

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the Fourth Quarter Ended 31 December 2017

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31/12/2017 RM'000	Preceding Year Quarter 31/12/2016 RM'000	Current Year To Date 31/12/2017 RM'000	Preceding Year To Date 31/12/2016 RM'000
Revenue	372,134	235,352	985,190	940,677
Cost of sales	(326,449)	(191,648)	(847,170)	(790,040)
Gross profit	45,685	43,704	138,020	150,637
Other income	2,077	2,493	8,819	9,481
Selling and administrative expenses	(15,629)	(13,650)	(49,973)	(47,289)
Finance costs	(2,243)	(1,681)	(7,138)	(7,831)
Share of profit of joint ventures	87	2,387	394	3,973
Profit before tax	29,977	33,253	90,122	108,971
Income tax expense	(5,838)	(9,068)	(21,574)	(27,052)
Profit net of tax	24,139	24,185	68,548	81,919
Other comprehensive income	(4)	(5)	(21)	(5)
Total comprehensive income for the period	24,135	24,180	68,527	81,914
Profit attributable to :				
Owners of the Company	24,289	24,187	68,694	81,921
Non-controlling interests	(150)	(2)	(146)	(2)
	24,139	24,185	68,548	81,919
Earnings Per Share (Sen)				
- Basic (2)	7.59	7.80	21.87	26.77
- Diluted (2)	7.23	7.48	20.87	26.27
Total comprehensive income attributable to :				
Owners of the Company	24,284	24,182	68,673	81,916
Non-controlling interests	(149)	(2)	(146)	(2)
	24,135	24,180	68,527	81,914

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 31 December 2017

	Unaudited As at 31/12/2017 RM'000	Audited As at 31/12/2016 RM'000
Assets		
Non- current assets		
Property, plant and equipment	206,149	155,787
Land held for property development	69,563	51,766
Investment properties	8,212	5,637
Other investments	370	256
Investment in joint ventures	17,985	17,291
	<u>302,279</u>	<u>230,737</u>
Current assets		
Properties held for sale	1,829	1,829
Property Development costs	32,040	54,157
Inventories	73,886	18,445
Trade and other receivables	431,217	466,754
Other current assets	239,563	134,251
Cash and bank balances	86,572	79,025
	<u>865,107</u>	<u>754,461</u>
TOTAL ASSETS	<u>1,167,386</u>	<u>985,198</u>
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	12,357	10,676
Loans and borrowings	46,032	47,373
Trade and other payables	385,972	284,582
Other current liability	31,020	33,076
	<u>475,381</u>	<u>375,707</u>
Net current assets	<u>389,726</u>	<u>378,754</u>
Non-current liabilities		
Loans and borrowings	83,570	67,662
Deferred tax liabilities	433	2,566
	<u>84,003</u>	<u>70,228</u>
TOTAL LIABILITIES	<u>559,384</u>	<u>445,935</u>
Net assets	<u>608,002</u>	<u>539,263</u>
Equity		
Share capital	175,847	155,145
Share premium	47,971	47,971
Treasury shares	(24)	(24)
Other reserves	34,183	34,816
Retained earnings	349,873	301,357
Equity attributable to owners of the Company	<u>607,850</u>	<u>539,265</u>
Non-controlling interests	152	(2)
Total equity	<u>608,002</u>	<u>539,263</u>
TOTAL EQUITY AND LIABILITIES	<u>1,167,386</u>	<u>985,198</u>
Net Assets Per Share Attributable to owners of the Company (RM)	1.90	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 31 December 2017

	31/12/2017	31/12/2016
Operating activities		
Profit before tax	90,122	108,971
Unrealised foreign exchange loss/(gain)	7,258	(1,172)
Depreciation	26,648	19,451
Allowance for impairment on trade receivables	11,635	1,440
Reversal of allowance for impairment on trade receivables	(809)	(608)
Impairment of goodwill	-	3
Net fair value (profit)/loss on investment securities	(115)	212
Gain on disposal of property, plant and equipment	(1,409)	(92)
Fixed asset written off	51	31
Interest expenses	4,227	4,754
Interest income	(1,707)	(1,380)
Share of profit of joint ventures	(394)	(3,973)
Operating cash flows before changes in working capital	135,507	127,637
Changes in working capital		
Development property	22,118	19,252
Inventories	(55,441)	3,011
Receivables	23,336	(21,294)
Other current assets	(109,972)	4,023
Payables	100,516	(17,643)
Other current liabilities	(2,057)	(7,565)
Cash flows generated from operations	114,007	107,421
Interest paid	(4,227)	(4,754)
Tax paid	(22,028)	(17,195)
Interest received	1,707	1,380
Net cash flows generated from operating activities	89,459	86,852
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(17,798)	(22,071)
Purchase of property, plant and equipment	(18,764)	(14,947)
Proceeds from disposal of property, plant & equipment	2,391	121
Purchase of investment property and additional expenditure incurred on investment property	(2,575)	(5,310)
Investment in joint venture company	(300)	(4,020)
Purchase of Investment Securities	-	(385)
Net cash flows used in investing activities	(37,046)	(46,612)
Financing activities		
Proceeds from issuance of shares	20,172	15,272
Share issuance expense	(83)	(232)
Proceeds from issuance of shares by a subsidiary to non-controlling interests	300	-
Dividend paid	(20,178)	(17,431)
Repayment of loans and borrowings	(19,422)	(42,801)
Repayment to hire purchase creditors	(15,224)	(9,942)
Net cash flows used in financing activities	(34,435)	(55,134)
Net increase/(decrease) in cash and cash equivalents	17,978	(14,894)
Effects of exchange rate changes on cash and cash equivalents	(366)	543
Cash and cash equivalents at beginning of financial period	68,960	83,311
Cash and cash equivalents at end of financial period	86,572	68,960
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	86,572	79,025
Bank overdrafts (included within short term borrowings)	-	(10,065)
	86,572	68,960

Attributable to owners of the Company								
<----- Non-distributable ----->					Distributable		Non-controlling interest	Total Equity
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	RM'000	RM'000
155,145	47,971	(24)	34,866	(50)	301,357	539,265	(2)	539,263
-	-	-	-	(21)	68,694	68,673	(146)	68,527
							300	300
20,784	-	-	(612)	-	-	20,172	-	20,172
(82)	-	-	-	-	-	(82)	-	(82)
					(20,178)	(20,178)	-	(20,178)
175,847	47,971	(24)	34,254	(71)	349,873	607,850	152	608,002
150,281	37,795	(24)	34,866	(44)	236,868	459,742	-	459,742
-	-	-	-	(6)	81,920	81,914	(2)	81,912
4,864	10,408	-	-	-	-	15,272	-	15,272
-	(232)	-	-	-	-	(232)	-	(232)
-	-	-	-	-	(17,431)	(17,431)	-	(17,431)
155,145	47,971	(24)	34,866	(50)	301,357	539,265	(2)	539,263

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 FRSSs.

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 save for the issuance of the following new ordinary shares in the Company ("New Shares"):

- (i) 9,199,803 New Shares pursuant to the dividend reinvestment plan ("DRP"), as detailed in Note B7(f); and
- (ii) 1,055,200 New Shares for cash arose from the exercise of 1,055,200 units of the 2014/2024 warrants issued by the Company, at the exercise price of RM1.68 per warrant. Balance of 2014/2024 warrants which have yet to be exercised at the end of the financial period were 59,057,300 units.

A8. Dividend Paid

The final single-tier dividend of 6.5 sen per share in respect of the financial year ended 31 December 2016 was paid on 8 August 2017.

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 31 December 2017 are as follows:

	RM'000
Approved and contracted for	<u>20,319</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 production of pre-cast concrete components.

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM78.04 million during the financial period-to-date, mainly incurred for the purchase of site vehicles, heavy machineries including road rollers, motor graders, compactor and excavators to meet the requirements of construction projects, and crusher plant and premix plant for 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 20 February 2018, 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

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

Date of incorporation	Company incorporated	The Company's effective shareholding
2 May 2017	JBB Kimlun Sdn Bhd	40%
12 October 2017	Kiiville Sdn Bhd	100%
6 November 2017	Kii Morris Sdn Bhd	100%
6 November 2017	Kii Ashbury Sdn Bhd	100%

A14. Contingent liabilities or contingent assets

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

A15. Significant Related Party Transactions

The Group had the following significant 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 31 December 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	11,369	3,252

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 31 DECEMBER 2017****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 31 December 2017:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	871,096	97,966	15,830	298	0	985,190
Inter-segment sales	1,329	20,499	(117)	21,096	(42,807)	0
Total revenue	872,425	118,465	15,713	21,394	(42,807)	985,190
RESULTS						
Profit from operations	105,576	26,855	3,123	21,394	(18,928)	138,020
Other operating income						8,819
Selling and administrative expenses						(49,973)
Finance costs						(7,138)
Share of profit of a joint venture						394
Profit before tax						90,122
Income tax expense						(21,574)
Profit net of tax						68,548
Segment Assets	742,390	291,555	146,810	259,394	(272,763)	1,167,386
Segment Liabilities	395,818	162,736	64,488	586	(64,244)	559,384

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2017

The segment revenue and results for the financial period ended 31 December 2016:

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	755,828	178,208	6,567	74	0	940,677
Inter-segment sales	6,154	4,477	(257)	15,052	(25,426)	0
Total revenue	761,982	182,685	6,310	15,126	(25,426)	940,677
RESULTS						
Profit from operations	94,450	55,961	803	15,126	(15,703)	150,637
Other operating income						9,481
Selling and administrative expenses						(47,289)
Finance costs						(7,831)
Share of profit of a joint venture						3,973
Profit before tax						108,971
Income tax expense						(27,052)
Profit net of tax						81,919
Segment Assets	588,418	271,225	146,211	240,286	(260,942)	985,198
Segment Liabilities	285,887	145,742	88,775	1,533	(76,002)	445,935

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2017
PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

	Individual Quarter (4th Quarter)		Changes		Cumulative Period		Changes		3rd Quarter 30/09/2017 RM'000	4th quarter compared to 3rd quarter	
	Current Year Quarter 31/12/2017 RM'000	Preceding Year Quarter 31/12/2016 RM'000	Amount RM'000	%	Current Year To Date 31/12/2017 RM'000	Preceding Year To Date 31/12/2016 RM'000	Amount RM'000	%		Amount RM'000	%
Revenue											
Construction	341,793	203,539	138,254	67.9%	872,425	761,982	110,443	14.5%	217,883	123,910	56.9%
Manufacturing & Trading	37,188	34,778	2,410	6.9%	118,465	182,685	(64,220)	-35.2%	32,385	4,803	14.8%
Property Development	668	332	336	101.2%	15,713	6,310	9,403	149.0%	4,326	(3,658)	-84.6%
Investment	615	588	27	4.6%	21,394	15,126	6,268	41.4%	571	44	7.7%
Elimination	(8,130)	(3,885)	(4,245)	109.3%	(42,807)	(25,426)	(17,381)	68.4%	(7,086)	(1,044)	14.7%
Consolidated revenue	372,134	235,352	136,782	58.1%	985,190	940,677	44,513	4.7%	248,079	124,055	50.0%
Gross profit ("GP")											
Construction	39,070	35,851	3,219	9.0%	105,576	94,450	11,126	11.8%	28,028	11,042	39.4%
Manufacturing & Trading	6,331	8,701	(2,370)	-27.2%	26,855	55,961	(29,106)	-52.0%	7,169	(838)	-11.7%
Property Development	295	383	(88)	-23.0%	3,123	803	2,320	288.9%	769	(474)	-61.6%
Investment	615	589	26	4.4%	21,394	15,126	6,268	41.4%	572	43	7.5%
Elimination	(626)	(1,820)	1,194	-65.6%	(18,928)	(15,703)	(3,225)	20.5%	129	(755)	-585.3%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2017

	Individual Quarter (4th Quarter)		Changes		Cumulative Period		Changes		3rd Quarter 30/09/2017 RM'000	4th quarter compared to 3rd quarter	
	Current Year	Preceding Year			Current Year	Preceding Year					
	Quarter 31/12/2017 RM'000	Quarter 31/12/2016 RM'000	Amount RM'000	%	To Date 31/12/2017 RM'000	To Date 31/12/2016 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	45,685	43,704	1,981	4.5%	138,020	150,637	(12,617)	-8.4%	36,667	9,018	24.6%
GP margin											
Construction	11.4%	17.6%			12.1%	12.4%			12.9%		
Manufacturing & Trading	17.0%	25.0%			22.7%	30.6%			22.1%		
Property Development	44.2%	115.4%			19.9%	12.7%			17.8%		
Investment	100.0%	100.2%			100.0%	100.0%			100.2%		
Consolidated GP margin	12.3%	18.6%			14.0%	16.0%			14.8%		
Other income	2,077	2,493	(416)	-16.7%	8,819	9,481	(662)	(0)	1,579	498	0
Selling & administrative expenses	(15,629)	(13,650)	(1,979)	14.5%	(49,973)	(47,289)	(2,684)	5.7%	(16,119)	490	-3.0%
Finance costs	(2,243)	(1,681)	(562)	33.4%	(7,138)	(7,831)	693	-8.8%	(1,817)	(426)	23.4%
Share of profit of joint ventures	87	2,387	(2,300)	-96.4%	394	3,973	(3,579)	90.1%	18	69	383.3%
Profit before tax	29,977	33,253	(3,276)	-9.9%	90,122	108,971	(18,849)	-17.3%	20,328	9,649	47.5%
Profit net of tax	24,139	24,185	(46)	-0.2%	68,548	81,919	(13,371)	-16.3%	14,230	9,909	69.6%

B1. Operating Segments Review**4th Quarter (“Q4”) financial year ending/ended 31 December (“FY”) 2017 v Q4 FY2016, year to date FY2017 (“YTD 2017”) v year to date FY2016 (“YTD 2016”)**

Revenue recorded in Q4 FY2017 was RM136.78 million or 58.1% higher compared to Q4 FY2016 mainly due to construction revenue increased by RM138.25 million. The improvement in construction revenue was mainly due to contribution of revenue from several new projects began to pick up momentum during the period.

Revenue recorded in YTD 2017 was RM44.51 million or 4.7% higher compared to YTD 2016 mainly due to higher revenue achieved by the construction division, partly offset by the decline in manufacturing and trading (“M&T”) revenue. The improvement in construction revenue was mainly due to 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 tabulated in table 1 below, and the construction activities of several new projects began to pick up momentum during the period.

M&T revenue was lower 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:

Table 1

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

This is mainly due to the completion of the tunnel lining segments (“TLS”) supply orders for Singapore’s underground power transmission network in FY2016 and Singapore MRT Thomson Line in the early part of FY2017, while the delivery of segmental box girders (“SBG”) for Klang Valley Mass Rapid Transit system (“KVMRT”) line 2 project (“KVMRT2”) were minimal during FY2017.

The property development division recorded revenue of RM15.71 million in YTD 2017, attributable to more completed houses were sold during the period.

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.

The Group’s gross profit (“GP”) margin achieved in Q4 FY2017 of 12.3% and YTD 2017 of 14.0% were lower compared to last year’s corresponding period mainly due to lower GP margin achieved by the construction and M&T divisions.

The construction division achieved better GP margin in last year’s corresponding period mainly due to the execution of better margin projects and the recognition of some larger variation orders approved during Q4 FY2016.

The decline in GP margin of the M&T division during the period was mainly due to:

- (i) lower revenue achieved by pre-cast concrete products sub-division; and

- (ii) approximately 22% of the M&T revenue was contributed by the new quarry products sub-division which earned lower GP margin compared to the pre-cast concrete products sub-division

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

On the back of higher revenue, the Group's GP increased by 4.5% in Q4 FY2017 compared to Q4 FY2016. Despite of the higher revenue achieved in YTD 2017, the Group's GP decreased by 8.4% against YTD 2016 due to lower GP margin achieved in YTD 2017.

The selling and administrative expenses in Q4 FY2017 and YTD 2017 increased by RM1.98 million and RM2.68 million respectively, compared to last year's corresponding period. The increase in Q4 FY2017 was mainly due to the increase in provision for doubtful debt ("PDD") by RM4.31million, partly offset by the decrease in carriage outward expenses by RM2.09 million in line with lower delivery of finished goods to customers. The increase in YTD 2017 was mainly due to the increase in PDD by RM10.20 million and variance in foreign exchange difference of RM2.41 million, partly offset by the decrease in carriage outward expenses by RM9.78 million in line with lower delivery of finished goods to customers.

A foreign exchange loss of RM1.23 million was recorded in YTD 2017 compared to foreign exchange gains of RM1.18 million recorded in YTD 2016. The variance in the foreign exchange gains was attributable to the strengthened Ringgit Malaysia against the Singapore Dollar during YTD 2017.

Finance costs were higher in Q4 2017 against Q4 2016 due to the drawdown of hire purchase facilities during Q4 2017 to finance capital expenditures. In contrast, finance costs were lower in YTD 2017 against YTD 2016 due to overall lower utilization of financing facilities during the year as strong cash inflow was generated from operating activities.

Share of profit of joint ventures was lower in YTD 2017 and Q4 FY2017 mainly due to the property development project known as Cyber Bistari (Hyve) ("Hyve") carried out by a joint venture company was completed in FY2016.

Income tax expense was lower in Q4 2017 and YTD 2017, in line with lower profit achieved, and the recognition of certain tax incentives available to the Group.

As a result of lower gross profit, other income and share of profit of joint ventures, coupled with higher expenses incurred, profit before and after tax of Q4 2017 and YTD 2017 were lower than the preceding year's corresponding period.

(c) Group Cash Flow Review

For YTD 2017, the Group registered net cash inflow from operating activities of RM89.46 million. Net cash used in investing activities of RM37.05 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 RM34.43 million was attributable to payment of dividend, repayment of loans and borrowings and hire purchase instalments in accordance with the schedule of repayments, partly offset by net proceeds from issuance of shares.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q3 FY2017)

The Group recorded higher revenue and gross profit in Q4 FY2017 compared to the Q3 FY2017, mainly attributable to higher construction revenue on further construction progress of projects in hand, and M&T revenue as a result of higher revenue generation by quarry products sub-division and from KVMRT2 TLS sales order.

Selling and administrative expenses were lower in Q4 FY2017 mainly due to lower carriage outward incurred in Q4 FY2017.

Higher profit before and after tax was achieved in Q4 FY2017 and YTD 2017 mainly due to higher gross profit earned during the period.

B3. Prospects For 2018

The Group has an estimated construction and manufacturing balance order book of approximately RM1.79 billion and RM0.34 billion respectively as at 31 December 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 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;
- (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 March 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 2018, 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 KVMRT Line 3, Malaysia-Singapore High Speed Rail and Rapid Transit System, 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 \$26 billion to \$31 billion in 2018, up from the \$24.5 billion (preliminary estimate) awarded in 2017.

The projected higher construction demand is due to an anticipated increase in public sector construction demand, which is expected to grow from the \$15.5 billion in 2017 to between \$16 billion and \$19 billion in 2018, contributing to about 60% of 2018's total projected demand. Public construction demand is expected to be boosted by an anticipated increase in demand for institutional and other buildings such as healthcare facilities, and civil engineering works as well as a slate of smaller government projects that have been brought forward in response to the slowdown in the previous years. Projects slated to be awarded this year include new public housing projects, redevelopment of National Skin Centre and Woodlands Integrated Health Campus, and mega infrastructure projects which include the second phase of the Deep Tunnel Sewerage System, North-South Corridor Expressway and new MRT works.

The private sector's construction demand is similarly expected to improve from \$9 billion in 2017 to between \$10 billion and \$12 billion in 2018, on the back of a strengthened overall economic outlook and the upturn in property market sentiment.

The average construction demand is projected to be between \$26 billion and \$33 billion per annum in 2019 and 2020. The public sector will continue to lead demand and is expected to contribute \$16 billion to \$20 billion per annum in 2019 to 2022 with similar proportions of demand coming from building projects and civil engineering works. Besides public housing developments and healthcare and educational facilities, public sector construction demand over the medium-term will continue to be supported by major infrastructure projects which include various developments for Changi Airport Terminal 5 and land transport projects such as the Cross Island Line, Jurong Regional Line, Rapid Transit System and High Speed Rail.

In addition, private sector construction demand is expected to increase gradually in the medium term, boosted by the redevelopment of en-bloc sale sites and the spill-over benefits generated by the improved performance and outlook in other economic sectors.

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 and Taman Puteri residential development in Pekan Nenas, Johor, with total unsold stocks worth RM40 million will continue to contribute to the Group's revenue in 2018 with further sales. There is no other on-going development carried out by the Group on its existing land bank totalling 155 acres and the Group does not expect any new launching until later part of 2018, subject to the sentiment of the property market.

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 31.12.2017 RM'000	Cumulative Quarter 12 months ended 31.12.2017 RM'000
(a) interest income	391	1,707
(b) other income including investment Income	1,595	5,704
(c) interest expense	1,390	4,227
(d) depreciation and amortization	8,445	26,648
(e) provision for and write off of receivables	5,752	11,635
(f) provision for and write off of inventories	0	0
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	(93)	(1,409)
(h) Provision/(reversal) of assets impairment	46	(65)
(i) foreign exchange (gain) or loss	1,022	1,227
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

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B6. Taxation

	Current Quarter 3 months ended 31.12.2017 RM'000	Cumulative Quarter 12 months ended 31.12.2017 RM'000
In respect of the current period		
- Income tax	9,265	23,794
- Deferred tax	(2,956)	(1,332)
	6,309	22,462
In respect of prior year		
- Income tax	0	(87)
- Deferred tax	(471)	(801)
	5,838	21,574

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 March 2017.

- (b) On 20 December 2017, the Company's wholly-owned subsidiary, Kii Morris Sdn Bhd ("KMRSB") entered into a conditional sale and purchase agreement ("KMRSB SPA") with Nusajaya Greens Sdn Bhd ("NGSB") to purchase all that freehold agriculture land held under HS (D) 458296 PTD 166915, in the Mukim of Pulai, District of Johor Bahru, Johor with land area of approximately 11.734 hectares from NGSB for a total cash purchase consideration of RM82,097,421.

The acquisition is pending fulfillment of the conditional precedent of the KMRSB SPA.

- (c) On 28 December 2017, the Company's wholly-owned subsidiary, Kii Ashbury Sdn Bhd ("KASB") entered into a sale and purchase agreement ("KASB SPA") with Meridin East Sdn Bhd ("MESB") 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.

- (d) On 28 December 2017, the Company's wholly-owned subsidiary, Kiiville Sdn Bhd ("KVSB") entered into a sale and purchase agreement ("KT SPA") with Mah Sing Properties Sdn Bhd to purchase all that piece of freehold commercial land held under HS(D) 508921 PTD 185266, Mukim Pulai, Daerah Johor Bahru, Negeri Johor with land area of approximately 20,836.30 square meters from MSPSB for a total cash consideration of RM14,245,867.

The acquisition has yet to be completed.

- (e) On 26 December 2017, the Company's wholly-owned subsidiary, Kimlun Land Sdn Bhd ("KLLSB") entered into a conditional agreement of sale ("MBSB SPA") with Bayu Melati Sdn Bhd on the purchase of the following leasehold properties:

- (i) forty seven vacant detached lots; and
- (ii) thirty units of building lots (each with a double storey detached houses erected thereon),

all in the Mukim Bukit Raja, District of Petaling, Shah Alam, Selangor

The acquisition is pending fulfillment of the conditional precedent of the MBSB SPA.

- (f) 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 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.

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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 2017	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	2.37% to 3.56%	42,075	9,131
Term loans	4.90% to 6.70%	41,495	59,031
		<u>83,570</u>	<u>68,162</u>
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	5.35% to 8.29%	-	5,310
Hire purchase creditors	2.37% to 3.56%	18,687	7,019
Bankers' acceptance	4.15% to 4.58%	8,849	15,409
Term loans	4.90% to 6.70%	18,496	22,062
		<u>46,032</u>	<u>49,800</u>

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 31.12.2017 RM'000	Group 31.12.2016 RM'000
Total retained earnings		
- Realised	357,526	305,252
- Unrealised	(2,627)	3,035
	<u>354,899</u>	<u>308,287</u>
Less : Consolidation adjustments	<u>(5,026)</u>	<u>(6,930)</u>
Total Group retained earnings as per consolidated accounts	<u>349,873</u>	<u>301,357</u>

B11. Dividends

- (a) The Board of Directors recommend the payment of a final single-tier dividend of 5.5 sen per share in respect of the financial year ended 31 December 2017 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM").

The Board has determined that the DRP will apply to the final dividend and shareholders of the Company ("Shareholders") be given an option to reinvest the entire final dividend in new ordinary share(s) in the Company ("Reinvestment Option") ("New Shares"), subject to approvals being obtained from the following:

- (i) Bursa Securities for the listing of and quotation for the New Shares to be issued pursuant to the implementation of the DRP for the final dividend on the Main Market of Bursa Securities;
 - (i) Shareholders in the forthcoming AGM for the declaration of the final dividend and the issuance of such number of New Shares as may be required pursuant to the exercise of the Reinvestment Option by the Shareholders; and
 - (ii) Approval from other relevant authorities and/ or parties, if required.
- (b) The FYE 2016 Final Dividend was approved by the shareholders at the 8th AGM, as detailed in Note B7(f).
- (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.

B12. Earnings Per Share ("EPS")

	Current Quarter Ended		Year to-Date Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Profit attributable to owners of the Company (RM'000)	24,289	24,187	68,694	81,921
Weighted average number of ordinary shares in issue ('000)	319,973	310,270	314,115	306,046
Assumed shares issued from the exercise of warrants ('000)	15,920	13,141	14,987	5,817
Adjusted weighted average number of ordinary shares in issue ('000)	335,893	323,411	329,102	311,863
Basic earnings per share (Sen)	7.59	7.80	21.87	26.77
Diluted earnings per share (Sen)	7.23	7.48	20.87	26.27

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.