

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the Third Quarter Ended 30 September 2018

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/09/2018 RM'000	Preceding Year Quarter 30/09/2017 RM'000	Current Year To Date 30/09/2018 RM'000	Preceding Year To Date 30/09/2017 RM'000
Revenue	262,353	248,079	701,249	613,056
Cost of sales	(231,046)	(212,254)	(618,671)	(523,036)
Gross profit	31,307	35,825	82,578	90,020
Other income	1,795	1,580	6,279	6,742
Selling and administrative expenses	(9,435)	(15,278)	(29,724)	(32,029)
Finance costs	(3,112)	(1,817)	(8,015)	(4,895)
Share of profit of joint ventures	15	18	326	307
Profit before tax	20,570	20,328	51,444	60,145
Income tax expense	(4,828)	(6,098)	(13,278)	(15,736)
Profit net of tax	15,742	14,230	38,166	44,409
Other comprehensive income	3	(1)	(1)	(17)
Total comprehensive income for the period	15,745	14,229	38,165	44,392
Profit attributable to :				
Owners of the Company	15,719	14,230	38,214	44,406
Non-controlling interests	23	-	(48)	3
	15,742	14,230	38,166	44,409
Earnings Per Share (Sen)				
- Basic (2)	4.81	4.51	11.84	14.23
- Diluted (2)	-	4.30	11.72	13.59
Total comprehensive income attributable to :				
Owners of the Company	15,722	14,229	38,213	44,389
Non-controlling interests	23	-	(48)	3
	15,745	14,229	38,165	44,392

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 2017 and the accompanying notes attached to the interim financial statements.

(2) Please refer to Note B11 for details.

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statements of Financial Position
As at 30 September 2018

	Unaudited As at 30/09/2018 RM'000	Audited As at 31/12/2017 RM'000
Assets		
Non- current assets		
Property, plant and equipment	228,949	206,149
Land held for property development	93,836	69,563
Investment properties	7,917	8,002
Other investments	232	370
Investment in joint ventures	18,233	17,985
Deferred tax assets	-	-
	<u>349,167</u>	<u>302,069</u>
Current assets		
Properties held for sale	1,829	1,829
Property Development costs	36,301	32,040
Inventories	173,861	73,886
Trade and other receivables	465,046	412,258
Other current assets	294,045	239,563
Cash and bank balances	36,155	86,572
	<u>1,007,237</u>	<u>846,148</u>
TOTAL ASSETS	<u><u>1,356,404</u></u>	<u><u>1,148,217</u></u>
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	4,799	12,355
Loans and borrowings	134,820	46,032
Trade and other payables	478,133	367,015
Other current liability	3,753	31,020
	<u>621,505</u>	<u>456,422</u>
Net current assets	<u>385,732</u>	<u>389,726</u>
Non-current liabilities		
Loans and borrowings	88,735	83,570
Deferred tax liabilities	4,248	433
	<u>92,983</u>	<u>84,003</u>
TOTAL LIABILITIES	<u>714,488</u>	<u>540,425</u>
Net assets	<u>641,916</u>	<u>607,792</u>
Equity		
Share capital	237,471	223,818
Treasury shares	(24)	(24)
Other reserves	34,122	34,183
Retained earnings	370,243	349,663
Equity attributable to owners of the Company	<u>641,812</u>	<u>607,640</u>
Non-controlling interests	104	152
Total equity	<u>641,916</u>	<u>607,792</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,356,404</u></u>	<u><u>1,148,217</u></u>

Net Assets Per Share Attributable to owners of the
Company (RM)

1.93

1.90

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 2017 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 September 2018

	Current Year To Date 30/09/2018 RM'000	Preceding Year To Date 30/09/2017 RM'000
Operating activities		
Profit before tax	51,444	60,145
Adjustment for :		
Unrealised foreign exchange (gain)/ loss	(2,350)	5,676
Depreciation	28,345	18,203
Allowance for impairment on trade receivables	-	5,883
Reversal of allowance for impairment on trade receivables	-	(809)
Impairment los on investment properties	85	-
Net fair value loss/(profit) on investment securities	135	(154)
Gain on disposal of property, plant and equipment	(155)	(1,316)
Fixed asset written off	129	44
Interest expenses	6,257	2,837
Interest income	(1,186)	(1,316)
Share of profit of joint ventures	(326)	(307)
Operating cash flows before changes in working capital	<u>82,378</u>	<u>88,886</u>
Changes in working capital		
Development property	(4,261)	22,431
Inventories	(99,975)	(40,213)
Receivables	(90,815)	41,114
Other current assets	(53,688)	(49,059)
Payables	139,906	29,918
Other current liabilities	(15,793)	6,780
Cash flows generated from operations	<u>(42,248)</u>	<u>99,857</u>
Interest paid	(6,257)	(2,837)
Tax paid	(17,157)	(15,319)
Interest received	1,186	1,316
Net cash flows (used in)/ generated from operating activities	<u>(64,476)</u>	<u>83,017</u>
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(23,582)	(17,474)
Purchase of property, plant and equipment	(691)	(16,254)
Proceeds from disposal of property, plant & equipment	(20,905)	2,298
Purchase of investment property and additional expenditure incurred on investment property	163	-
Investment in joint venture company	-	(2,575)
	-	(300)
Net cash flows used in investing activities	<u>(45,015)</u>	<u>(34,305)</u>
Financing activities		
Proceeds from issuance of shares	13,665	18,969
Share issuance expense	(71)	(62)
Dividend paid	(17,635)	(20,178)
Proceeds from/(Repayment of) loans and borrowings	50,276	(16,100)
Repayment to hire purchase creditors	(16,657)	(7,103)
Pledge of fixed deposit with licensed bank	(277)	(24,176)
Net cash flows generated/(used) in financing activities	<u>29,301</u>	<u>(48,650)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(80,190)</u>	<u>62</u>
Effects of exchange rate changes on cash and cash equivalents	<u>(459)</u>	<u>(197)</u>
Cash and cash equivalents at beginning of financial period	<u>61,501</u>	<u>68,960</u>
Cash and cash equivalents at end of financial period	<u>(19,148)</u>	<u>68,825</u>
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	36,155	93,584
Less: Pledge of fixed deposit with licensed banks	(25,348)	(24,176)
Bank overdrafts (included within short term borrowings)	(29,955)	(583)
	<u>(19,148)</u>	<u>68,825</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 2017 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 September 2018

	Attributable to owners of the Company						Sub-Total	Non-controlling interest	Total Equity
	Non-distributable					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	RM'000
YTD ended 30 September 2018									
Balance At 1/1/2018	223,818	-	(24)	34,253	(70)	349,663	607,640	152	607,792
Total comprehensive income for the period	-	-	-	-	(1)	38,214	38,213	(48)	38,165
Transactions with owner									
Dividend payment (as detailed in Note B10)	-	-	-	-	-	(17,635)	(17,635)	-	(17,635)
Issuance of ordinary shares pursuant to conversion of warrants	13,724	-	-	(60)	-	-	13,664	-	13,664
Share issue expenses	(71)	-	-	-	-	-	(71)	-	(71)
At 30/09/2018	237,471	-	(24)	34,193	(71)	370,242	641,811	104	641,915
YTD ended 30 Septemebr 2017									
Balance At 1/1/2017	155,145	47,971	(24)	34,866	(50)	301,357	539,265	(2)	539,263
Total comprehensive income for the period	-	-	-	-	(17)	44,406	44,389	3	44,392
Transition to no-par value regime	47,971	(47,971)	-	-	-	-	-	-	-
Transactions with owner									
Dividend payment (as detailed in Note B10)	-	-	-	-	-	(20,178)	(20,178)	-	(20,178)
Issuance of ordinary shares pursuant to conversion of warrants	18,761	-	-	(93)	-	-	18,668	-	18,668
Share issue expenses	(62)	-	-	-	-	-	(62)	-	(62)
At 30/09/2017	221,815	-	(24)	34,773	(67)	325,585	582,082	1	582,083

(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 2017 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 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 2017 (“FY2017 AFS”). The FY2017 AFS were prepared under Financial Reporting Standards (“FRSs”).

With effect from 1 January 2018, the Group prepares financial statements using MFRSs. The transition from FRS to MFRS does not have a material impact on the financial position and financial performance of the Group.

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 2017 except for the adoption of the following new MFRs, amendments to MFRSs and IC Interpretations that are mandatory for annual financial periods beginning on or after 1 January 2018:

MFRS 9 Financial instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from contracts with customers

Amendments to MFRS 1: Annual improvements to MFRS Standards 2014 – 2016 Cycle

Amendments to MFRS 2: Classification and measurement of share-based payment transactions

Amendments to MFRS 4: Applying MFRS 9 with MFRS 4 insurance contracts

Amendments to MFRS 15: Clarifications to MFRS 15

Amendments to MFRS 128: Annual improvements to MFRS Standards 2014 – 2016 Cycle

Amendments to MFRS 140: Transfers of investment property

IC Interpretation 22: Foreign currency transactions and advance consideration

The adoption of the above MFRSs and Amendments will not have material impact on the financial statements of the Group.

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 2017.

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) 102,700 New Shares for cash arose from the exercise of 102,700 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 58,954,600 units; and
- (ii) 11,243,464 New Shares pursuant to the DRP, as detailed in Note B7(e).

A8. Dividend Paid

The final single-tier dividend of 5.5 sen per share in respect of the financial year ended 31 December 2017 was paid on 9 August 2018.

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 September 2018 are as follows:

	RM'000
Approved and contracted for	<u>12,313</u>

The capital commitment is mainly for the purchase of tunnel forms and moulds.

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM51.28 million during the financial period-to-date, mainly incurred for the purchase of heavy machineries including motor graders, excavators and compactors, trucks, formworks and cranes to meet the requirements of construction projects, in particular the Pan Borneo Highway project in Sarawak.

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 November 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.

A14. 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.

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 Sep 2018 (RM'000)
Provision of construction services to a company in which the Company's director, Pang Tin @ Pang Yon Tin has substantial financial interest	22,218	5,771

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 SEPTEMBER 2018****A16. Segmental Information**

The Group is organized into the following operating segments:-

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

The segment revenue and results for the financial period ended 30 September 2018:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	568,313	129,490	3,402	44	0	701,249
Inter-segment sales	-	25,986	0	18,427	(44,413)	0
Total revenue	568,313	155,476	3,402	18,471	(44,413)	701,249
RESULTS						
Profit from operations	57,363	23,963	678	18,471	(17,897)	82,578
Other operating income						6,279
Selling and administrative expenses						(29,724)
Finance costs						(8,015)
Share of profit of a joint venture						326
Profit before tax						51,444
Income tax expense						(13,278)
Profit net of tax						38,166
Segment Assets	782,216	375,466	215,623	272,474	(289,375)	1,356,404
Segment Liabilities	422,359	237,978	135,453	448	(81,750)	714,488

KIMLUN CORPORATION BERHAD (867077-X)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

The segment revenue and results for the financial period ended 30 September 2017:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	530,147	68,173	14,555	181	0	613,056
Inter-segment sales	485	13,104	490	20,598	(34,677)	0
Total revenue	530,632	81,277	15,045	20,779	(34,677)	613,056
RESULTS						
Profit from operations	66,506	18,209	2,828	20,779	(18,302)	90,020
Other operating income						6,742
Selling and administrative expenses						(32,029)
Finance costs						(4,895)
Share of profit of a joint venture						307
Profit before tax						60,145
Income tax expense						(15,736)
Profit net of tax						44,409
Segment Assets	664,367	265,454	137,747	259,280	(249,993)	1,076,855
Segment Liabilities	340,649	138,079	80,085	2,277	(66,618)	494,472

The preceding year's comparative figures original reported in the interim financial reports of the respective preceding period have been restated in this interim report to be consistent with current period's presentation.

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2018
PART B – ADDITIONAL INFORMATION AS REQUIRED BY LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD (PART A OF APPENDIX 9B)

	Individual Quarter (3rd Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 30/06/2018 RM'000	Current quarter compare to preceding quarter	
	Current Year Quarter 30/09/2018 RM'000	Preceding Year Quarter 30/09/2017 RM'000	Amount RM'000	%	Current Year To Date 30/09/2018 RM'000	Preceding Year To Date 30/09/2017 RM'000	Amount RM'000	%		Amount RM'000	%
Revenue											
Construction	197,946	217,883	(19,937)	-9.2%	568,313	530,632	37,681	7.1%	176,315	21,631	12.3%
Manufacturing & Trading	75,123	32,385	42,738	132.0%	155,476	81,277	74,199	91.3%	48,403	26,720	55.2%
Property Development	1,134	4,326	(3,192)	-73.8%	3,402	15,045	(11,643)	-77.4%	567	567	100.0%
Investment	511	571	(60)	-10.5%	18,471	20,779	(2,308)	-11.1%	17,533	(17,022)	-97.1%
Elimination	(12,361)	(7,086)	(5,275)	74.4%	(44,413)	(34,677)	(9,736)	28.1%	(24,847)	12,486	-50.3%
Consolidated revenue	262,353	248,079	14,274	5.8%	701,249	613,056	88,193	14.4%	217,971	44,382	20.4%
Gross profit ("GP")											
Construction	16,816	28,027	(11,211)	-40.0%	57,363	66,506	(9,143)	-13.7%	16,116	700	4.3%
Manufacturing & Trading	14,099	6,328	7, 771	122.8%	23,963	18,209	5,754	31.6%	7,640	6,459	84.5%
Property Development	226	769	(543)	-70.6%	678	2,828	(2,150)	-76.0%	113	113	99.6%
Investment	511	571	(60)	-10.5%	18,471	20,779	(2,308)	-11.1%	17,533	(17,022)	-97.1%
Elimination	(345)	130	(475)	-365.4%	(17,897)	(18,302)	405	-2.2%	(17,438)	17,093	-98.0%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2018

	Individual Quarter (3rd Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 30/06/2018 RM'000	Current quarter compare to preceding quarter	
	Current Year	Preceding Year			Current Year	Preceding Year					
	Quarter 30/09/2018 RM'000	Quarter 30/09/2017 RM'000	Amount RM'000	%	To Date 30/09/2018 RM'000	To Date 30/09/2017 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	31,307	35,825	(4,518)	-12.6%	82,578	90,020	(7,442)	-8.3%	23,964	7,343	30.6%
GP margin											
Construction	8.5%	12.9%			10.1%	12.5%			9.1%		
Manufacturing & Trading	18.8%	19.5%			15.4%	22.4%			15.8%		
Property Development	19.9%	17.8%			19.9%	18.8%			19.9%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	11.9%	14.4%			11.8%	14.7%			11.0%		
Other income	1,795	1,580	215	13.6%	6,279	6,742	(463)	-6.9%	1,912	(117)	-6.1%
Selling & administrative expenses	(9,435)	(15,278)	5,843	-38.2%	(29,724)	(32,029)	2,305	-7.2%	(9,751)	316	-3.2%
Finance costs	(3,112)	(1,817)	(1,295)	71.3%	(8,015)	(4,895)	(3,120)	63.7%	(2,523)	(589)	23.3%
Share of profit of joint ventures	15	18	(3)	-16.7%	326	307	19	-6.2%	143	(128)	-89.5%
Profit before tax	20,570	20,328	242	1.2%	51,444	60,145	(8,701)	-14.5%	13,745	6,825	49.7%
Profit net of tax	15,742	14,230	1,512	10.6%	38,166	44,409	(6,243)	-14.1%	9,833	5,910	60.1%

B1. Operating Segments Review**3rd Quarter ("Q3") of financial year ending/ended 31 December ("FY") 2018 v Q3 FY2017, year to date FY2018 ("YTD 2018") v year to date FY2017 ("YTD 2017")**

Revenue recorded in Q3 FY2018 of RM262.35 million was RM14.27 million or 5.8% higher compared to Q3 FY2017, attributable to higher revenue achieved by the manufacturing and trading ("M&T") division partly offset by a decline in revenue from construction and property development divisions.

Revenue recorded in YTD 2018 of RM701.25 million was RM88.19 million or 14.4% higher compared to YTD 2017, attributable to higher revenue achieved by the M&T and construction divisions, partly offset by a decline in revenue from property development division.

Construction revenue declined by RM19.94 million or 9.2% during Q3 FY2018 mainly due to the substantial completion of a few projects which contributed about 30% of the revenue of Q3 FY2017, during the first half of FY2018.

Construction revenue increased by RM37.68 million or 7.1% during YTD 2018 due to higher percentage of completion of the Pan Borneo Highway Sarawak project ("PBH") during the period.

The improvement in M&T revenue by RM42.74 million and RM74.20 million during Q3 FY2018 and YTD 2018 respectively was due to the following:

Operation	Revenue (RM' mil)		Revenue (RM' mil)		Main reasons for variance
	3Q FY2018	3Q FY2017	YTD 2018	YTD 2017	
Precast concrete products	62.70	23.97	124.35	64.25	Higher revenue from Klang Valley Mass Rapid Transit System ("KVMRT") line 2 project, and revenue contribution from a fast track sizable sales contract in relation to the supply of Industrialised Building System ("IBS") components to Singapore
Quarry products	12.42	8.42	31.13	17.03	Higher volume of quarry products supplied to the PBH project

The property development division recorded a lower revenue in the period under review as fewer houses were sold during the period.

During the period under review, 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.

Gross profit ("GP") recorded in Q3 FY2018 and YTD 2018 was RM4.52 million or 12.6%, and RM7.44 million or 8.3% lower compared to Q3 FY2017 and YTD 2017 respectively, attributable to

lower GP margin achieved during the period under review. The decline in the Group's GP margin was due to lower GP margin achieved by the construction and M&T divisions, partly offset by the improvement in the GP margin of the property development division, during the period under review.

The decline in GP margin of the construction division was mainly due to projects mix with higher composition of lower margin projects, whereas the decline in GP margin of the M&T division during the period under review was mainly due to:

- (i) larger proportion of the precast concrete products revenue was contributed by lower margins supply contracts; and
- (ii) sales of lower margin quarry products

There was a slight improvement in GP margin of the property development division due to better margin products were sold during the period under review.

Selling and administrative ("S&M") expenses in Q3 FY2018 and YTD2018 was RM5.84 million and RM2.31 million lower compared in Q3 FY2017 and YTD 2017 respectively, mainly attributable to the following:

	Q3 FY2018 v Q3 FY2017 (RM' mil)	YTD 2018 v YTD 2017 (RM' mil)
The increase/(decrease) in foreign exchange loss, mainly attributable to changes in exchange rate between Ringgit Malaysia and Singapore Dollar	(0.54)	0.60
The increase/(decrease) in employee expenses. The increase was mainly due to additional recruitment during the period to meet the higher scale of operation and the requirement of the quarry operation which commenced active production in FY2017	(0.2)	0.95
Decrease in provision for doubtful debts	(5.9)	(5.1)

Finance costs were higher during the period under review due to the drawdown of hire purchase facilities during the period to finance capital expenditures, and higher utilization of working capital financing facilities to meet the requirement of higher scale of operation.

Share of profit of joint ventures and other income recorded in the period under review approximate the level achieved in last year's corresponding period.

Due to the variances in gross profit, share of profit of joint ventures, other income and expenses as explained above, the profit before tax of Q3 FY2018 approximates the level achieved in Q3 FY2017, while profit before tax of YTD 2018 declined by RM8.70 million or 14.5%.

(c) Group Cash Flow Review

For YTD 2018, the Group registered net cash used in operating activities of RM64.48 million mainly due to the purchase of BB Buildings (as defined in Note B7 (d)) and higher working capital utilisation to meet the requirement of higher scale of operation. Net cash used in investing activities of RM45.02 million was mainly due to the purchase of BB Vacant Lots (as defined in Note B7 (d)) and property, plant and equipment. A net cash inflow of RM29.30 million was generated from financing activities in YTD 2018.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q2 FY2018)

Revenue recorded in Q3 FY2018 increased by 20.4% compared to Q2 FY2018, attributable to the improvement in revenue achieved by the construction and M&T divisions, as higher revenue was generated from the PBH project, the KVMRT Line 2 sales orders and an IBS components sales order. The Group's GP in Q3 FY2018 was RM7.34 million or 30.6% higher compared to Q2 FY2018, mainly on the back of higher revenue achieved.

Finance cost was higher than Q2 FY2018 due to higher utilization of working capital financing facilities to meet the requirement of higher scale of operation. There was no significant variance noted in other income, selling and administrative expenses, and share of profit of joint ventures in Q3 FY2018 compared to Q2 FY2018.

Profit after tax of Q3 FY2018 thus increased by RM5.91 million or 60.1% compared to Q2 FY2018.

B3. Prospects For 2018

The Group has an estimated construction and manufacturing balance order book of approximately RM1.8 billion and RM0.4 billion respectively as at 30 September 2018, 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 segmental box girders and tunnel lining segments ("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) 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.

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 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 and housing projects from both public and private sectors.

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 and Rapid Transit System.

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 RM35 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 175 acres and the Group does not expect any new launching until early part of 2019, 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 30.9.2018 RM'000	Cumulative Quarter 9 months ended 30.9.2018 RM'000
(a) interest income	270	1,186
(b) other income including investment Income	1,368	4,930
(c) interest expense	2,587	6,257
(d) depreciation and amortization	10,423	28,345
(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	(149)	(155)
(h) provision/(reversal) of asset impairment	194	349
(i) foreign exchange (gain) or loss	(656)	800
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

B6. Taxation

	Current Quarter 3 months ended 30.9.2018 RM'000	Cumulative Quarter 9 months ended 30.9.2018 RM'000
In respect of the current period		
- Income tax	2,072	10,233
- Deferred tax	3,013	3,186
	<u>5,085</u>	<u>13,419</u>
In respect of prior year		
- Income tax	(886)	(770)
- Deferred tax	629	629
	<u>4,828</u>	<u>13,278</u>

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, and the deferred tax benefit of unutilized capital allowances of quarry operation was not recognized on prudent basis.

B7. Status of Corporate Proposals

- (a) 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 Pulau, 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.

- (b) 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.

- (c) 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 Pulau, 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.

- (d) 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 ("BB Vacant Lots"); and
- (ii) thirty units of building lots (each with a double storey detached houses erected thereon) ("BB Buildings"),

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

The acquisition was completed on 20 April 2018.

- (e) 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 22 June 2018 ("9th AGM"), the Shareholders approved the declaration of a final single tier dividend of RM0.055 per ordinary share in Kimlun ("Kimlun Share(s)") in respect of the financial year ended 31 December 2017 ("FYE 2017 Final Dividend"), and the issuance of new Kimlun Shares ("New Shares") pursuant to the application of DRP thereto.

Bursa Securities had, vide its letters dated 18 May 2018 and 25 June 2018 respectively, approved the listing and quotation of the total of up to 18,000,000 new Kimlun 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 11,243,464 New Shares were issued and allotted at RM1.20 per New Share on 9 August 2018 pursuant to the DRP in relation to the FYE 2017 Final Dividend. The electable portion of the FYE 2017 Final Dividend which was not reinvested in New Shares was paid on 9 August 2018. Kimlun and RHBIB had complied with the Conditions.

B8. Group Borrowing and Debts Securities

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

	Interest rate per annum YTD 2018	As at 30.9.2018 RM'000	As at 30.9.2017 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	1.68% to 3.56%	49,777	37,114
Term loans	4.90% to 6.70%	38,958	49,867
		<u>88,735</u>	<u>86,981</u>
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	5.35% to 8.37%	29,955	584
Hire purchase creditors	1.68% to 3.56%	24,706	16,495
Bankers' acceptance	4.15% to 5.10%	49,838	5,547
Invoices financing	5.15% to 6.67%	18,877	-
Term loans and revolving credits	4.90% to 6.70%	11,444	16,087
		<u>134,820</u>	<u>38,713</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. Dividends

- (a) The FYE 2017 Final Dividend was approved by the shareholders at the 9th AGM, as detailed in Note B7(e).
- (b) The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 30 September 2018.
- (c) Dividend declared during the previous year's corresponding period:

A final single-tier dividend of 6.5 sen per share in respect of the financial year ended 31 December 2016.

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B11. Earnings Per Share (“EPS”)

	Current Quarter Ended		Year to-Date Ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Profit attributable to owners of the Company (RM'000)	15,719	14,230	38,214	44,406
Weighted average number of ordinary shares in issue ('000)	327,105	315,825	322,809	312,142
Assumed shares issued from the exercise of warrants ('000)	0	14,786	3,312	14,609
Adjusted weighted average number of ordinary shares in issue ('000)	327,105	330,611	326,121	326,751
Basic earnings per share (Sen)	4.81	4.51	11.84	14.23
Diluted earnings per share (Sen)	N/A*	4.30	11.72^	13.59

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 not applicable as the exercise price of the Warrants is higher than the average market price of the Company's ordinary shares.

^: 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.