

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the First Quarter Ended 31 March 2019

	Individual Quarter		Cumulative Period	
	Current Year Quarter 31/03/2019 RM'000	Preceding Year Quarter 31/03/2018 RM'000	Current Year To Date 31/03/2019 RM'000	Preceding Year To Date 31/03/2018 RM'000
Revenue	318,557	220,925	318,557	220,925
Cost of sales	(283,975)	(193,618)	(283,975)	(193,618)
Gross profit	34,582	27,307	34,582	27,307
Other income	1,749	2,572	1,749	2,572
Selling and administrative expenses	(10,472)	(10,538)	(10,472)	(10,538)
Finance costs	(4,466)	(2,380)	(4,466)	(2,380)
Share of profit of joint ventures	276	168	276	168
Profit before tax	21,669	17,129	21,669	17,129
Income tax expense	(5,763)	(4,539)	(5,763)	(4,539)
Profit net of tax	15,906	12,590	15,906	12,590
Other comprehensive income	(1)	(5)	(1)	(5)
Total comprehensive income for the period	15,905	12,585	15,905	12,585
Profit attributable to :				
Owners of the Company	15,931	12,647	15,931	12,647
Non-controlling interests	(25)	(57)	(25)	(57)
	15,906	12,590	15,906	12,590
Earnings Per Share (Sen)				
- Basic (2)	4.80	3.91	4.80	3.91
- Diluted (2)	N/A	3.76	N/A	3.76
Total comprehensive income attributable to :				
Owners of the Company	15,930	12,642	15,930	12,642
Non-controlling interests	(25)	(57)	(25)	(57)
	15,905	12,585	15,905	12,585

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 2018 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 March 2019

	Unaudited As at 31/03/2019 RM'000	Audited As at 31/12/2018 RM'000
Assets		
Non- current assets		
Property, plant and equipment	224,568	229,495
Right-of-use asset	9,758	-
Land held for property development	156,014	70,242
Investment properties	6,264	7,027
Other investments	75	75
Investment in joint ventures	18,888	18,612
	<u>415,567</u>	<u>325,451</u>
Current assets		
Properties held for sale	1,829	1,829
Property Development costs	107,890	105,453
Inventories	117,778	122,240
Trade and other receivables	439,058	464,831
Prepayment	5,072	5,292
Contract assests	351,493	336,472
Cash and bank balances	74,147	35,569
	<u>1,097,267</u>	<u>1,071,686</u>
TOTAL ASSETS	<u>1,512,834</u>	<u>1,397,137</u>
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	12,610	7,941
Loans and borrowings	188,893	193,148
Lease liability	3,946	-
Trade and other payables	455,682	443,876
Contract liabilities	16,979	3,589
	<u>678,110</u>	<u>648,554</u>
Net current assets	<u>419,157</u>	<u>423,132</u>
Non-current liabilities		
Loans and borrowings	146,329	80,006
Lease liabilities	6,054	-
Deferred tax liabilities	1,805	3,781
	<u>154,188</u>	<u>83,787</u>
TOTAL LIABILITIES	<u>832,298</u>	<u>732,341</u>
Net assets	<u>680,536</u>	<u>664,796</u>
Equity		
Share capital	237,452	237,452
Treasury shares	(24)	(24)
Other reserves	34,121	34,122
Retained earnings	408,933	393,167
Equity attributable to owners of the Company	<u>680,482</u>	<u>664,717</u>
Non-controlling interests	54	79
Total equity	<u>680,536</u>	<u>664,796</u>
TOTAL EQUITY AND LIABILITIES	<u>1,512,834</u>	<u>1,397,137</u>
Net Assets Per Share Attributable to owners of the Company (RM)	2.05	2.00

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 2018 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 March 2019

	Current Year To Date 31/03/2019 RM'000	Preceding Year To Date 31/03/2018 RM'000
Operating activities		
Profit before tax	21,669	17,129
Adjustment for :		
Unrealised foreign exchange loss	2,413	1,255
Depreciation	13,801	8,670
Impairment loss on investment properties	43	-
Loss on disposal of investment properties	3	-
Net fair value loss on investment securities	-	58
Gain on disposal of property, plant and equipment	(1)	(12)
Fixed asset written off	3	38
Interest expenses	4,421	1,728
Interest income	(321)	(518)
Share of profit of joint ventures	(276)	(168)
Operating cash flows before changes in working capital	41,755	28,180
Changes in working capital		
Development property	(2,223)	(217)
Inventories	4,462	(18,498)
Receivables	21,995	(4,461)
Other current assets	(14,696)	(6,396)
Payables	7,501	26,812
Other current liabilities	13,390	(22,355)
Cash flows generated from operations	72,184	3,065
Interest paid	(4,156)	(1,728)
Tax paid	(3,070)	(4,170)
Interest received	321	518
Net cash flows generated from/(used in) operating activities	65,279	(2,315)
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(85,725)	(30)
Purchase of property, plant and equipment	(4,000)	(3,330)
Proceeds from disposal of property, plant & equipment	1	13
Proceeds from disposal of investment properties	735	-
Incidental expenses on disposal of investment properties	(18)	-
Net cash flows used in investing activities	(89,007)	(3,347)
Financing activities		
Proceeds from issuance of shares	-	173
Share issuance expense	-	(1)
Proceeds from loans and borrowings	72,883	1,312
Advance from joint venture	4,570	-
Repayment to hire purchase creditors	(6,503)	(4,347)
Repayment of lease liabilities	(984)	-
Withdrawal of fixed deposit with licensed bank	(174)	(212)
Net cash flows generated from/(used in) financing activities	69,792	(3,075)
Net increase/(decrease) in cash and cash equivalents	46,064	(8,737)
Effects of exchange rate changes on cash and cash equivalents	476	6
Cash and cash equivalents at beginning of financial period	(4,859)	61,501
Cash and cash equivalents at end of financial period	41,681	52,770
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	74,147	78,872
Less: Pledge of fixed deposit with licensed banks	(22,350)	(25,283)
Bank overdrafts (included within short term borrowings)	(10,116)	(819)
	41,681	52,770

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 2018 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 March 2019

	Attributable to owners of the Company							
	<-----Non-distributable----->				Distributable	Sub-Total	Non-controlling interest	Total Equity
	Share capital	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
<u>YTD ended 31 March 2019</u>								
Balance At 1/1/2019	237,452	(24)	34,193	(71)	393,167	664,717	79	664,796
Effect of initial adoption of MFRS 16: leases	-	-	-	-	(165)	(165)	-	(165)
Total comprehensive income for the period	-	-	-	(1)	15,931	15,930	(25)	15,905
At 31/03/2019	237,452	(24)	34,193	(72)	408,933	680,482	54	680,536
<u>YTD ended 31 March 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	-	-	-	(5)	12,647	12,642	(57)	12,585
<u>Transactions with owner</u>								
Issuance of ordinary shares pursuant to :								
Conversions of warrants	232	-	(60)	-	-	172	-	172
Share issue expenses	(1)	-	-	-	-	(1)	-	(1)
At 31/03/2018	224,049	(24)	34,193	(75)	362,310	620,453	95	620,548

(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 2018 and the accompanying notes attached to the interim financial statements

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2019

NOTES TO THE REPORT

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

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and Appendix 9B Part A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). It contains condensed combined financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group. The interim combined financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with MFRSs.

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2018 (“FY2018 AFS”).

A2. Changes in accounting policies

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2018 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 2019:

MFRS 9 Prepayment features with negative compensation (amendment to MFRS 9)
MFRS 16 Leases
MFRS 128: Long term interests in associates and joint ventures (amendments to MFRS 128)
Amendments to Annual improvements to MFRS Standards 2015 – 2017 Cycle
MFRS 119: Plan amendment, curtailment or settlement (amendments to MFRS 119)
IC Interpretation 23: Uncertainty over income tax treatment

The adoption of MFRS 16 increases the assets and liabilities of the Group as the Group will recognize right-of-use assets and lease liabilities for leases previously classified as operating leases. The Group recognised the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings. The adoption of the other MFRSs and Amendments stated above 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 2018.

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A4. Seasonal or Cyclical Factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factor.

A5. Items of Unusual Nature

There were no significant unusual items affecting the assets, liabilities, equity, net income or cash flow during the financial year-to-date.

A6. Material Changes in Estimates

There were no changes in estimates of amounts reported in prior financial years that have had a material effect in the financial year-to-date.

A7. Changes in Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial year-to-date.

A8. Dividend Paid

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

A9. Valuation of property, plant and equipment

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

A10. Capital commitments

Capital commitment for property, plant and equipment not provided for as at 31 March 2019 are as follows:

	RM'000
Approved and contracted for	<u>6,176</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 RM7.82 million during the financial period-to-date, mainly incurred for the purchase of excavators and formworks.

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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 23 May 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.

A13. Changes in composition of the group

There were no changes in the composition of the Group during the current financial year up to the LPD.

A14. Contingent liabilities or contingent assets

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

A15. Significant Related Party Transactions

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 Mar 2019 (RM'000)
Provision of construction services to a company in which the Company's directors, Pang Tin @ Pang Yon Tin and Pang Khang Hau have substantial financial interest	4,053	1,673

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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 Mar 2019:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	241,201	76,507	843	6	0	318,557
Inter-segment sales	138	21,606	0	333	(22,077)	0
Total revenue	241,339	98,113	843	339	(22,077)	318,557
RESULTS						
Profit from operations	20,137	16,281	142	339	(2,317)	34,582
Other operating income						1,749
Selling and administrative expenses						(10,472)
Finance costs						(4,466)
Share of profit of a joint venture						276
Profit before tax						21,669
Income tax expense						(5,763)
Profit net of tax						15,906
Segment Assets	878,930	368,144	269,872	272,799	(276,911)	1,512,834
Segment Liabilities	492,703	217,367	165,218	420	(43,410)	832,298

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The segment revenue and results for the financial period ended 31 March 2018:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	194,052	25,144	1,701	28	0	220,925
Inter-segment sales	-	6,806	0	399	(7,205)	0
Total revenue	194,052	31,950	1,701	427	(7,205)	220,925
RESULTS						
Profit from operations	24,430	2,224	339	427	(113)	27,307
Other operating income						2,572
Selling and administrative expenses						(10,538)
Finance costs						(2,380)
Share of profit of a joint venture						168
Profit before tax						17,129
Income tax expense						(4,539)
Profit net of tax						12,590
Segment Assets	733,772	309,107	145,679	259,221	(273,433)	1,174,346
Segment Liabilities	372,603	182,430	63,930	395	(65,560)	553,798

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2019

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

	Individual Quarter (1st Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 31/12/2018 RM'000	current quarter compared to preceding quarter	
	Current Year Quarter 31/3/2019 RM'000	Preceding Year Quarter 31/3/2018 RM'000	Amount RM'000	%	Current Year To Date 31/3/2019 RM'000	Preceding Year To Date 31/3/2018 RM'000	Amount RM'000	%		Amount RM'000	%
Revenue											
Construction	241,339	194,052	47,287	24.4%	241,339	194,052	47,287	24.4%	232,809	8,530	3.7%
Manufacturing & Trading	98,113	31,950	66,163	207.1%	98,113	31,950	66,163	207.1%	97,181	932	1.0%
Property Development	843	1,701	(858)	-50.4%	843	1,701	(858)	-50.4%	1,134	(291)	-25.7%
Investment	339	427	(88)	-20.6%	339	427	(88)	-20.6%	569	(230)	-40.4%
Elimination	(22,077)	(7,205)	(14,872)	206.4%	(22,077)	(7,205)	(14,872)	206.4%	(20,963)	(1,114)	5.3%
Consolidated revenue	318,557	220,925	97,632	44.2%	318,557	220,925	97,632	44.2%	310,730	7,827	2.5%
Gross profit ("GP")											
Construction	20,137	24,430	(4,293)	-17.6%	20,137	24,430	(4,293)	-17.6%	30,553	(10,416)	-34.1%
Manufacturing & Trading	14,281	2,224	12,057	542.1%	14,281	2,224	12,057	542.1%	14,439	(158)	-1.1%
Property Development	142	339	(197)	-58.1%	142	339	(197)	-58.1%	227	(85)	-37.4%
Investment	339	427	(88)	-20.6%	339	427	(88)	-20.6%	569	(230)	-40.4%
Elimination	(317)	(113)	(204)	180.5%	(317)	(113)	(204)	180.5%	(339)	22	-6.5%

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2019

	Individual Quarter (1st Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 31/12/2018 RM'000	Current quarter compared to preceding quarter	
	Current Year Quarter 31/3/2019 RM'000	Preceding Year Quarter 31/3/2018 RM'000	Amount RM'000	%	Current Year To Date 31/3/2019 RM'000	Preceding Year To Date 31/3/2018 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	34,582	27,307	7,275	26.6%	34,582	27,307	7,275	26.6%	45,449	(10,867)	(23.9%)
GP margin											
Construction	8.3%	12.6%			8.3%	12.6%			13.1%		
Manufacturing & Trading	14.6%	7.0%			14.6%	7.0%			14.9%		
Property Development	16.8%	19.9%			16.8%	19.9%			20.0%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	10.9%	12.4%			10.9%	12.4%			14.6%		
Other income	1,749	2,572	(823)	-32.0%	1,749	2,572	(823)	-32.0%	2,076	(327)	-15.8%
Selling & administrative expenses	(10,472)	(10,538)	66	0.6%	(10,472)	(10,538)	66	0.6%	(13,919)	3,447	-24.8%
Finance costs	(4,466)	(2,380)	(2,086)	87.6%	(4,466)	(2,380)	(2,086)	87.6%	(3,867)	(599)	15.5%
Share of profit of joint ventures	276	168	108	64.3%	276	168	108	64.3%	484	(208)	-43.0%
Profit before tax	21,669	17,129	4,540	26.5%	21,669	17,129	4,540	26.5%	30,223	(8,554)	(28.3%)
Profit net of tax	15,906	12,590	3,316	26.3%	15,906	12,590	3,316	26.3%	22,900	(6,994)	(30.5%)

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 MARCH 2019

NOTES TO REPORT

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

B1. Operating Segments Review

(a) Quarter 1 Financial Year Ending 31 December (“FY”) 2019 vs Quarter 1 FY2018

The Group achieved revenue of RM318.56 million during the current quarter, which is 44.2% higher as compared to RM220.92 million registered in Quarter 1 FY2018.

Gross profit (“GP”) of the Group of RM34.58 million for the current quarter is higher than the RM27.31 million achieved in Quarter 1 FY2018.

Profit after tax of the Group of RM15.91 million for the current quarter is RM3.32 million or 26.3% higher than the RM12.59 million achieved in Quarter 1 FY2018.

(b) Performance review

A higher revenue was recorded in the current quarter due to higher revenue achieved by the construction and manufacturing and trading (“M&T”) divisions.

The improvement in construction revenue from RM194.05 million to RM241.34 million, i.e. by RM47.29 million (24.4%) was mainly attributable to higher revenue contribution from the Pan Borneo Highway Sarawak project (“PBH”) on higher percentage of completion.

The improvement in M&T revenue by RM66.16 million (207.1%) was attributable to the following:

Operation	Revenue (RM’ mil)			Main reasons for variance
	1Q FY2019	1Q FY2018	Variance	
Precast concrete products	80.25	22.67	57.58	Higher revenue from Klang Valley Mass Rapid Transit System (“KVMRT”) line 2 project
Quarry products	17.86	9.28	8.58	Higher volume of quarry products supplied to the PBH

The property development division recorded a lower revenue of RM0.84 million, as the properties sold in the current quarter were mainly lower value products.

Revenue of the investment division was derived from interest income received from other divisions, and interest income generated from deposits placed with financial institutions.

The Group’s GP margin of 10.9% achieved in the current quarter was lower compared to Quarter 1 FY2018. This was mainly due to lower GP margin achieved by the construction division, the impact of which was offset by the improvement in GP margin of the M&T division.

The decline in GP margin of the construction division during the period was mainly due to projects mix with higher composition of lower margin projects.

The improvement in GP margin of the M&T division during the period was mainly due to economies of scale arising from larger volume of business.

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On the back of higher revenue, the Group's GP increased by RM7.28 million, or 26.6% in the current quarter.

Other income declined by RM0.82 million due to lower interest income and machinery rental income.

Selling and administrative ("S&A") expenses in the current quarter approximate the level recorded in Quarter 1 FY2018.

Finance costs were higher in current quarter mainly due to higher utilization of banking facilities to finance the larger scale of operation.

Share of profit of joint ventures increased slightly by RM0.11 million.

Due to the variances in gross profit, other income and expenses as stated above, the profit before tax and profit after tax recorded in the current quarter improved by RM4.54 million (26.5%) to RM21.67 million and RM3.32 million (26.3%) to RM15.91 million respectively compared to 1Q FY2018.

(c) Group Cash Flow Review

For the current period, the Group registered net cash used generated from operating activities of RM65.28 million. Net cash used in investing activities of RM89.01 million was mainly due to the completion of the purchase of the KMR Land (as defined in Note B7), which is held for development. Net cash generated from financing activities of RM69.79 million was mainly from bank loans and borrowings.

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

The revenue recorded in the current quarter approximates the level achieved in the preceding quarter. GP in the current quarter was lower compared to the preceding quarter as preceding quarter benefited from cost savings from value engineering carried on certain projects.

S&A expenses were lower in the current quarter mainly due to the absence of bad and doubtful debts. A provision of bad of doubtful debts of RM1.84 million was made in the preceding quarter.

Profit before and after tax was lower by 28.3% and 30.5% respectively compared to preceding quarter, mainly due to the decline in GP achieved, partly offset by the decline in S&A expenses.

B3. Prospects For 2019

The Group has an estimated construction and manufacturing balance order book of approximately RM1.7 billion and RM0.3 billion respectively as at 31 March 2019, 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:

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- (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 Pulai, 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.

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.

There is no on-going development carried out by the Group on its existing land bank totalling 204 acres and the Group does not expect any new launching until second half of 2019, subject to the sentiment of the property market.

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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 31.3.2019 RM'000	Cumulative Quarter 3 months ended 31.3.2019 RM'000
(a) interest income	321	321
(b) other income including investment Income	1,426	1,426
(c) interest expense	4,156	4,156
(d) depreciation and amortization	13,801	13,801
(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	2	2
(h) impairment of assets	0	0
(i) foreign exchange (gain) or loss	862	862
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

B6. Taxation

	Current Quarter 3 months ended 31.3.2019 RM'000	Cumulative Quarter 3 months ended 31.3.2019 RM'000
In respect of the current period		
- Income tax	7,739	7,739
- Deferred tax	(1,976)	(1,976)
	<u>5,763</u>	<u>5,763</u>
In respect of prior year		
- Income tax	-	-
- Deferred tax	-	-
	<u>5,763</u>	<u>5,763</u>

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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 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 ("KMR Land") from NGSB for a total cash purchase consideration of RM82,097,421.

The acquisition was completed on 27 March 2019.

- (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 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.

- (d) The Board had proposed a final single tier dividend of RM0.037 per ordinary share in Kimlun ("Kimlun Share(s)") in respect of the financial year ended 31 December 2018 ("FYE 2018 Final Dividend"). The Board has also determined that the DRP will be applicable to the entire FYE 2018 Final Dividend, subject to approvals being obtained from Bursa Securities for the Company's listing application pursuant to the DRP, and Shareholders for the declaration of the FYE 2018 Final Dividend and the issuance of new Kimlun Shares in relation thereto in the forthcoming annual general meeting ("10th AGM").

Bursa Securities had, vide its letter dated 29 April 2019, approved the listing and quotation of up to 16,000,000 new Kimlun Shares to be issued pursuant to the DRP, subject to the following 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/RHBIB to furnish Bursa Securities with the certified true copies of the resolutions passed by the shareholders at the 10th AGM approving the FYE 2018 Final Dividend and the renewal of authority for Kimlun to allot new ordinary shares for the purpose of the DRP, prior to the listing and quotation of the new ordinary shares to be issued pursuant to the DRP;
- Kimlun and RHBIB to inform Bursa Securities upon the completion of the DRP; and

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- 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.

B8. Group Borrowing and Debts Securities

The Group's borrowing and debts securities as at 31 March 2019 are as follows:

	Interest rate per annum YTD 2019	As at 31.3.2019 RM'000	As at 31.3.2018 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	2.37% to 3.56%	48,803	46,389
Term loans	5.10% to 6.70%	97,526	38,743
		<u>146,329</u>	<u>85,132</u>
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	5.35% to 8.37%	10,116	819
Hire purchase creditors	2.37% to 3.56%	27,399	21,676
Bankers' acceptance	3.69% to 5.10%	57,241	9,519
Invoice financing	4.24% to 7.95%	87,529	10,990
Term loans	5.10% to 6.70%	6,607	10,901
		<u>188,892</u>	<u>53,905</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

The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 31 March 2019. However, the Board of Directors recommended the payment of FYE 2018 Final Dividend which is subject to the approval of the shareholders at the 10th AGM. This dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits for the financial year ending 31 December 2019.

No dividend was declared in the previous year's corresponding quarter.

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B11. Earnings Per Share (“EPS”)

	Current Quarter Ended		Year to-Date Ended	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
Profit attributable to owners of the Company (RM'000)	15,931	12,647	15,931	12,647
Weighted average number of ordinary shares in issue ('000)	331,871	320,622	331,871	320,622
Assumed shares issued from the exercise of warrants ('000)	0	13,482	0	13,482
Adjusted weighted average number of ordinary shares in issue ('000)	331,871	334,104	331,871	334,104
Basic earnings per share (Sen)	4.80	3.94	4.80	3.94
Diluted earnings per share (Sen)	4.80	3.79	4.80	3.79

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.