

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the Third Quarter Ended 30 September 2019

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/09/2019 RM'000	Preceding Year Quarter 30/09/2018 RM'000	Current Year To Date 30/09/2019 RM'000	Preceding Year To Date 30/09/2018 RM'000
Revenue	336,124	262,353	979,847	701,249
Cost of sales	(307,582)	(231,046)	(884,620)	(618,671)
Gross profit	28,542	31,307	95,227	82,578
Other income	1,994	1,795	5,732	6,279
Selling and administrative expenses	(11,065)	(9,435)	(32,883)	(29,724)
Finance costs	(3,893)	(3,112)	(12,509)	(8,015)
Share of profit of joint ventures	138	15	595	326
Profit before tax	15,716	20,570	56,162	51,444
Income tax expense	(3,371)	(4,828)	(14,479)	(13,278)
Profit net of tax	12,345	15,742	41,683	38,166
Other comprehensive income	(1)	3	-	(1)
Total comprehensive income for the period	12,344	15,745	41,683	38,165
Profit attributable to :				
Owners of the Company	12,306	15,719	41,686	38,214
Non-controlling interests	39	23	(3)	(48)
	12,345	15,742	41,683	38,166
Earnings Per Share (Sen)				
- Basic (2)	3.65	4.81	12.49	11.84
- Diluted (2)	3.65	4.81	12.49	11.72
Total comprehensive income attributable to :				
Owners of the Company	12,305	15,722	41,686	38,213
Non-controlling interests	39	23	(3)	(48)
	12,344	15,745	41,683	38,165

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 30 September 2019

	Unaudited As at 30/09/2019 RM'000	Audited As at 31/12/2018 RM'000
Assets		
Non- current assets		
Property, plant and equipment	209,844	229,495
Right-of-use asset	7,895	-
Land held for property development	157,972	70,242
Investment properties	6,206	7,027
Other investments	75	75
Investment in joint ventures	19,208	18,612
Deferred tax assets	240	-
	<u>401,440</u>	<u>325,451</u>
Current assets		
Properties held for sale	1,829	1,829
Property Development costs	127,404	105,453
Inventories	98,212	122,240
Trade and other receivables	417,272	464,831
Prepayment	2,950	5,292
Contract assets	409,491	336,472
Cash and bank balances	64,864	35,569
	<u>1,122,022</u>	<u>1,071,686</u>
TOTAL ASSETS	<u><u>1,523,462</u></u>	<u><u>1,397,137</u></u>
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	13,670	7,941
Loans and borrowings	171,145	193,148
Lease liability	3,727	-
Trade and other payables	438,177	443,876
Contract liabilities	18,602	3,589
	<u>645,321</u>	<u>648,554</u>
Net current assets	<u>476,701</u>	<u>423,132</u>
Non-current liabilities		
Loans and borrowings	169,888	80,006
Lease liabilities	4,417	-
Deferred tax liabilities	-	3,781
	<u>174,305</u>	<u>83,787</u>
TOTAL LIABILITIES	<u>819,626</u>	<u>732,341</u>
Net assets	<u>703,836</u>	<u>664,796</u>
Equity		
Share capital	247,279	237,452
Treasury shares	(24)	(24)
Other reserves	34,122	34,122
Retained earnings	422,383	393,167
Equity attributable to owners of the Company	<u>703,760</u>	<u>664,717</u>
Non-controlling interests	76	79
Total equity	<u>703,836</u>	<u>664,796</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,523,462</u></u>	<u><u>1,397,137</u></u>
Net Assets Per Share Attributable to owners of the Company (RM)	2.07	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 30 September 2019

	Current Year To Date 30/09/2019 RM'000	Preceding Year To Date 30/09/2018 RM'000
Operating activities		
Profit before tax	56,162	51,444
Adjustment for :		
Allowance for impairment of trade receivables	759	-
Unrealised foreign exchange loss/(gain)	4,620	(2,350)
Depreciation	42,715	28,345
Impairment loss on investment properties	109	85
Loss on disposal of investment properties	16	-
Net fair value loss on investment securities	-	135
Gain on disposal of property, plant and equipment	(254)	(155)
Fixed asset written off	8	129
Interest expenses	12,509	6,257
Interest income	(1,146)	(1,186)
Share of profit of joint ventures	(595)	(326)
Operating cash flows before changes in working capital	<u>114,903</u>	<u>82,378</u>
Changes in working capital		
Development property	(19,682)	(4,261)
Inventories	24,027	(99,975)
Receivables	42,436	(90,815)
Other current assets	(71,611)	(53,688)
Payables	49,280	139,906
Other current liabilities	(46,465)	(15,793)
Cash flows generated from/(used in) operations	<u>92,888</u>	<u>(42,248)</u>
Interest paid	(14,762)	(6,257)
Tax paid	(12,741)	(17,157)
Interest received	1,146	1,186
Net cash flows generated from/(used in) operating activities	<u>66,531</u>	<u>(64,476)</u>
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(85,883)	(24,273)
Purchase of property, plant and equipment	(10,660)	(20,905)
Proceeds from disposal of property, plant & equipment	1,554	163
Proceeds from disposal of investment properties	735	-
Incidental expenses on investment properties	(7)	-
Incidental expenses on disposal of investment properties	(31)	-
Net cash flows used in investing activities	<u>(94,292)</u>	<u>(45,015)</u>
Financing activities		
Proceeds from issuance of shares	9,912	13,665
Share issuance expense	(85)	(71)
Dividend paid	(12,279)	(17,635)
Net proceeds from loans and borrowings	88,222	50,276
Advance from joint venture	2,024	-
Repayment to hire purchase creditors	(19,900)	(16,657)
Repayment of lease liabilities	(2,893)	-
Pledge of fixed deposit with licensed bank	(800)	(277)
Net cash flows generated from financing activities	<u>64,201</u>	<u>29,301</u>
Net increase/(decrease) in cash and cash equivalents	36,440	(80,190)
Effects of exchange rate changes on cash and cash equivalents	600	(459)
Cash and cash equivalents at beginning of financial period	<u>(4,859)</u>	<u>61,501</u>
Cash and cash equivalents at end of financial period	<u>32,181</u>	<u>(19,148)</u>
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	64,864	36,155
Less: Pledge of fixed deposit with licensed banks	(22,977)	(25,348)
Bank overdrafts (included within short term borrowings)	(9,706)	(29,955)
	<u>32,181</u>	<u>(19,148)</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 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 30 September 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 30 September 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	-	-	-	-	(191)	(191)	-	-191
Total comprehensive income for the period	-	-	-	-	41,686	41,686	(3)	41,683
<u>Transactions with owner</u>								
Dividend payment (as detailed in Note B10)	-	-	-	-	(12,279)	(12,279)	-	(12,279)
Issuance of ordinary shares pursuant to : Dividend reinvestment plan	9,912	-	-	-	-	9,912	-	9,912
Share issue expenses	(85)	-	-	-	-	(85)	-	(85)
At 30/09/2019	247,279	(24)	34,193	(71)	422,383	703,760	76	703,836
<u>YTD ended 30 September 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)	38,215	38,214	(48)	38,166
<u>Transactions with owner</u>								
Dividend payment (as detailed in Note B10)	-	-	-	-	(17,635)	(17,635)	-	(17,635)
Issuance of ordinary shares pursuant to : Dividend reinvestment plan	13,492	-	-	-	-	13,492	-	13,492
Conversions of warrants	232	-	(60)	-	-	172	-	172
Share issue expenses	(71)	-	-	-	-	(71)	-	(71)
At 30/09/2018	237,471	(24)	34,193	(71)	370,243	641,812	104	641,916

(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 30 SEPTEMBER 2019

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 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 save for the issuance of 7,929,839 new ordinary shares in the Company pursuant to the DRP, as detailed in Note B7(d).

A8. Dividend Paid

The final single-tier dividend of 3.7 sen per share in respect of the financial year ended 31 December 2018 was paid on 31 July 2019.

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 2019 are as follows:

	RM'000
Approved and contracted for	<u>6,996</u>

The capital commitment is mainly for the purchase of moulds and machineries for quarry operation.

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM21.45 million during the financial period-to-date, mainly incurred for the purchase of excavators, formworks, moulds and machineries for quarry production.

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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 22 November 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 30 September 2019 (RM'000)
Provision of construction services to a company in which the Company's director, Pang Tin @ Pang Yon Tin has substantial financial interest	6,266	436

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

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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
- d) Investment

The segment revenue and results for the financial period ended 30 September 2019:

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE						
External sales	770,896	205,120	3,806	25	0	979,847
Inter-segment sales	644	69,206	0	12,737	(82,587)	0
Total revenue	771,540	274,326	3,806	12,762	(82,587)	979,847
RESULTS						
Profit from operations	56,380	38,019	797	12,762	(12,731)	95,227
Other operating income						5,732
Selling and administrative expenses						(32,883)
Finance costs						(12,509)
Share of profit of a joint venture						595
Profit before tax						56,162
Income tax expense						(14,479)
Profit net of tax						41,683
Segment Assets	910,375	342,851	318,581	282,183	(330,528)	1,523,462
Segment Liabilities	520,410	180,193	195,590	461	(76,983)	819,626

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

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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 2019

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 30/06/2019 RM'000	Current quarter compare to preceding quarter	
	Current Year Quarter 30/09/2019 RM'000	Preceding Year Quarter 30/09/2018 RM'000	Amount RM'000	%	Current Year To Date 30/09/2019 RM'000	Preceding Year To Date 30/09/2018 RM'000	Amount RM'000	%		Amount RM'000	%
Revenue											
Construction	274,502	197,946	76,556	38.7%	771,540	568,313	203,227	35.8%	255,699	18,803	7.4%
Manufacturing & Trading	87,047	75,123	11,924	15.9%	274,326	155,476	118,850	76.4%	89,166	(2,119)	-2.4%
Property Development	3,044	1,134	1,910	168.4%	3,806	3,402	404	11.9%	(81)	3,125	>100%
Investment	313	511	(198)	-38.7%	12,762	18,471	(5,709)	-30.9%	12,110	(11,797)	-97.4%
Elimination	(28,782)	(12,361)	(16,421)	132.8%	(82,587)	(44,413)	(38,174)	86.0%	(31,728)	2,946	-9.3%
Consolidated revenue	336,124	262,353	73,771	28.1%	979,847	701,249	278,598	39.7%	325,166	10,958	3.4%
Gross profit ("GP")											
Construction	15,510	16,816	(1,306)	-7.8%	56,380	57,363	(983)	-1.7%	20,733	(5,223)	-25.2%
Manufacturing & Trading	12,298	14,099	(1,801)	-12.8%	38,019	23,963	14,056	58.7%	11,440	858	7.5%
Property Development	655	226	429	190.2%	797	678	119	17.6%	-	655	>100%
Investment	313	511	(198)	-38.7%	12,762	18,471	(5,709)	-30.9%	12,110	(11,797)	-97.4%
Elimination	(234)	(345)	111	-32.2%	(12,731)	(17,897)	5,166	-28.9%	(12,180)	11,946	-98.1%

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	Individual Quarter (3rd Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 30/06/2019 RM'000	Current quarter compare to preceding quarter	
	Current Year	Preceding Year			Current Year	Preceding Year					
	Quarter 30/09/2019 RM'000	Quarter 30/09/2018 RM'000	Amount RM'000	%	To Date 30/09/2019 RM'000	To Date 30/09/2018 RM'000	Amount RM'000	%		Amount RM'000	%
Consolidated GP	28,542	31,307	(2,765)	-8.8%	95,227	82,578	12,649	15.3%	32,103	(3,561)	-11.1%
GP margin											
Construction	5.7%	8.5%			7.3%	10.1%			8.1%		
Manufacturing & Trading	14.1%	18.8%			13.9%	15.4%			12.8%		
Property Development	21.5%	19.9%			20.9%	19.9%			0.0%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	8.5%	11.9%			9.7%	11.8%			9.9%		
Other income	1,994	1,795	199	11.1%	5,732	6,279	(547)	-8.7%	1,989	5	-0.3%
Selling & administrative expenses	(11,065)	(9,435)	(1,630)	17.3%	(32,883)	(29,724)	(3,159)	10.6%	(11,346)	281	-2.5%
Finance costs	(3,893)	(3,112)	(781)	25.1%	(12,509)	(8,015)	(4,494)	56.1%	(4,150)	257	-6.2%
Share of profit of joint ventures	138	15	123	820.0%	595	326	269	82.5%	181	(43)	-23.8%
Profit before tax	15,716	20,570	(4,854)	-23.6%	56,162	51,444	4,718	9.2%	18,777	(3,061)	-16.3%
Profit net of tax	12,345	15,742	(3,397)	-21.6%	41,683	38,166	3,517	9.2%	13,432	(1,087)	-8.1%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2019

B1. Operating Segments Review

3rd Quarter ("Q3") of financial year ending/ended 31 December ("FY") 2019 v Q3 FY2018, year to date FY2019 ("YTD 2019") v year to date FY2018 ("YTD 2018")

Revenue recorded in Q3 FY2019 and YTD 2019 was RM73.77 million or 28.1%, and RM278.60 million or 39.7% higher compared to Q3 FY2018 and YTD2018 respectively, mainly attributable to higher revenue achieved by the construction and manufacturing and trading ("M&T") divisions. Construction revenue increased by RM76.56 million or 38.7%, and RM203.23 million or 35.8% in Q3 FY2019 and YTD 2019 respectively mainly due to higher revenue contribution from the Pan Borneo Highway Sarawak project ("PBH") and a office tower project on higher percentage of completion.

The improvement in M&T revenue by RM11.92 million or 15.9%, and RM118.85 million or 76.4% in Q3 FY2019 and YTD 2019 respectively was mainly due to the following:

Operation	Revenue (RM' mil)		Revenue (RM' mil)		Main reasons for variance
	Q3 FY2019	Q3 FY2018	YTD 2019	YTD 2018	
Precast concrete products	58.55	62.70	207.71	124.35	Higher revenue from Klang Valley Mass Rapid Transit System ("KVMRT") line 2 project
Quarry products	28.50	12.42	66.62	31.13	Higher volume of quarry products supplied to the PBH

The property development division recorded a higher revenue in the period under review as more 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.

Despite of a higher revenue achieved in Q3 FY2019, gross profit ("GP") recorded in Q3 FY2019 was RM2.77 million or 8.8% lower against Q3 FY2018, due to lower gross profit margin achieved. The Group achieved a lower GP margin of 8.5% in Q3 FY2019 compared to 11.9% in Q3 FY2018, due to lower GP margin achieved by the construction and M&T divisions.

On the back of a higher revenue achieved in YTD 2019, GP recorded in YTD 2019 was RM12.65 million or 15.3% higher against YTD 2018, despite of lower GP margin achieved during the period. The Group recorded a lower GP margin of 9.7% in YTD 2019 compared to 11.8% in YTD 2018, due to lower GP margin achieved by the construction and M&T divisions.

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

The decline in GP margin of the M&T division was mainly due to larger proportion of the precast concrete products revenue was contributed by lower margins sales orders.

Selling and administrative ("S&M") expenses increased by RM1.63 million in Q3 FY2019 and RM3.16 million in YTD FY2019 compared to last year's corresponding period mainly attributable to the following:

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	Q3 FY2019 v Q3 FY2018 (RM' mil)	YTD 2019 v YTD 2018 (RM' mil)
The increase in foreign exchange loss, mainly attributable to changes in exchange rate between Ringgit Malaysia and Singapore Dollar	1.42	0.61
The increase in employee expenses in line with higher scale of operation	0.41	0.88
(Decrease)/increase in provision for doubtful debts	(0.06)	0.76

Finance costs were higher during the period under review due to higher utilization of working capital financing facilities to meet the requirement of higher scale of operation.

There was a slight increase in share of profit of joint ventures recorded in the period under review.

Consequently, profit before tax ("PBT") and profit after tax ("PAT") in Q3 FY2019 decreased by RM4.85 million or 23.6% and RM3.40 million or 21.6% respectively against Q3 2018. Conversely, PBT and PAT in YTD 2019 improved by RM4.72 million or 9.2% and RM3.52 million or 9.2% respectively against YTD 2018.

(c) Group Cash Flow Review

For YTD 2019, the Group registered net cash generated from operating activities of RM66.53 million. Net cash used in investing activities of RM94.29 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 RM64.20 million was mainly contributed by net proceeds from loans and borrowings and proceeds from issuance of shares, partly offset by repayment to hire purchase creditors and lease liabilities, and the payment of dividend.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q2 FY2019)

Revenue recorded in Q3 FY2019 increased by 3.4% compared to Q2 FY2019, mainly attributable to the improvement in revenue achieved by the construction division, as higher revenue was generated from the PBH project. The Group's GP in Q3 FY2019 was RM3.56 million or 11.1% lower compared to Q2 FY2019, due to lower GP margin achieved by the construction and M&T divisions for the same reasons stated in Note B1.

There was no significant variance noted in other income, S&M expenses, finance costs and share of profit of joint ventures in Q3 FY2019 compared to Q2 FY2019.

Both PBT and PAT of Q3 FY2019 thus decreased by approximately RM1.1 million against Q2 FY2019.

B3. Prospects For 2019

The Group has an estimated construction and manufacturing balance order book of approximately RM1.5 billion and RM0.24 billion respectively as at 30 September 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.

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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, tunnel lining segments ("TLS") and other precast concrete products to KVMRT Line 2, with aggregate contract value of approximately RM330 million. The supplies of products under these contracts are expected to be completed in 2020;
- (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 is year 2021; 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 is year 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.

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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 early of 2020, 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 30.9.2019 RM'000	Cumulative Quarter 9 months ended 30.9.2019 RM'000
(a) interest income	386	1,146
(b) other income including investment Income	1,579	4,333
(c) interest expense	5,015	14,762
(d) depreciation and amortization	14,832	42,715
(e) provision for and write off of receivables	(63)	759
(f) provision for and write off of inventories	0	0
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	(13)	(237)
(h) provision/(reversal) of asset impairment	33	109
(i) foreign exchange (gain) or loss	777	1,415
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

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B6. Taxation

	Current Quarter 3 months ended 30.9.2019 RM'000	Cumulative Quarter 9 months ended 30.9.2019 RM'000
In respect of the current period		
- Income tax	4,883	18,657
- Deferred tax	(1,083)	(3,749)
	3,800	14,908
In respect of prior year		
- Income tax	(157)	(157)
- Deferred tax	(272)	(272)
	3,371	14,479

The effective tax rate for the financial year to date approximate the statutory rate applicable to the Group.

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) 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 17 June 2019 ("10th AGM"), the Shareholders approved the declaration of 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"), and the issuance of new Kimlun Shares ("New Shares") pursuant to the application of DRP thereto.

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
- 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 7,929,839 New Shares were issued and allotted at RM1.25 per New Share on 31 July 2019 pursuant to the DRP in relation to the FYE 2018 Final Dividend. The electable portion of the FYE 2018 Final Dividend which was not reinvested in New Shares was paid on 31 July 2019. 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 2019	As at 30.9.2019 RM'000	As at 30.9.2018 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	1.68% to 3.49%	41,765	49,777
Term loans	4.95% to 6.13%	128,123	38,958
		<u>169,888</u>	<u>88,735</u>
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	5.20% to 8.15%	9,706	29,955
Hire purchase creditors	1.68% to 3.49%	25,319	24,706
Bankers' acceptance	4.11% to 5.10%	42,779	49,838
Invoices financing	4.11% to 7.70%	72,858	18,877
Term loans and revolving credits	4.66% to 6.13%	20,483	11,444
		<u>171,145</u>	<u>134,820</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 2018 Final Dividend was approved by the Shareholders at the 10th AGM, as detailed in Note B7(d).
- (b) The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 30 June 2019.
- (c) Dividend declared during the previous year's corresponding period:

A final single-tier dividend of 5.5 sen per share in respect of the financial year ended 31 December 2017.

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B11. Earnings Per Share (“EPS”)

	Current Quarter Ended		Year to-Date Ended	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
Profit attributable to owners of the Company (RM'000)	12,306	15,719	41,686	38,215
Weighted average number of ordinary shares in issue ('000)	337,215	327,105	333,672	322,809
Assumed shares issued from the exercise of warrants ('000)	0	0	0	3,312
Adjusted weighted average number of ordinary shares in issue ('000)	337,215	327,105	333,672	326,121
Basic earnings per share (Sen)	3.65	4.81	12.49	11.84
Diluted earnings per share (Sen)	3.65	4.81	12.49	11.72

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.