

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

| | Individual Quarter | | Cumulative Period | |
|---|---|---|---|---|
| | Current Year Quarter 31/12/2019 RM'000 | Preceding Year Quarter 31/12/2018 RM'000 | Current Year To Date 31/12/2019 RM'000 | Preceding Year To Date 31/12/2018 RM'000 |
| Revenue | 322,972 | 310,730 | 1,302,819 | 1,011,979 |
| Cost of sales | (284,099) | (265,281) | (1,168,719) | (883,952) |
| Gross profit | 38,873 | 45,449 | 134,100 | 128,027 |
| Other income | 1,792 | 2,076 | 7,524 | 8,355 |
| Selling and administrative expenses | (12,008) | (13,919) | (44,891) | (43,643) |
| Finance costs | (4,163) | (3,867) | (16,672) | (11,882) |
| Share of (loss)/profit of joint ventures | (953) | 484 | (358) | 810 |
| Profit before tax | 23,541 | 30,223 | 79,703 | 81,667 |
| Income tax expense | (6,839) | (7,323) | (21,318) | (20,601) |
| Profit net of tax | 16,702 | 22,900 | 58,385 | 61,066 |
| Other comprehensive income | - | - | - | (1) |
| Total comprehensive income for the period | 16,702 | 22,900 | 58,385 | 61,065 |
| Profit attributable to : | | | | |
| Owners of the Company | 16,721 | 22,925 | 58,407 | 61,139 |
| Non-controlling interests | (19) | (25) | (22) | (73) |
| | 16,702 | 22,900 | 58,385 | 61,066 |
| Earnings Per Share (Sen) | | | | |
| - Basic (2) | 4.92 | 6.91 | 17.42 | 18.81 |
| - Diluted (2) | 4.92 | 6.91 | 17.42 | 18.81 |
| Total comprehensive income attributable to : | | | | |
| Owners of the Company | 16,721 | 22,925 | 58,407 | 61,138 |
| Non-controlling interests | (19) | (25) | (22) | (73) |
| | 16,702 | 22,900 | 58,385 | 61,065 |

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 December 2019

| | Unaudited As at 31/12/2019 RM'000 | Audited As at 31/12/2018 RM'000 |
|---|--|--|
| Assets | | |
| Non- current assets | | |
| Property, plant and equipment | 203,004 | 229,495 |
| Right-of-use asset | 6,093 | - |
| Land held for property development | 158,820 | 70,242 |
| Investment properties | 3,348 | 7,027 |
| Other investments | 75 | 75 |
| Investment in joint ventures | 18,254 | 18,612 |
| Deferred tax assets | - | - |
| | <u>389,594</u> | <u>325,451</u> |
| Current assets | | |
| Properties held for sale | 389 | 1,829 |
| Property Development costs | 130,969 | 105,453 |
| Inventories | 79,998 | 122,240 |
| Trade and other receivables | 519,044 | 464,831 |
| Prepayment | 6,827 | 5,292 |
| Contract assets | 375,110 | 336,472 |
| Cash and bank balances | 64,674 | 35,569 |
| | <u>1,177,011</u> | <u>1,071,686</u> |
| TOTAL ASSETS | <u>1,566,605</u> | <u>1,397,137</u> |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Income tax payable | 10,959 | 7,941 |
| Loans and borrowings | 241,972 | 193,148 |
| Lease liability | 3,288 | - |
| Trade and other payables | 392,348 | 443,876 |
| Contract liabilities | 28,493 | 3,589 |
| | <u>677,060</u> | <u>648,554</u> |
| Net current assets | <u>499,951</u> | <u>423,132</u> |
| Non-current liabilities | | |
| Loans and borrowings | 164,984 | 80,006 |
| Lease liabilities | 3,055 | - |
| Deferred tax liabilities | 962 | 3,781 |
| | <u>169,001</u> | <u>83,787</u> |
| TOTAL LIABILITIES | <u>846,061</u> | <u>732,341</u> |
| Net assets | <u>720,544</u> | <u>664,796</u> |
| Equity | | |
| Share capital | 247,279 | 237,452 |
| Treasury shares | (24) | (24) |
| Other reserves | 34,122 | 34,122 |
| Retained earnings | 439,110 | 393,167 |
| Equity attributable to owners of the Company | <u>720,487</u> | <u>664,717</u> |
| Non-controlling interests | 57 | 79 |
| Total equity | <u>720,544</u> | <u>664,796</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,566,605</u> | <u>1,397,137</u> |
| Net Assets Per Share Attributable to owners of the Company (RM) | 2.12 | 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 December 2019

| | Current Year To Date 31/12/2019 RM'000 | Preceding Year To Date 31/12/2018 RM'000 |
|--|---|---|
| Operating activities | | |
| Profit before tax | 79,703 | 81,667 |
| Adjustment for : | | |
| Allowance for impairment of trade receivables | 630 | 1,838 |
| Bad debts written off | - | 1 |
| Reversal of allowance for impairment on trade receivables | (209) | - |
| Unrealised foreign exchange loss/(gain) | 3,699 | (3,648) |
| Depreciation | 54,140 | 40,439 |
| Impairment loss on investment properties | 662 | 110 |
| Loss/(Gain) on disposal of investment properties | 224 | (19) |
| Loss on disposal of properties held for sale | 140 | - |
| Net fair value loss on investment securities | - | 212 |
| Gain on disposal of property, plant and equipment | (311) | (325) |
| Fixed asset written off | 249 | 135 |
| Provision for obsolete stock | 237 | - |
| Interest expenses | 16,672 | 11,882 |
| Interest income | (1,459) | (1,451) |
| Share of loss/(profit) of joint ventures | 358 | (810) |
| Operating cash flows before changes in working capital | <u>154,735</u> | <u>130,031</u> |
| Changes in working capital | | |
| Development property | (22,316) | (72,421) |
| Inventories | 42,005 | (48,354) |
| Receivables | (60,129) | (59,210) |
| Other current assets | (39,226) | (102,198) |
| Payables | 13,322 | 72,705 |
| Other current liabilities | (39,266) | (27,431) |
| Cash flows generated from/(used in) operations | <u>49,125</u> | <u>(106,878)</u> |
| Interest paid | (19,817) | (10,577) |
| Tax paid | (21,089) | (21,514) |
| Interest received | <u>1,459</u> | <u>1,451</u> |
| Net cash flows generated from/(used in) operating activities | <u>9,678</u> | <u>(137,518)</u> |
| Investing activities | | |
| Purchase of land held for property development and expenditure on land held for property development | (85,883) | (678) |
| Purchase of property, plant and equipment | (13,438) | (21,750) |
| Proceeds from disposal of property, plant & equipment | 1,611 | 335 |
| Proceeds from disposal of other investment | - | 64 |
| Proceeds from disposal of investment properties | 2,885 | 884 |
| Proceeds from disposal of properties held for sale | 1,300 | - |
| Incidental expenses on investment properties | (7) | - |
| Incidental expenses on disposal of investment properties | (85) | - |
| Net cash flows used in investing activities | <u>(93,617)</u> | <u>(21,145)</u> |
| Financing activities | | |
| Proceeds from issuance of shares | 9,912 | 13,665 |
| Share issuance expense | (85) | (91) |
| Dividend paid | (12,279) | (17,635) |
| Net proceeds from loans and borrowings | 142,637 | 107,180 |
| (Repayment to)/Advance from joint venture | (3,180) | 11,634 |
| Repayment to hire purchase creditors | (27,191) | (24,637) |
| Repayment of lease liabilities | (3,808) | - |
| Uplift of fixed deposit with licensed bank | <u>48</u> | <u>2,895</u> |
| Net cash flows generated from financing activities | <u>106,054</u> | <u>93,011</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>22,115</u> | <u>(65,652)</u> |
| Effects of exchange rate changes on cash and cash equivalents | <u>865</u> | <u>(708)</u> |
| 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>18,121</u> | <u>(4,859)</u> |
| Cash and cash equivalents at end of the financial period comprise the following: | | |
| Cash and bank balances | 64,674 | 35,569 |
| Less: Pledge of fixed deposit with licensed banks | (22,128) | (22,176) |
| Bank overdrafts (included within short term borrowings) | <u>(24,425)</u> | <u>(18,252)</u> |
| | <u>18,121</u> | <u>(4,859)</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 31 December 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 December 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 | - | - | - | - | (185) | (185) | - | (185) |
| Total comprehensive income for the period | - | - | - | - | 58,407 | 58,407 | (22) | 58,385 |
| <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 31/12/2019 | 247,279 | (24) | 34,193 | (71) | 439,110 | 720,487 | 57 | 720,544 |
| <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 : Dividend reinvestment plan | 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 |

(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 DECEMBER 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.

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

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 31 December 2019 are as follows:

| | |
|-----------------------------|---------------|
| | RM'000 |
| Approved and contracted for | <u>38,795</u> |

The capital commitment is mainly in relation to the purchase of land as detailed in Note B7(b) and B7(c).

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM25.62 million during the financial period-to-date, mainly incurred for the purchase of excavators, formworks, moulds and machineries for quarry production.

A12. Material events subsequent to the end of period reported

There were no material events subsequent to the end of the current financial quarter up to 20 February 2020, 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, save for the purchase and subscription of ordinary shares by Posh Atlantic Sdn Bhd, a joint venture company of the Group, in the following companies:

| Investee Company | Principal Activities | No. of shares purchased and subscribed | Equity Percentage | Consideration (RM) |
|------------------------------|----------------------|--|-------------------|--------------------|
| Pinegate Development Sdn Bhd | Property Development | 1,500,000 | 100% | 12,900,000.00 |
| Rex Series Sdn Bhd | Property Development | 6 | 60% | 6.00 |

A14. Contingent liabilities or contingent assets

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

A15. Significant Related Party Transactions

The Group had the following significant transactions during the financial year-to-date with related parties in which certain directors of the Company have substantial financial interest:-

| Nature of Transactions | Transaction Value Based on Billings (RM'000) | Balance outstanding as at 31 December 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 | 6,410 | 144 |

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 2019

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 2019:

| | Construction | Manufacturing & Trading | Property Development | Investment | Elimination | Consolidated |
|-------------------------------------|--------------|----------------------------|-------------------------|------------|-------------|--------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE | | | | | | |
| External sales | 1,022,167 | 272,095 | 8,523 | 34 | 0 | 1,302,819 |
| Inter-segment sales | 8,939 | 100,945 | 0 | 25,146 | (135,030) | 0 |
| Total revenue | 1,031,106 | 373,040 | 8,523 | 25,180 | (135,030) | 1,302,819 |
| RESULTS | | | | | | |
| Profit from operations | 80,920 | 51,299 | 1,701 | 25,180 | (25,000) | 134,100 |
| Other operating income | | | | | | 7,524 |
| Selling and administrative expenses | | | | | | (44,891) |
| Finance costs | | | | | | (16,672) |
| Share of loss of joint ventures | | | | | | (358) |
| Profit before tax | | | | | | 79,703 |
| Income tax expense | | | | | | (21,318) |
| Profit net of tax | | | | | | 58,385 |
| Segment Assets | 970,197 | 331,296 | 318,485 | 294,324 | (347,697) | 1,566,605 |
| Segment Liabilities | 580,510 | 163,122 | 177,120 | 450 | (75,141) | 846,061 |

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

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

| | Construction | Manufacturing & Trading | Property Development | Investment | Elimination | Consolidated |
|-------------------------------------|--------------|----------------------------|-------------------------|------------|-------------|--------------|
| REVENUE | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 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 | 825,988 | 387,811 | 257,718 | 272,697 | (347,077) | 1,397,137 |
| Segment Liabilities | 450,225 | 243,046 | 151,691 | 423 | (113,044) | 732,341 |

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

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 30/09/2019 RM'000 | Current quarter compare to preceding quarter | |
|----------------------------|---|---|------------------|---------|---|---|------------------|--------|---|--|-------|
| | Current Year Quarter 31/12/2019 RM'000 | Preceding Year Quarter 31/12/2018 RM'000 | Amount RM'000 | % | Current Year To Date 31/12/2019 RM'000 | Preceding Year To Date 31/12/2018 RM'000 | Amount RM'000 | % | | Amount RM'000 | % |
| Revenue | | | | | | | | | | | |
| Construction | 259,566 | 232,809 | 26,757 | 11.5% | 1,031,106 | 801,122 | 229,984 | 28.7% | 274,502 | (14,936) | -5.4% |
| Manufacturing & Trading | 98,714 | 97,181 | 1,533 | 1.6% | 373,040 | 252,657 | 120,383 | 47.6% | 87,047 | 11,667 | 13.4% |
| Property Development | 4,717 | 1,134 | 3,583 | 316.0% | 8,523 | 4,536 | 3,987 | 87.9% | 3,044 | 1,673 | 55.0% |
| Investment | 12,418 | 569 | 11,849 | 2082.4% | 25,180 | 19,040 | 6,140 | 32.2% | 313 | 12,105 | 3867% |
| Elimination | (52,443) | (20,963) | (31,480) | 150.2% | (135,030) | (65,376) | (69,654) | 106.5% | (28,782) | (23,661) | 82.2% |
| Consolidated revenue | 322,972 | 310,730 | 12,242 | 3.9% | 1,302,819 | 1,011,979 | 290,840 | 28.7% | 336,124 | (13,152) | -3.9% |
| Gross profit ("GP") | | | | | | | | | | | |
| Construction | 24,540 | 30,553 | (6,013) | -19.7% | 80,920 | 87,916 | (6,996) | -8.0% | 15,510 | 9,030 | 58.2% |
| Manufacturing & Trading | 13,280 | 14,439 | (1,159) | -8.0% | 51,299 | 38,402 | 12,897 | 33.6% | 12,298 | 982 | 8.0% |
| Property Development | 904 | 227 | 677 | 298.2% | 1,701 | 905 | 796 | 88.0% | 655 | 249 | 38.0% |
| Investment | 12,418 | 569 | 11,849 | 2082.4% | 25,180 | 19,040 | 6,140 | 32.2% | 313 | 12,105 | 3867% |
| Elimination | (12,269) | (339) | (11,930) | 3519.2% | (25,000) | (18,236) | (6,764) | 37.1% | (234) | (12,035) | 5143% |

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

| | Individual Quarter (4th Quarter) | | Changes | | Cumulative Period | | Changes | | Preceding Quarter 30/09/2019 RM'000 | Current quarter compare to preceding quarter | |
|-----------------------------------|----------------------------------|---------------------------------|------------------|---------|---------------------------------|---------------------------------|------------------|--------|---|--|--------|
| | Current Year | Preceding Year | | | Current Year | Preceding Year | | | | | |
| | Quarter 31/12/2019 RM'000 | Quarter 31/12/2018 RM'000 | Amount RM'000 | % | To Date 31/12/2019 RM'000 | To Date 31/12/2018 RM'000 | Amount RM'000 | % | | Amount RM'000 | % |
| Consolidated GP | 38,873 | 45,449 | (6,576) | -14.5% | 134,100 | 128,027 | 6,073 | 4.7% | 28,542 | 10,331 | 36.2% |
| GP margin | | | | | | | | | | | |
| Construction | 9.5% | 13.1% | | | 7.8% | 11.0% | | | 5.7% | | |
| Manufacturing & Trading | 13.5% | 14.9% | | | 13.8% | 15.2% | | | 14.1% | | |
| Property Development | 19.2% | 20.0% | | | 20.0% | 20.0% | | | 21.5% | | |
| Investment | 100.0% | 100.0% | | | 100.0% | 100.0% | | | 100.0% | | |
| Consolidated GP margin | 12.0% | 14.6% | | | 10.3% | 12.7% | | | 8.5% | | |
| Other income | 1,792 | 2,076 | (284) | -13.7% | 7,524 | 8,355 | (831) | -9.9% | 1,994 | (202) | -10.1% |
| Selling & administrative expenses | (12,008) | (13,919) | 1,911 | -13.7% | (44,891) | (43,643) | (1,248) | 2.9% | (11,065) | (943) | 8.5% |
| Finance costs | (4,163) | (3,867) | (296) | 7.7% | (16,672) | (11,882) | (4,790) | 40.3% | (3,893) | (270) | 6.9% |
| Share of profit of joint ventures | (953) | 484 | (1,437) | -296.9% | (358) | 810 | (1,168) | 144.2% | 138 | (1,091) | 790.6% |
| Profit before tax | 23,541 | 30,223 | (6,682) | -22.1% | 79,703 | 81,667 | (1,964) | -2.4% | 15,716 | 7,825 | 49.8% |
| Profit net of tax | 16,702 | 22,900 | (6,198) | -27.1% | 58,385 | 61,066 | (2,681) | -4.4% | 12,345 | 4,357 | 35.3% |

B1. Operating Segments Review**4th Quarter ("Q4") of financial year ended 31 December ("FY") 2019 v Q4 FY2018, year to date FY2019 ("YTD 2019") v year to date FY2018 ("YTD 2018")**

Revenue of RM322.97 million recorded in Q4 FY2019 was RM12.24 million or 3.9% higher compared to Q4 FY2018, mainly attributable to higher revenue achieved by the construction division.

Revenue of RM1.30 billion recorded in YTD 2019 was RM290.84 million or 28.7% higher compared to YTD 2018, mainly attributable to higher revenue achieved by the construction and manufacturing and trading ("M&T") divisions.

Construction revenue increased by RM26.76 million or 11.5%, and RM229.98 million or 28.7% in Q4 FY2019 and YTD 2019 respectively against last year's corresponding period, 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 RM120.38 million or 47.6% in YTD 2019 was mainly due to the following:

| Operation | Revenue (RM' mil) | | Main reasons for variance |
|---------------------------|-------------------|----------|---|
| | YTD 2019 | YTD 2018 | |
| Precast concrete products | 274.47 | 203.89 | Higher revenue from Klang Valley Mass Rapid Transit System ("KVMRT") line 2 project |
| Quarry products | 98.57 | 48.77 | 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 Q4 FY2019, gross profit ("GP") recorded in Q4 FY2019 was RM6.58 million or 14.5% lower against Q4 FY2018, due to lower gross profit margin achieved. The Group achieved a lower GP margin of 12.0% in Q4 FY2019 compared to 14.6% in Q4 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 RM6.07 million or 4.7% higher against YTD 2018, despite of lower GP margin achieved during the period. The Group recorded a lower GP margin of 10.3% in YTD 2019 compared to 12.7% 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 decreased by RM1.91 million in Q4 FY2019. Conversely, the S&M expenses increased by RM1.25 million in YTD FY2019 compared to YTD FY2018. The variances are mainly attributable to the following:

| | Q4 FY2019 v Q4 FY2018 (RM' mil) | YTD 2019 v YTD 2018 (RM' mil) |
|---|---------------------------------------|-------------------------------------|
| Increase/(decrease) in foreign exchange loss, mainly attributable to changes in exchange rate between Ringgit Malaysia and Singapore Dollar | (0.27) | 0.34 |
| Increase in employee expenses in line with higher scale of operation | 0.00 | 0.87 |
| (Decrease)/increase in provision for doubtful debts | (2.18) | (1.42) |
| Increase in assets impairment | 0.53 | 0.55 |
| Increase in loss on disposal of assets | 0.35 | 0.36 |

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.

The Group recorded a loss in the share of results of joint ventures in the period under review mainly due to a provision of doubtful debt made by one of the joint ventures.

Consequently, profit after tax ("PAT") of RM16.70 million and RM58.39 million of Q4 FY2019 and YTD 2019 respectively were RM6.20 million and RM2.68 million lower compared to Q4 FY2018 and YTD 2018 respectively.

(c) Group Cash Flow Review

For YTD 2019, the Group registered net cash generated from operating activities of RM9.68 million. Net cash used in investing activities of RM93.62 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 RM106.05 million was contributed by proceeds from loans and borrowings and issuance of shares, partly offset by repayment of loans and borrowings, hire purchase and lease liabilities, advance from a joint venture, and the payment of dividend.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q3 FY2019)

Revenue recorded in Q4 FY2019 decreased by 3.9% compared to Q3 FY2019, mainly attributable to the decline in revenue achieved by the construction division. The Group's GP in Q4 FY2019 was RM10.33 million or 36.2% higher compared to Q3 FY2019 mainly due to better GP margin achieved by the construction division.

There was no significant variance noted in other income and finance costs in Q4 FY2019 compared to Q3 FY2019.

S&M expenses was higher in Q4 FY2019 mainly due to the increase in assets impairment of RM0.52 million.

The decrease in share of profit of joint ventures was due to a provision of doubtful debt by one of the joint ventures.

PBT and PAT of Q4 FY2019 thus increased by RM7.82 million and RM4.36 million respectively against Q3 FY2019.

B3. Prospects For 2020

The Group has an estimated construction and manufacturing balance order book of approximately RM1.3 billion and RM0.24 billion respectively as at 31 December 2019, contributed by numerous construction contracts and supply contracts. The Board is positive of the performance of the Group in 2020 as the balance order book is expected to support the Group's performance in 2020.

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 2020 is projected to remain strong, range between S\$28 billion to S\$33 billion, with sustained public sector construction demand.

Public construction demand is expected to reach between S\$17.5 billion and S\$20.5 billion in 2020, spurred by major infrastructure projects such as the Integrated Waste Management Facility, infrastructure works for Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island MRT Line.

The private sector's construction demand is projected to be between S\$10.5 billion and S\$12.5 billion in 2020, supported by projects such as the redevelopment of en-bloc sales sites, recreation development at Mandai Park, Changi Airport new taxiway and berth facilities at Jurong Port and Tanjong Pagar Terminal.

The construction demand is expected to hold steady over the medium term. Demand is projected to reach between S\$27 billion and S\$34 billion per year for 2021 and 2022 and between S\$28 billion and S\$35 billion per year for 2023 and 2024.

The public sector is expected to contribute S\$16 billion to S\$20 billion per year from 2021 to 2024 with building projects and civil engineering works each taking up about half of the demand. Besides

public residential developments, public sector construction demand over the medium term will continue to be supported by various mega infrastructure projects.

SPC supplies TLS to Singapore MRT projects since 2006. It secured approximately 40% of the total TLS orders of the Downtown Line 2, 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. The Group plans to officially launch its bungalow units in Selangor by end of the first quarter of 2020.

B4. Profit Forecast And Profit Estimate

The Group did not issue any profit forecast or profit estimate previously in any public document.

B5. Profit Before Tax

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

| | Current Quarter 3 months ended 31.12.2019 RM'000 | Cumulative Quarter 12 months ended 31.12.2019 RM'000 |
|---|---|---|
| (a) interest income | 313 | 1,459 |
| (b) other income including investment Income | 1,421 | 5,754 |
| (c) interest expense | 5,055 | 19,817 |
| (d) depreciation and amortization | 11,425 | 54,140 |
| (e) provision for and write off of receivables | (129) | 630 |
| (f) provision for and write off of inventories | 237 | 237 |
| (g) (gain) or loss on disposal of quoted or unquoted investments or properties | 290 | 53 |
| (h) provision/(reversal) of asset impairment | 553 | 662 |
| (i) foreign exchange (gain) or loss | 277 | 1,692 |
| (j) gain or loss on derivatives | 0 | 0 |
| (k) exceptional items | 0 | 0 |

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| | Current Quarter 3 months ended 31.12.2019 RM'000 | Cumulative Quarter 12 months ended 31.12.2019 RM'000 |
|----------------------------------|---|---|
| In respect of the current period | | |
| - Income tax | 5,638 | 24,295 |
| - Deferred tax | 1,201 | (2,548) |
| | <u>6,839</u> | <u>21,747</u> |
| In respect of prior year | | |
| - Income tax | 0 | (157) |
| - Deferred tax | 0 | (272) |
| | <u>6,839</u> | <u>21,318</u> |

The effective tax rate for the period under review was higher than the statutory rate applicable to the Group as certain expenses were disallowed for tax deduction under tax regulations, and potential deferred tax benefits in relation to interest expenses were 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 ("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 was completed on 16 January 2020.

- (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.

B8. Group Borrowing and Debts Securities

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

| | Interest rate per annum YTD 2019 | As at 31.12.2019 RM'000 | As at 31.12.2018 RM'000 |
|----------------------------------|-------------------------------------|-------------------------------|-------------------------------|
| Long term borrowings | | | |
| <u>Secured:</u> | | | |
| Hire purchase creditors | 1.68% to 3.77% | 39,489 | 52,357 |
| Term loans | 5.70% to 6.70% | 125,495 | 27,649 |
| | | <u>164,984</u> | <u>80,006</u> |
| Short term borrowings | | | |
| <u>Secured:</u> | | | |
| Bank overdraft | 5.20% to 8.14% | 24,425 | 18,252 |
| Hire purchase creditors | 1.68% to 3.77% | 118,252 | 26,524 |
| Bankers' acceptance | 4.07% to 5.10% | 40,161 | 63,068 |
| Invoices financing | 4.06% to 6.44% | 17,500 | 58,613 |
| Term loans and revolving credits | 4.66% to 6.70% | 41,634 | 26,691 |
| | | <u>241,972</u> | <u>193,148</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 3.3 sen per share in respect of the financial year ended 31 December 2019 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 2018 Final Dividend was approved by the Shareholders at the 10th AGM, as detailed in Note B7(d).
- (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.

B11. Earnings Per Share ("EPS")

| | Current Quarter Ended | | Year to-Date Ended | |
|---|------------------------------|-------------------|---------------------------|-------------------|
| | 31.12.2019 | 31.12.2018 | 31.12.2019 | 31.12.2018 |
| Profit attributable to owners of the Company (RM'000) | 16,721 | 23,925 | 58,407 | 61,139 |
| Weighted average number of ordinary shares in issue ('000) | 339,801 | 331,871 | 335,217 | 325,093 |
| Assumed shares issued from the exercise of warrants ('000) | 0 | 0 | 0 | 0 |
| Adjusted weighted average number of ordinary shares in issue ('000) | 339,801 | 331,871 | 335,217 | 325,093 |
| Basic earnings per share (Sen) | 4.92 | 6.91 | 17.42 | 18.81 |
| Diluted earnings per share (Sen) | 4.92 | 6.91 | 17.42 | 18.81 |

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 calculated by dividing the profit attributable to owners of the Company by the adjusted weighted average number of ordinary shares in issue.