

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the Fourth Quarter Ended 31 December 2018

ACM 1/2019 - AGENDA 4
BODM 1/2019 - AGENDA 4

| | Individual Quarter | | Cumulative Period | |
|---|---|---|---|---|
| | Current Year Quarter 31/12/2018 RM'000 | Preceding Year Quarter 31/12/2017 RM'000 | Current Year To Date 31/12/2018 RM'000 | Preceding Year To Date 31/12/2017 RM'000 |
| Revenue | 310,730 | 372,134 | 1,011,979 | 985,190 |
| Cost of sales | (265,281) | (324,684) | (883,952) | (847,720) |
| Gross profit | 45,449 | 47,450 | 128,027 | 137,470 |
| Other income | 2,076 | 2,077 | 8,355 | 8,819 |
| Selling and administrative expenses | (13,919) | (17,604) | (43,643) | (49,633) |
| Finance costs | (3,867) | (2,243) | (11,882) | (7,138) |
| Share of profit of joint ventures | 484 | 210 | 810 | 517 |
| Profit before tax | 30,223 | 29,890 | 81,667 | 90,035 |
| Income tax expense | (7,323) | (5,961) | (20,601) | (21,697) |
| Profit net of tax | 22,900 | 23,929 | 61,066 | 68,338 |
| Other comprehensive income | - | (4) | (1) | (21) |
| Total comprehensive income for the period | 22,900 | 23,925 | 61,065 | 68,317 |
| Profit attributable to : | | | | |
| Owners of the Company | 22,925 | 24,078 | 61,139 | 68,484 |
| Non-controlling interests | (25) | (149) | (73) | (146) |
| | 22,900 | 23,929 | 61,066 | 68,338 |
| Earnings Per Share (Sen) | | | | |
| - Basic (2) | 6.91 | 7.53 | 18.81 | 21.80 |
| - Diluted (2) | - | 7.17 | - | 20.81 |
| Total comprehensive income attributable to : | | | | |
| Owners of the Company | 22,925 | 24,074 | 61,138 | 68,463 |
| Non-controlling interests | (25) | (149) | (73) | (146) |
| | 22,900 | 23,925 | 61,065 | 68,317 |

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 B12 for details.

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statements of Financial Position
As at 31 December 2018

| | Unaudited As at 31/12/2018 RM'000 | Audited As at 31/12/2017 RM'000 |
|---|--|--|
| Assets | | |
| Non- current assets | | |
| Property, plant and equipment | 229,495 | 206,149 |
| Land held for property development | 70,274 | 69,563 |
| Investment properties | 7,027 | 8,002 |
| Other investments | 75 | 370 |
| Investment in joint ventures | 18,612 | 17,985 |
| | <u>325,483</u> | <u>302,069</u> |
| Current assets | | |
| Properties held for sale | 1,829 | 1,829 |
| Property Development costs | 105,453 | 32,040 |
| Inventories | 122,240 | 73,886 |
| Trade and other receivables | 479,482 | 412,258 |
| Other current assets | 342,042 | 239,563 |
| Cash and bank balances | 34,888 | 86,572 |
| | <u>1,085,934</u> | <u>846,148</u> |
| TOTAL ASSETS | <u>1,411,417</u> | <u>1,148,217</u> |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Income tax payable | 7,941 | 12,355 |
| Loans and borrowings | 188,196 | 46,032 |
| Trade and other payables | 456,374 | 367,015 |
| Other current liability | 3,589 | 31,020 |
| | <u>656,100</u> | <u>456,422</u> |
| Net current assets | <u>429,834</u> | <u>389,726</u> |
| Non-current liabilities | | |
| Loans and borrowings | 86,740 | 83,570 |
| Deferred tax liabilities | 3,781 | 433 |
| | <u>90,521</u> | <u>84,003</u> |
| TOTAL LIABILITIES | <u>746,621</u> | <u>540,425</u> |
| Net assets | <u>664,796</u> | <u>607,792</u> |
| Equity | | |
| Share capital | 237,452 | 223,818 |
| Treasury shares | (24) | (24) |
| Other reserves | 34,122 | 34,183 |
| Retained earnings | 393,167 | 349,663 |
| Equity attributable to owners of the Company | <u>664,717</u> | <u>607,640</u> |
| Non-controlling interests | 79 | 152 |
| Total equity | <u>664,796</u> | <u>607,792</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,411,417</u> | <u>1,148,217</u> |
| Net Assets Per Share Attributable to owners of the Company (RM) | 2.00 | 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 31 December 2018

| | Current Year To Date 31/12/2018 RM'000 | Preceding Year To Date 31/12/2017 RM'000 |
|--|---|---|
| Operating activities | | |
| Profit before tax | 81,667 | 90,035 |
| Adjustment for : | | |
| Unrealised foreign exchange (gain)/ loss | (3,648) | 7,258 |
| Depreciation | 40,439 | 26,648 |
| Allowance for impairment on trade receivables | 1,840 | 11,635 |
| Reversal of allowance for impairment on trade receivables | - | (809) |
| Impairment los on investment properties | 110 | 210 |
| Gain on disposal of land held for property development | | (11) |
| (Gain)/Loss on disposal of investment properties | (19) | - |
| Net fair value loss/(gain) on investment securities | 212 | (116) |
| Gain on disposal of property, plant and equipment | (325) | (1,409) |
| Fixed asset written off | 135 | 51 |
| Interest expenses | 9,586 | 4,257 |
| Interest income | (1,450) | (1,696) |
| Share of profit of joint ventures | (810) | (517) |
| Operating cash flows before changes in working capital | <u>127,737</u> | <u>135,536</u> |
| <u>Changes in working capital</u> | | |
| Development property | (73,413) | 22,117 |
| Inventories | (48,354) | (55,441) |
| Receivables | (63,093) | 42,295 |
| Other current assets | (101,623) | (109,972) |
| Payables | 88,383 | 81,557 |
| Other current liabilities | (27,431) | (2,057) |
| Cash flows generated from operations | <u>(97,794)</u> | <u>114,035</u> |
| Interest paid | (9,586) | (4,257) |
| Tax paid | (21,514) | (22,028) |
| Interest received | <u>1,450</u> | <u>1,696</u> |
| Net cash flows (used in)/ generated from operating activities | <u>(127,444)</u> | <u>89,446</u> |
| Investing activities | | |
| Purchase of land held for property development and expenditure on land held for property development | (710) | (18,060) |
| Purchase of property, plant and equipment | (22,079) | (18,764) |
| Proceeds from disposal of property, plant & equipment | 335 | 2,391 |
| Proceeds from disposal of investment securities | 77 | - |
| Purchase of investment property and additional expenditure incurred on investment property | - | (2,575) |
| Proceeds from disposal of land held for development | | 273 |
| Investment in joint venture company | - | (300) |
| Net cash flows used in investing activities | <u>(22,377)</u> | <u>(37,035)</u> |
| Financing activities | | |
| Proceeds from issuance of shares | 13,492 | 18,400 |
| Proceeds from issuance of warrants | 173 | 1,773 |
| Share issuance expense | (91) | (82) |
| Proceeds from issuance of shares by a subsidiary to non-controlling interests | | 300 |
| Dividend paid | (17,635) | (20,178) |
| Proceeds from/(Repayment of) loans and borrowings | 107,180 | (19,422) |
| Repayment to hire purchase creditors | (24,029) | (15,224) |
| Withdrawal/(Pledge) of fixed deposit with licensed bank | <u>2,895</u> | <u>(10,795)</u> |
| Net cash flows generated/(used) in financing activities | <u>81,985</u> | <u>(45,228)</u> |
| Net (decrease)/increase in cash and cash equivalents | <u>(67,836)</u> | <u>7,183</u> |
| Effects of exchange rate changes on cash and cash equivalents | <u>(709)</u> | <u>(366)</u> |
| Cash and cash equivalents at beginning of financial period | <u>61,501</u> | <u>54,684</u> |
| Cash and cash equivalents at end of financial period | <u>(7,044)</u> | <u>61,501</u> |
| Cash and cash equivalents at end of the financial period comprise the following: | | |
| Cash and bank balances | 34,888 | 86,572 |
| Less: Pledge of fixed deposit with licensed banks | (22,176) | - |
| Bank overdrafts (included within short term borrowings) | <u>(19,756)</u> | <u>(25,071)</u> |
| | <u>(7,044)</u> | <u>61,501</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 31 December 2018

| | Attributable to owners of the Company | | | | | | | | |
|--|---------------------------------------|---------------|-----------------|------------------|--------------------------------------|-------------------|-----------|--------------------------|--------------|
| | <-----Non-distributable-----> | | | | | Distributable | | | |
| | Share capital | Share premium | Treasury shares | Warrants reserve | Foreign currency translation reserve | Retained earnings | Sub-Total | Non-controlling interest | Total Equity |
| | RM'000 | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>YTD ended 31 December 2018</u> | | | | | | | | | |
| 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) | 61,139 | 61,138 | (73) | 61,065 |
| <u>Transactions with owner</u> | | | | | | | | | |
| Dividend payment (as detailed in Note B10) | - | - | - | - | - | (17,635) | (17,635) | - | (17,635) |
| Issuance of ordinary shares pursuant to : DRP | 13,492 | - | - | - | - | - | 13,492 | - | 13,492 |
| Conversions of warrants | 232 | - | - | (60) | - | - | 172 | - | 172 |
| Share issue expenses | (90) | - | - | - | - | - | (90) | - | (90) |
| At 31/12/2018 | 237,452 | - | (24) | 34,193 | (71) | 393,167 | 664,717 | 79 | 664,796 |
| <u>YTD ended 31 December 2017</u> | | | | | | | | | |
| 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 | - | | - | - | (21) | 68,484 | 68,463 | (146) | 68,317 |
| Transition to no-par value regime | 47,971 | (47,971) | - | - | - | - | - | - | - |
| <u>Transactions with owner</u> | | | | | | | | | |
| Dividend payment (as detailed in Note B10) | | | | | | (20,178) | (20,178) | - | (20,178) |
| Issuance of ordinary shares pursuant to : DRP | 18,400 | - | - | - | - | - | 18,400 | - | 18,400 |
| Conversions of warrants | 2,384 | - | - | (612) | - | - | 1,772 | - | 1,772 |
| Share issue expenses | (82) | - | - | - | - | - | (82) | - | (82) |
| Acquisition of non-controlling interest | - | - | - | - | - | - | - | 300 | 300 |
| At 31/12/2017 | 223,818 | - | (24) | 34,254 | (71) | 349,663 | 607,640 | 152 | 607,792 |

(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

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018

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 MFRSs, 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 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.

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018

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 31 December 2018 are as follows:

| | |
|-----------------------------|--------------|
| | RM'000 |
| Approved and contracted for | <u>8,775</u> |

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

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM63.93 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 ("PBH") 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 20 February 2019, 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 31 December 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 | 27,466 | 5,248 |

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 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 31 December 2018:

| | Construction RM'000 | Manufacturing & Trading RM'000 | Property Development RM'000 | Investment RM'000 | Elimination RM'000 | Consolidated RM'000 |
|-------------------------------------|------------------------|--------------------------------------|-----------------------------------|----------------------|-----------------------|------------------------|
| REVENUE | | | | | | |
| External sales | 801,122 | 206,272 | 4,536 | 49 | 0 | 1,011,979 |
| Inter-segment sales | - | 46,385 | 0 | 18,991 | (65,376) | 0 |
| Total revenue | 801,122 | 252,657 | 4,536 | 19,040 | (65,376) | 1,011,979 |
| RESULTS | | | | | | |
| Profit from operations | 87,916 | 38,402 | 905 | 19,040 | (18,236) | 128,027 |
| Other operating income | | | | | | 8,355 |
| Selling and administrative expenses | | | | | | (43,643) |
| Finance costs | | | | | | (11,882) |
| Share of profit of a joint venture | | | | | | 810 |
| Profit before tax | | | | | | 81,667 |
| Income tax expense | | | | | | (20,601) |
| Profit net of tax | | | | | | 61,066 |
| Segment Assets | 843,711 | 384,514 | 258,019 | 272,697 | (347,524) | 1,411,417 |
| Segment Liabilities | 467,948 | 239,748 | 151,992 | 423 | (113,490) | 746,621 |

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018

The segment revenue and results for the financial period ended 31 December 2017:

| | Construction | Manufacturing & Trading | Property Development | Investment | Elimination | Consolidated |
|-------------------------------------|--------------|----------------------------|-------------------------|------------|-------------|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | 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 | 106,859 | 25,022 | 3,123 | 21,394 | (18,928) | 137,470 |
| Other operating income | | | | | | 8,819 |
| Selling and administrative expenses | | | | | | (49,633) |
| Finance costs | | | | | | (7,138) |
| Share of profit of a joint venture | | | | | | 517 |
| Profit before tax | | | | | | 90,035 |
| Income tax expense | | | | | | (21,697) |
| Profit net of tax | | | | | | 68,338 |
| Segment Assets | 723,222 | 291,555 | 146,810 | 259,070 | (272,440) | 1,148,217 |
| Segment Liabilities | 376,859 | 162,737 | 64,488 | 586 | (64,245) | 540,425 |

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 31 DECEMBER 2018

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 | | Preceding Quarter 30/09/2018 RM'000 | Current quarter compare to preceding quarter | |
|----------------------------|----------------------------------|---------------------------------|------------------|--------|---------------------------------|---------------------------------|------------------|--------|---|--|-------|
| | Current Year | Preceding Year | | | Current Year | Preceding Year | | | | | |
| | Quarter 31/12/2018 RM'000 | Quarter 31/12/2017 RM'000 | Amount RM'000 | % | To Date 31/12/2018 RM'000 | To Date 31/12/2017 RM'000 | Amount RM'000 | % | | Amount RM'000 | % |
| Revenue | | | | | | | | | | | |
| Construction | 232,809 | 341,793 | (108,984) | -31.9% | 801,122 | 872,425 | (71,303) | -8.2% | 197,946 | 34,863 | 17.6% |
| Manufacturing & Trading | 97,181 | 37,188 | 59,993 | 161.3% | 252,657 | 118,465 | 134,192 | 113.3% | 75,123 | 22,058 | 29.4% |
| Property Development | 1,134 | 668 | 466 | 69.8% | 4,536 | 15,713 | (11,177) | -71.1% | 1,134 | - | 0.0% |
| Investment | 569 | 615 | (46) | -7.5% | 19,040 | 21,394 | (2,354) | -11.0% | 511 | 58 | 11.4% |
| Elimination | (20,963) | (8,130) | (12,833) | 157.8% | (65,376) | (42,807) | (22,569) | 52.7% | (12,361) | (8,602) | 69.6% |
| Consolidated revenue | 310,730 | 372,134 | (61,404) | -16.5% | 1,011,979 | 985,190 | 26,789 | 2.7% | 262,353 | 48,377 | 18.4% |
| Gross profit ("GP") | | | | | | | | | | | |
| Construction | 30,553 | 40,353 | (9,800) | -24.3% | 87,916 | 106,859 | (18,943) | -17.7% | 16,816 | 13,737 | 81.7% |
| Manufacturing & Trading | 14,439 | 6,813 | 7,626 | 111.9% | 38,402 | 25,022 | 13,380 | 53.5% | 14,099 | 340 | 2.4% |
| Property Development | 227 | 295 | (68) | -23.1% | 905 | 3,123 | (2,218) | -71.0% | 226 | 1 | 0.6% |
| Investment | 569 | 615 | (46) | -7.5% | 19,040 | 21,394 | (2,354) | -11.0% | 511 | 58 | 11.4% |
| Elimination | (339) | (626) | 287 | -45.8% | (18,236) | (18,928) | 692 | -3.7% | (345) | 6 | -1.7% |

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018

| | Individual Quarter (4th Quarter) | | Changes | | Cumulative Period | | Changes | | Preceding Quarter 30/09/2018 RM'000 | Current quarter compare to preceding quarter | |
|-----------------------------------|----------------------------------|---------------------------------|------------------|--------|---------------------------------|---------------------------------|------------------|--------|---|--|-------|
| | Current Year | Preceding Year | | | Current Year | Preceding Year | | | | | |
| | Quarter 31/12/2018 RM'000 | Quarter 31/12/2017 RM'000 | Amount RM'000 | % | To Date 31/12/2018 RM'000 | To Date 31/12/2017 RM'000 | Amount RM'000 | % | | Amount RM'000 | % |
| Consolidated GP | 45,449 | 47,450 | (2,001) | -4.2% | 128,027 | 137,470 | (9,443) | -6.9% | 31,307 | 14,142 | 45.2% |
| GP margin | | | | | | | | | | | |
| Construction | 13.1% | 11.8% | | | 11.0% | 12.2% | | | 8.5% | | |
| Manufacturing & Trading | 14.9% | 18.3% | | | 15.2% | 21.1% | | | 18.8% | | |
| Property Development | 20.0% | 44.2% | | | 20.0% | 19.9% | | | 19.9% | | |
| Investment | 100.0% | 100.0% | | | 100.0% | 100.0% | | | 100.0% | | |
| Consolidated GP margin | 14.6% | 12.8% | | | 12.7% | 14.0% | | | 11.9% | | |
| Other income | 2,076 | 2,077 | (1) | 0.0% | 8,355 | 8,819 | (464) | -5.3% | 1,795 | 281 | 15.7% |
| Selling & administrative expenses | (13,919) | (17,604) | 3,685 | -20.9% | (43,643) | (49,633) | 5,990 | -12.1% | (9,435) | (4,484) | 47.5% |
| Finance costs | (3,867) | (2,243) | (1,624) | 72.4% | (11,882) | (7,138) | (4,744) | 66.5% | (3,112) | (755) | 24.3% |
| Share of profit of joint ventures | 484 | 210 | 274 | 130.5% | 810 | 517 | 293 | 56.7% | 15 | 469 | 3126% |
| Profit before tax | 30,223 | 29,890 | 333 | 1.1% | 81,667 | 90,035 | (8,368) | -9.3% | 20,570 | 9,653 | 46.9% |
| Profit net of tax | 22,900 | 23,929 | (1,029) | -4.3% | 61,066 | 68,338 | (7,272) | -10.6% | 15,742 | 7,158 | 45.5% |

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B1. Operating Segments Review

4th Quarter (“Q4”) of financial year ended 31 December (“FY”) 2018 v Q4 FY2017, year to date FY2018 (“YTD 2018”) v year to date FY2017 (“YTD 2017”)

Revenue recorded in Q4 FY2018 of RM310.73 million was RM61.40 million (16.5%) lower compared to Q4 FY2017, attributable to lower revenue achieved by the construction division partly offset by the improvement in revenue from manufacturing and trading (“M&T”) division.

Revenue recorded in YTD 2018 of RM1.01 billion was RM26.79 million (2.7%) higher compared to YTD 2017, attributable to higher revenue achieved by the M&T, partly offset by a decline in revenue from the construction and property development divisions.

Construction revenue declined by RM108.98 million (31.9%) and RM71.30 million (8.2%) during Q4 FY2018 and YTD 2018 respectively compared to last year’s corresponding period, mainly due to:

- (i) the substantial completion of a few projects towards end of FY2017; and
- (ii) a large size project contributed lower revenue in FY2018 compared to FY2017 as the project was substantially completed in FY2018

The aforesaid projects collectively contributed about 21% and 27% of the revenue of Q4 FY2017 and YTD 2017 respectively.

The improvement in M&T revenue by RM59.99 million (161.3%) and RM134.19 million (113.3%) during Q4 FY2018 and YTD 2018 respectively was due to the following:

| Operation | Revenue (RM’ mil) | | Revenue (RM’ mil) | | Main reasons for variance |
|---------------------------|-------------------|-----------|-------------------|----------|---|
| | Q4 FY2018 | Q4 FY2017 | YTD 2018 | YTD 2017 | |
| Precast concrete products | 79.54 | 28.69 | 203.89 | 92.93 | Higher revenue from Klang Valley Mass Rapid Transit System (“KVMRT”) line 2 project, and revenue contribution from a contract in relation to the supply of Industrialised Building System (“IBS”) components to Singapore |
| Quarry products | 17.64 | 8.50 | 48.77 | 25.53 | Higher volume of quarry products supplied to the PBH project |

The property development division recorded a lower revenue in YTD 2018 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.

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Despite the Group achieved an improvement in Gross Profit ("GP") margin from 12.8% in Q4 FY2017 to 14.6% in Q4 FY2018, the GP recorded in Q4 FY2018 was RM2.00 million (4.2%) lower compared to Q4 FY2017, due to the lower revenue achieved in the quarter.

GP recorded in YTD 2018 was RM9.44 million (6.9%) lower compared to YTD 2017 on the back of lower revenue and lower GP margin achieved during YTD 2018.

The stronger GP margin in Q4 FY2018 was attributable to improvement in GP margin achieved by the construction division, while a lower GP margin was recorded by the M&T division.

The decline in GP margin from 14.0% in YTD 2017 to 12.7% in YTD 2018 was attributable to lower GP margin achieved by the construction and M&T divisions.

The improvement in Q4 FY2018 construction division GP margin was mainly attributable to cost savings from value engineering carried out on certain projects. The decline in YTD 2018 construction division GP margin was mainly due to the Group's projects mix with higher composition of lower margin projects.

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 margin supply contracts; and
- (ii) sales of lower margin quarry products

Selling and administrative ("S&M") expenses in Q4 FY2018 and YTD2018 was RM3.69 million and RM5.99 million lower compared to Q4 FY2017 and YTD 2017 respectively, mainly attributable to the decrease in provision for doubtful debts by RM3.91 million and RM8.99 million during Q4 FY2018 and YTD 2018 respectively.

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 as well as land acquisition as detailed in Note B7.

There was no significant variance in share of profit of joint ventures and other income in the period under review compared to 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, profit before tax of Q4 FY2018 approximates the level achieved in Q4 FY2017, while profit before tax of YTD 2018 declined by RM8.37 million (9.3%).

(c) Group Cash Flow Review

For YTD 2018, the Group registered net cash used in operating activities of RM127.44 million mainly due to the purchase of BB Vacant Lots and BB Buildings (as defined in Note B7 (d)), and higher work done pending certification. Net cash used in investing activities of RM22.38 million was mainly due to the purchase of property, plant and equipment. The financing activities net cash inflow of RM81.98 million was mainly contributed by the proceeds from loans and borrowing.

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B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q3 FY2018)

Revenue recorded in Q4 FY2018 increased by 18.4% compared to Q3 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 Q4 FY2018 was RM14.14 million (45.2%) higher compared to Q3 FY2018, on the back of higher revenue achieved and cost savings arose from value engineering carried out on certain construction projects.

S&M expenses was higher than Q3 FY2018 due to provision for doubtful debts of RM1.84 million in Q4 FY2018, and foreign exchange loss of RM0.54 million in Q4 FY2018 compared to foreign exchange gains of RM0.65 million in Q3 FY2017.

Finance cost was higher than Q3 FY2018 due to higher utilization of working capital financing facilities to meet the requirement of higher scale of operation as well as land acquisition as detailed in Note B7.

Share of profit of joint ventures was higher than Q3 FY2018 as more completed apartments were sold during Q4 FY2018.

Profit before tax of Q4 FY2018 thus increased by RM9.65 million (46.9%) compared to Q3 FY2018.

B3. Prospects For 2019

The Group has an estimated construction and manufacturing balance order book of approximately RM1.9 billion and RM0.3 billion respectively as at 31 December 2018, contributed by numerous construction contracts and supply contracts. The Board is positive of the performance of the Group in 2019 as the balance order book is expected to support the Group's performance in 2019.

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, Sunway Iskandar Sdn Bhd, 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. The estimated completion period of the project per the letter of award is end March 2020; and
- (c) Main building works for 1 block of commercial building and 1 block of apartments at Medini Iskandar, Mukim Pulau, Daerah Johor Bahru, Johor at a contract sum of RM165.82 million. The estimated completion period of the project per the letter of award is June 2021.

The Group will continue to actively bid for new construction projects in Malaysia, in particular those in relation to affordable housing development which continue to receive strong demand from the low and middle income group.

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Singapore Construction Sector

The total construction demand in 2019 is projected to range between \$27 billion to \$32 billion in 2019, comparable to the \$30.5 billion (preliminary estimate) awarded in 2018.

The projected outlook is due to sustained public sector construction demand, which is expected to reach between S\$16.5 billion and S\$19.5 billion in 2019. Public construction demand is expected to be boosted by major infrastructure projects and a pipeline of major industrial building projects.

The private sector's construction demand is expected to remain steady at between S\$10.5 billion and S\$12.5 billion in 2019, supported by projects including the redevelopment of past en-bloc sales sites concluded prior to the second half of 2018 and new industrial developments.

The construction demand is expected to be improve over the medium term. Demand is projected to reach between S\$27 billion and S\$34 billion per year for 2020 and 2021 and could increase to between S\$28 billion and S\$35 billion per year for 2022 and 2023.

The public sector is expected to contribute S\$16 billion to S\$20 billion per year from 2020 to 2023 with similar proportions of demand coming from building projects and civil engineering works. Besides public residential developments, public sector construction demand over the medium term will continue to be supported by big infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5.

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

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

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

The completed Hyve and Taman Puteri residential development in Pekan Nenas, Johor, with total unsold stocks worth RM32 million is expected to continue to contribute to the Group's revenue in 2019 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 second half 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.

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B5. Profit Before Tax

The following items have been included in arriving at profit before tax:

| | Current Quarter 3 months ended 31.12.2018 RM'000 | Cumulative Quarter 12 months ended 31.12.2018 RM'000 |
|---|---|---|
| (a) interest income | 264 | 1,450 |
| (b) other income including investment Income | 1,622 | 6,552 |
| (c) interest expense | 3,329 | 9,586 |
| (d) depreciation and amortization | 12,094 | 40,439 |
| (e) provision for and write off of receivables | 1,840 | 1,840 |
| (f) provision for and write off of inventories | 0 | 0 |
| (g) (gain) or loss on disposal of quoted or unquoted investments or properties | 23 | (132) |
| (h) provision/(reversal) of asset impairment | (104) | 245 |
| (i) foreign exchange (gain) or loss | 543 | 1,343 |
| (j) gain or loss on derivatives | 0 | 0 |
| (k) exceptional items | 0 | 0 |

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B6. Taxation

| | Current Quarter 3 months ended 31.12.2018 RM'000 | Cumulative Quarter 12 months ended 31.12.2018 RM'000 |
|----------------------------------|---|---|
| In respect of the current period | | |
| - Income tax | 7,464 | 17,697 |
| - Deferred tax | 574 | 3,760 |
| | 8,038 | 21,457 |
| In respect of prior year | | |
| - Income tax | 24 | (746) |
| - Deferred tax | (739) | (110) |
| | 7,323 | 20,601 |

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 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 has yet to be completed.

- (b) On 28 December 2017, the Company's wholly-owned subsidiary, Kii Ashbury Sdn Bhd entered into a sale and purchase agreement 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 from MESB 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 entered into a sale and purchase agreement with Mah Sing Properties Sdn Bhd ("MSPSB") 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.

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- (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.

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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 2018 | As at 31.12.2018 RM'000 | As at 31.12.2017 RM'000 |
|----------------------------------|---|--|--|
| Long term borrowings | | | |
| <u>Secured:</u> | | | |
| Hire purchase creditors | 1.68% to 3.77% | 52,524 | 42,075 |
| Term loans | 4.90% to 6.70% | 34,216 | 41,495 |
| | | <u>86,740</u> | <u>83,570</u> |
| Short term borrowings | | | |
| <u>Secured:</u> | | | |
| Bank overdraft | 5.35% to 8.37% | 19,756 | - |
| Hire purchase creditors | 1.68% to 3.77% | 26,635 | 18,687 |
| Bankers' acceptance | 3.68% to 5.05% | 63,068 | 15,912 |
| Invoices financing | 4.61% to 7.95% | 58,612 | - |
| Term loans and revolving credits | 4.90% to 6.70% | 20,125 | 11,433 |
| | | <u>188,196</u> | <u>46,032</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 Board of Directors recommend the payment of a final single-tier dividend of 3.7 sen per share in respect of the financial year ended 31 December 2018 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;

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- (ii) 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
 - (iii) Approval from other relevant authorities and/ or parties, if required.
- (b) The FYE 2017 Final Dividend was approved by the shareholders at the 9th AGM, as detailed in Note B7(e).
- (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.

B11. Earnings Per Share ("EPS")

| | Current Quarter Ended | | Year to-Date Ended | |
|---|-----------------------|------------|--------------------|------------|
| | 31.12.2018 | 31.12.2017 | 31.12.2018 | 31.12.2017 |
| Profit attributable to owners of the Company (RM'000) | 23,925 | 24,078 | 61,139 | 68,484 |
| Weighted average number of ordinary shares in issue ('000) | 331,871 | 319,973 | 325,093 | 314,115 |
| Assumed shares issued from the exercise of warrants ('000) | 0 | 15,920 | 0 | 14,987 |
| Adjusted weighted average number of ordinary shares in issue ('000) | 331,871 | 335,893 | 325,093 | 329,102 |
| Basic earnings per share (Sen) | 6.91 | 7.53 | 18.81 | 21.80 |
| Diluted earnings per share [^] (Sen) | N/A* | 7.17 | N/A* | 20.81 |

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.