributable to owners of the Company					Distributable	Sub-Total
	Non-distributable						
	Share capital	Share premium	Treasury shares	Warrants reserve	Foreign currency translation reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
YTD ended 30 June 2017							
Balance At 1/1/2017	155,145	47,971	(24)	34,866	(50)	301,357	539,265
Total comprehensive income for the period	-	-	-	-	(16)	30,179	30,163
<u>Transactions with owner</u>							
Dividend payment (as detailed in Note B11)						(20,168)	(20,168)
At 30/06/2017	155,145	47,971	(24)	34,866	(66)	311,368	549,260
YTD ended 30 June 2016							
Balance At 1/1/2016	150,281	37,795	(24)	34,865	(44)	236,868	459,741
Total comprehensive income for the period	-	-	-	-	4	41,224	41,228
<u>Transactions with owner</u>							
Dividend payment (as detailed in Note B11)						(17,431)	(17,431)
At 30/06/2016	150,281	37,795	(24)	34,865	(40)	260,661	483,538

(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 2016 and the accompanying notes attached to the interim financial statements

NOTES TO THE REPORT

PART A – EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL REPORTING STANDARDS (“FRS”) 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and Appendix 9B Part A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2016.

The interim financial report 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 FRSs.

A2. Changes in accounting policies

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2016, except for the adoption of the following new Financial Reporting Standards (“FRSs”) and Amendments to FRSs (“Amendments”) with effect from 1 January 2017:

FRS 107 Disclosures Initiatives (Amendments to FRS 107)
FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)
Amendments to FRS 12: Disclosure of Interests in Other Entities

The adoption of the above FRSs and Amendments will not have material impact on the financial statements of the Group other than as discussed below:

FRS 107 Disclosures Initiatives (Amendments to FRS 107)

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Application of these amendments will result in additional disclosures to be provided by the Group and the Company.

The Group has not adopted the Malaysian Financial Reporting Standards (MFRS) in this interim financial report as the Group falls within the scope of IC Interpretation 15 Agreements for Construction of Real Estate, thereby the adoption of the MFRS will be deferred.

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 2016.

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 significant 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.

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 not provided for as at 30 June 2017 are as follows:

	RM'000
Approved and contracted for	<u>24,874</u>

The capital commitment is mainly for the purchase of heavy machineries including road rollers, motor graders, and excavators to meet the requirements of construction projects, in particular the Pan Borneo Highway project in Sarawak, and moulds for the manufacturing of pre-cast concrete products.

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM33.81 million during the financial period-to-date, mainly incurred for the purchase of site vehicles, heavy machineries including road rollers, motor graders and excavators to meet the requirements of construction projects, and crusher plant and premix plant for quarry operation.

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

A12. 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 Jun 2017:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	312,260	42,310	10,343	64	0	364,977
Inter-segment sales	489	6,582	376	20,143	(27,590)	0
Total revenue	<u>312,749</u>	<u>48,892</u>	<u>10,719</u>	<u>20,207</u>	<u>(27,590)</u>	<u>364,977</u>
RESULTS						
Profit from operations	38,478	13,355	2,059	20,207	(18,431)	55,668
Other operating income						5,163
Selling and administrative expenses						(18,225)
Finance costs						(3,078)
Share of profit of a joint venture						289
Profit before tax						<u>39,817</u>
Income tax expense						<u>(9,638)</u>
Profit net of tax						<u>30,179</u>
Segment Assets	592,920	257,867	140,866	260,396	(269,140)	982,909
Segment Liabilities	281,416	132,203	83,130	22,246	(85,347)	433,648

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

The segment revenue and results for the financial period ended 30 June 2016:

REVENUE	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
External sales	369,923	107,126	4,087	14	0	481,150
Inter-segment sales	3,828	610	378	13,954	(18,770)	0
Total revenue	373,751	107,736	4,465	13,968	(18,770)	481,150
RESULTS						
Profit from operations	39,318	36,071	237	13,968	(13,401)	76,193
Other operating income						4,720
Selling and administrative expenses						(23,276)
Finance costs						(4,299)
Share of profit of a joint venture						422
Profit before tax						53,760
Income tax expense						(12,536)
Profit net of tax						41,224
Segment Assets	566,120	273,160	142,594	243,466	(261,163)	964,177
Segment Liabilities	294,094	158,796	99,936	19,178	(91,365)	480,639

A13. 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 2017, 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.

A14. Changes in composition of the group

Save as disclosed below, there were no changes in the composition of the Group during the current financial year up to the LPD:

- On 2 May 2017, KLSB incorporated a 40%-owned joint venture company namely, JBB Kimlun Sdn Bhd.

A15. Contingent liabilities or contingent assets

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

A16. Significant Related Party Transactions

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

Nature of Transactions	Transaction Value Based on Billings (RM'000)	Balance outstanding as at 30 Jun 2017 (RM'000)
Provision of construction services to a company in which the Company's director, Pang Tin @ Pang Yon Tin has substantial financial interest	696	696

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

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

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		1st Quarter 31/03/2017 RM'000	2nd quarter compare to 1st quarter	
	Current Year Quarter 30/06/2017 RM'000	Preceding Year Quarter 30/06/2016 RM'000	Amount RM'000	%	Current Year To Date 30/06/2017 RM'000	Preceding Year To Date 30/06/2016 RM'000	Amount RM'000	%		Amount RM'000	%
Revenue											
Construction	166,422	186,318	(19,896)	-10.7%	312,749	373,751	(61,002)	-16.3%	146,327	20,095	13.7%
Manufacturing & Trading	23,933	59,910	(35,977)	-60.1%	48,892	107,736	(58,844)	-54.6%	24,959	(1,026)	-4.1%
Property Development	8,817	1,915	6,902	360.4%	10,719	4,465	6,254	140.1%	1,902	6,915	363.6%
Investment	19,723	10,969	8,754	79.8%	20,207	13,968	6,239	44.7%	484	19,239	3975.0%
Elimination	(24,097)	(12,757)	(11,340)	88.9%	(27,590)	(18,770)	(8,820)	47.0%	(3,493)	(20,604)	589.9%
Consolidated revenue	194,798	246,355	(51,557)	-20.9%	364,977	481,150	(116,173)	-24.1%	170,179	24,619	14.5%
Gross profit ("GP")											
Construction	21,367	19,287	2,080	10.8%	38,478	39,318	(840)	-2.1%	17,111	4,256	24.9%
Manufacturing & Trading	5,269	20,725	(15,456)	-74.6%	13,355	36,071	(22,716)	-63.0%	8,086	(2,817)	-34.8%
Property Development	1,581	108	1,473	1363.9%	2,059	237	1,822	768.8%	478	1,103	230.8%
Investment	19,723	10,969	8,754	-79.8%	20,207	13,968	6,239	44.7%	484	19,239	3975%
Elimination	(18,354)	(10,767)	(7,587)	70.5%	(18,431)	(13,401)	(5,030)	37.5%	(77)	(18,277)	23736%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

	Individual Quarter (2nd Quarter)		Changes		Cumulative Period		Changes		1st Quarter 31/03/2017 RM'000	2nd quarter compare to 1st quarter	
	Current Year Quarter 30/06/2017 RM'000	Preceding Year Quarter 30/06/2016 RM'000	Amount RM'000	%	Current Year To Date 30/06/2017 RM'000	Preceding Year To Date 30/06/2016 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	29,586	40,322	(10,736)	-26.6%	55,668	76,193	(20,525)	-26.9%	26,082	3,504	13.4%
GP margin											
Construction	12.8%	10.4%			12.3%	10.5%			11.7%		
Manufacturing & Trading	22.0%	34.6%			27.3%	33.5%			32.4%		
Property Development	17.9%	5.6%			19.2%	5.3%			25.1%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	15.2%	16.4%			15.3%	15.8%			15.3%		
Other income	1,880	2,273	(393)	-17.3%	5,163	4,720	443	9.4%	3,283	(1,403)	-42.7%
Selling & administrative expenses	(10,114)	(9,176)	(938)	10.2%	(18,225)	(23,276)	5,051	-21.7%	(8,111)	(2,003)	24.7%
Finance costs	(1,535)	(2,110)	575	-27.3%	(3,078)	(4,299)	1,221	-28.4%	(1,543)	8	-0.5%
Share of profit of joint ventures	153	(264)	417	158.0%	289	422	(133)	-31.5%	136	17	12.5%
Profit before tax	19,970	31,045	(11,075)	-35.7%	39,817	53,760	(13,943)	-25.9%	19,847	123	0.6%
Profit net of tax	14,797	24,121	(9,324)	-38.7%	30,179	41,224	(11,045)	-26.8%	15,382	(585)	-3.8%

B1. Operating Segments Review

2nd Quarter (“Q2”) financial year ending/ended 31 December (“FY”) 2017 v Q2 FY2016, year to date FY2017 (“YTD 2017”) v year to date FY2016 (“YTD 2016”)

Lower revenue was recorded in Q2 FY2017 and YTD2017 due to lower revenue achieved by the construction and manufacturing divisions despite of the amount of balance orders in hand carried forward from FY2016 was higher vis-à-vis the amount of balance order in hand carried forward from FY2015, as follows:

	Balance orders in hand carried forward from	
	FY2016	FY2015
Construction	RM1.67 billion	RM0.94 billion
Manufacturing	RM0.26 billion	RM0.17 billion

This is mainly due to:

- (i) the substantial completion of some larger size construction projects in FY2016 while the construction activities of most of the new larger size projects secured during FY2016 are either yet to reach their peak level or at early stage; and
- (ii) the completion of the tunnel lining segments (“TLS”) supply orders for Singapore’s underground power transmission network in FY2016 and Singapore MRT Thomson Line during the preceding quarter, while the supply of TLS and segmental box girders (“SBG”) for Klang Valley Mass Rapid Transit system (“KVMRT”) line 2 project (“KVMRT2”) will only pick up in the later part of FY2017.

The property development division recorded revenue of RM8.80 million in Q2 FY2017, attributable to more completed houses were sold during the quarter.

For YTD 2017, revenue of the investment division was derived from dividend income and interest income received from other divisions, and interest income generated from deposits placed with financial institutions.

For Q2 FY2017 and YTD 2017, the Group’s gross profit margin declined compared to last year’s corresponding period due to lower gross profit margin achieved by the manufacturing division, partly offset by the improvement in the gross profit margin of the construction and property development divisions.

The decline in gross profit margin of the manufacturing and trading division during the period was mainly due to:

- (i) lower revenue achieved by pre-cast concrete products sub-division while fixed overhead increased on incurrance of capital expenditures and additional recruitment to meet the production requirements of new orders; and
- (ii) approximately 20% of the manufacturing revenue was contributed by the new quarry products sub-division which earned lower gross profit margin compared to the pre-cast concrete products sub-division

The improvement in gross profit margin of the construction division was mainly due to projects mix with higher composition of better margin projects.

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

The improvement in gross profit margin of the property development division was mainly due to better margin products were sold during the period.

On the back of lower revenue, the Group's gross profit decreased by approximately 26% in Q2 FY2017 and YTD 2017 compared to last year's corresponding period.

The increase in the selling and administrative expenses in Q2 FY2017 was mainly due to foreign exchange loss of RM1.53 million, compared to foreign exchange gains of RM2.20 million recorded in Q2 FY2016, attributable to Ringgit Malaysia strengthening against the Singapore Dollar, and partly offset by lower carriage outward incurred in Q2 FY2017 in line with lower delivery of finished goods to customers.

The decline in the selling and administrative expenses in YTD 2017 was mainly due to lower carriage outward incurred in YTD 2017 in line with lower delivery of finished goods to customers.

Finance costs were lower due to lower utilization of banking facilities while stronger cash inflow was generated from operating activities.

(c) Group Cash Flow Review

For YTD 2017, the Group registered net cash inflow from operating activities of RM60.58 million. Net cash used in investing activities of RM32.54 million was mainly due to the completion of the acquisition of the lease over the last of the two parcels of freehold land as detailed in Note B7, and capital expenditures as detailed in Note A11. Net cash used in financing activities of RM15.48 million was mainly for the repayment of loans and borrowings in accordance with the schedule of repayments.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q1 FY2017)

The Group recorded higher revenue and gross profit in Q2 FY2017 compared to the Q1 FY2017, mainly attributable higher revenue achieved by the construction division on further construction progress of projects in hand, and improvement in gross profit margin due to reason explained in Section B1.

Selling and administrative expenses were higher in Q2 FY2017 mainly due to foreign exchange loss of RM1.53 million, compared to foreign exchange gains of RM1.22 million recorded in Q1 FY2017, attributable to Ringgit Malaysia strengthening against the Singapore Dollar, partly offset by the recovery of bad debts of RM0.80 million in Q2 FY2017.

Variance in other income was mainly due to gains on disposal of old machineries in Q1 FY2017 of RM1.32 million.

B3. Prospects For 2017

The Group has an estimated construction and manufacturing balance order book of approximately RM1.98 billion and RM0.32 billion respectively as at 30 June 2017, contributed by numerous construction contracts and supply contracts. The balance order book provides a good earnings visibility to the Group and is expected to keep the Group busy for the next 2 years.

Our on-going projects and sales orders comprises of contracts secured from, amongst other, Lebuhraya Borneo Utara Sdn Bhd, MMC Gamuda KVMRT (UGW) Joint Venture, UEM Sunrise Bhd

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

Group, IGB Corporation Bhd Group, 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 SBG and TLS to KVMRT Line 2, with aggregate contract value of approximately RM252 million (collectively “KVMRT2 Supply Contracts”). The supplies of products under these contracts are expected to be completed in 2019; and
- (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 (“Project”). The estimated completion period of the Project is end June 2020; and
- (c) The construction of 5 blocks of Selangorku affordable apartments in Mukim Petaling, Selangor at contract sum of RM165.82 million. The project is expected to be completed in April 2019.

The Board is optimistic that the construction sector of Malaysia and Singapore will continue to be vibrant in 2017, thus offer order book replenishment prospects.

Malaysian Construction Sector

The sector is expected to benefit from the construction projects to be rolled out under the 11th Malaysia Plan (“11MP”) 2016-2020 (“Plan Period”). The construction sector is estimated to expand by 10.3% per annum during the Plan Period, attributable to continued civil engineering works and a growing residential subsector to fulfil the demand for housing, particularly from the middle-income group.

The Malaysian Government has allocated RM260 billion for development expenditure under the 11MP, up 13% as compared to 10th Malaysia Plan. The Group has secured the following contracts under the 11MP, which will keep the Group busy for the next few years:

- (a) The KVMRT 2 Supply Contracts; and
- (b) The PBH

With the strong track record in various types of construction works, and the supply of pre-cast concrete components to KVMRT Line 1 and Singapore MRT projects, the Group will compete for potential contracts from civil engineering projects such as the Light Rail Transit Line 3 (“LRT3”), the Malaysia-Singapore High Speed Rail and Pan Borneo Highway Sabah, when opportunities arise. In addition, the Group will continue to seek for business opportunities from private sector’s projects.

Singapore Construction Sector

The total construction demand is projected to be between \$28 billion to \$35 billion in 2017. The public sector is expected to contribute about 70% of the total construction demand, boosted by an increase in demand for most building types and civil engineering works. This year’s projects include new public housing projects, JTC’s Logistics Hub @ Gul, and mega public sector infrastructure projects which include the second phase of the Deep Tunnel Sewerage System, North-South Corridor Expressway and MRT Circle Line 6.

The average construction demand is projected to be between \$26 billion and \$35 billion per annum in 2018 and 2019. Public sector construction demand is projected to be between \$18

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

billion and \$23 billion per annum, with similar proportions of demand coming from building projects and civil engineering works. Upcoming mega infrastructure projects include the construction of new MRT lines and various infrastructure developments for Changi Airport Terminal 5.

SPC supplies TLS to Singapore MRT projects since 2006. It secured approximately 40% of the total TLS orders of the recently opened Downtown Line 2, the on-going Downtown Line 3 and Thomson Line.

Further, SPC has been a frequent supplier of jacking pipes to various sewerage projects in Singapore.

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

The completed Hyve SOHO and offices development in Cyberjaya, Selangor, and the Taman Puteri residential development in Pekan Nenas, Johor, with total unsold stocks worth RM47 million will continue to contribute to the Group's revenue in 2017 with further sales. There is no other on-going development carry out by the Group on its land bank totalling 155 acres.

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 30.6.2017 RM'000	Cumulative Quarter 6 months ended 30.6.2017 RM'000
(a) interest income	451	911
(b) other income including investment Income	1,434	2,934
(c) interest expense	844	1,691
(d) depreciation and amortization	5,819	10,959
(e) provision for and write off of receivables	0	0
(f) provision for and write off of inventories	0	0
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	6	(1,318)
(h) impairment of assets	24	24
(i) foreign exchange (gain) or loss	1,527	306
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

B6. Taxation

	Current Quarter 3 months ended 30.6.2017 RM'000	Cumulative Quarter 6 months ended 30.6.2017 RM'000
In respect of the current period		
- Income tax	4,679	8,792
- Deferred tax	358	1,192
	5,037	9,984
In respect of prior year		
- Income tax	-	-
- Deferred tax	136	(346)
	5,173	9,638

The effective tax rate for the financial year to date was higher than the statutory rate applicable to the Group as certain expenses were disallowed for tax deduction under tax regulations.

B7. Status of Corporate Proposals

- (a) On 28 March 2013, the Company's wholly-owned subsidiary, Kimlun Medini Sdn Bhd entered into a conditional lease purchase agreement ("LPA") with Medini Land Sdn Bhd for the acquisition of 99-year lease over two parcels of contiguous freehold land with a total land area measuring 5.31 acres in Mukim of Pulai, District of Johor Bahru, Johor for a total cash consideration of RM31.06 million.

The LPA was declared unconditional on 11 April 2013. The acquisition of the lease has been completed in Mar 2017.

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

At the Annual General Meeting held on 13 June 2017 ("8th AGM"), the Shareholders approved the declaration of a final single tier dividend of RM0.065 per ordinary share in Kimlun ("Kimlun Share(s)") in respect of the financial year ended 31 December 2016 ("FYE 2016 Final Dividend"), and the issuance of new Kimlun Shares ("New Shares") pursuant to the application of DRP thereto.

Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 16 May 2017, approved the listing and quotation of up to 12,500,000 New Shares to be issued pursuant to the DRP, subject to the following conditions ("Conditions"):-

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

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

A total of 9,199,803 New Shares were issued and allotted at RM2.00 per New Share on 8 August 2017 pursuant to the DRP in relation to the FYE 2016 Final Dividend. The electable portion of the FYE 2016 Final Dividend which was not reinvested in New Shares was paid on 8 August 2017. Kimlun and RHBIB had complied with all the Conditions.

B8. Group Borrowing and Debts Securities

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

	Interest rate per annum YTD 2017	As at 30.6.2017 RM'000	As at 30.6.2016 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	2.27% to 3.40%	21,974	8,466
Term loans	4.90% to 6.65%	52,827	63,436
		74,801	71,902
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	5.35% to 8.15%	6,541	5,700
Hire purchase creditors	2.27% to 3.40%	10,986	7,448
Bankers' acceptance	4.20% to 4.58%	7,735	28,907
Term loans	4.90% to 6.65%	13,231	22,773
		38,493	64,828

All the borrowings are denominated in RM. All borrowings, other than hire purchase financing which is based on fixed interest rate, are based on floating interest rate.

B9. Material Litigation

There was no material litigation as at the LPD.

B10. Realised and Unrealised Profits

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits below is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities.

	Group 30.6.2017 RM'000	Group 31.12.2016 RM'000
Total retained earnings		
- Realised	321,475	305,230
- Unrealised	<u>(4,804)</u>	<u>3,057</u>
	316,671	308,287
Less : Consolidation adjustments	<u>(5,303)</u>	<u>(6,929)</u>
Total Group retained earnings as per consolidated accounts	<u>311,368</u>	<u>301,358</u>

B11. Dividends

- (a) The FYE 2016 Final Dividend was approved by the shareholders at the 8th AGM, as detailed in Note B7(b).
- (b) The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 30 June 2017.
- (c) Dividend declared during the previous year's corresponding period:

A final single-tier dividend of 5.8 sen per share in respect of the financial year ended 31 December 2015.

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2017

B12. Earnings Per Share (“EPS”)

	Current Quarter Ended		Year to-Date Ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Profit attributable to owners of the Company (RM'000)	14,795	24,121	30,176	41,224
Weighted average number of ordinary shares in issue ('000)	310,270	300,543	310,270	300,543
Assumed shares issued from the exercise of warrants ('000)	15,623	4,317	14,636	707
Adjusted weighted average number of ordinary shares in issue ('000)	325,893	304,860	324,906	301,250
Basic earnings per share (Sen)	4.77	8.03	9.73	13.72
Diluted earnings per share (Sen)	4.54	7.91	9.29	13.68

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.