

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the Fourth Quarter Ended 31 December 2012

| | Individual Quarter | | Cumulative Period | |
|---|---|---|---|---|
| | Current Year Quarter 31/12/2012 RM'000 | Preceding Year Quarter (2) 31/12/2011 RM'000 | Current Year To Date 31/12/2012 RM'000 | Preceding Year To Date (2) 31/12/2011 RM'000 |
| Revenue | 236,128 | 192,051 | 897,273 | 652,134 |
| Cost of sales | (215,919) | (169,017) | (806,163) | (572,876) |
| Gross profit | 20,209 | 23,034 | 91,110 | 79,258 |
| Other income | 1,314 | 1,091 | 5,232 | 4,672 |
| Selling and administrative expenses | (7,789) | (6,781) | (28,506) | (22,509) |
| Finance costs | (2,165) | (1,192) | (6,772) | (3,130) |
| Profit before tax | 11,569 | 16,152 | 61,064 | 58,291 |
| Income tax expense | 620 | (4,518) | (11,842) | (15,616) |
| Profit net of tax | 12,189 | 11,634 | 49,222 | 42,675 |
| Other comprehensive income | - | (2) | 11 | 7 |
| Total comprehensive income for the period | 12,189 | 11,632 | 49,233 | 42,682 |
| Profit attributable to : | | | | |
| Owners of the Company | 12,187 | 11,670 | 49,338 | 42,712 |
| Non-controlling interests | 2 | (36) | (116) | (37) |
| | 12,189 | 11,634 | 49,222 | 42,675 |
| Earnings Per Share (RM) | | | | |
| - Basic (3) | 0.05 | 0.05 | 0.21 | 0.19 |
| - Diluted (3) | N/A | N/A | N/A | N/A |
| Total comprehensive income attributable to : | | | | |
| Owners of the Company | 12,187 | 11,668 | 49,349 | 42,719 |
| Non-controlling interests | 2 | (36) | (116) | (37) |
| | 12,189 | 11,632 | 49,233 | 42,682 |

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 2011 and the accompanying notes attached to the interim financial statements.

(2) These comparative figures have been extracted consistently from the interim financial report for the quarter ended 31 December 2011 announced to Bursa Malaysia Securities Berhad in prior year.

(3) 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 2012

| | Unaudited As at 31/12/2012 RM'000 | Audited As at 31/12/2011 RM'000 |
|---|--|--|
| Assets | | |
| Non- current assets | | |
| Property, plant and equipment | 128,273 | 45,885 |
| Investment properties | 327 | 327 |
| Other investments | 90 | 90 |
| | <u>128,690</u> | <u>46,302</u> |
| Current assets | | |
| Properties held for sale | 850 | 863 |
| Development property | 50,430 | 20,049 |
| Inventories | 19,495 | 12,487 |
| Trade and other receivables | 307,355 | 224,262 |
| Other current assets | 178,925 | 128,293 |
| Cash and bank balances | 36,334 | 81,653 |
| | <u>593,389</u> | <u>467,607</u> |
| TOTAL ASSETS | <u><u>722,079</u></u> | <u><u>513,909</u></u> |
| EQUITY AND LIABILITIES | | |
| Current liabilities | | |
| Income tax payable | 2,553 | 5,935 |
| Loans and borrowings | 96,162 | 51,004 |
| Trade and other payables | 266,156 | 212,496 |
| Other current liability | 15,327 | 10,796 |
| | <u>380,198</u> | <u>280,231</u> |
| Net current assets | <u>213,191</u> | <u>187,376</u> |
| Non-current liabilities | | |
| Loans and borrowings | 65,277 | 14,022 |
| Deferred tax liabilities | 1,506 | 3,514 |
| | <u>66,783</u> | <u>17,536</u> |
| TOTAL LIABILITIES | <u>446,981</u> | <u>297,767</u> |
| Net assets | <u>275,098</u> | <u>216,142</u> |
| Equity | | |
| Share capital | 120,225 | 114,500 |
| Share premium | 37,798 | 26,778 |
| Translation reserve | 5 | 3 |
| Retained earnings | 116,733 | 74,849 |
| Equity attributable to owners of the Company | <u>274,761</u> | <u>216,130</u> |
| Non-controlling interests | 337 | 12 |
| Total equity | <u>275,098</u> | <u>216,142</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>722,079</u></u> | <u><u>513,909</u></u> |
| Net Assets Per Share Attributable to owners of the Company (RM) | 1.14 | 0.94 |

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 2011 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 2012

| | Current Year To Date 31/12/2012 RM'000 | Preceding Year To Date 31/12/2011 RM'000 |
|---|---|---|
| Operating activities | | |
| Profit before tax | 61,064 | 58,291 |
| Adjustment for : | | |
| Unrealised foreign exchange (gain)/loss | (1,284) | (163) |
| Depreciation | 8,605 | 6,596 |
| Gain on disposal of investment property | | (60) |
| Gain on disposal of property, plant and equipment | (66) | (308) |
| Loss on disposal of properties held for resale | 1 | - |
| Transfer of fixed asset to Profit and Loss | 248 | 1 |
| Impairment of intangible assets | - | - |
| Reversal of impairment loss | - | (186) |
| Interest expenses | 5,043 | 1,924 |
| Interest income | (863) | (1,175) |
| Operating cash flows before changes in working capital | <u>72,748</u> | <u>64,920</u> |
| Changes in working capital | | |
| Development property | (30,381) | (20,049) |
| Inventories | (7,008) | (6,633) |
| Receivables | (90,801) | (77,113) |
| Other current assets | (43,728) | (39,192) |
| Payables | 55,658 | 48,109 |
| Other current liabilities | 4,531 | 2,594 |
| Cash flows used in operations | <u>(38,981)</u> | <u>(27,364)</u> |
| Interest paid | (5,043) | (1,924) |
| Tax paid | (17,233) | (10,423) |
| Interest received | 863 | 1,175 |
| Net cash flows used in operating activities | <u>(60,394)</u> | <u>(38,536)</u> |
| Investing activities | | |
| Purchase of property, plant and equipment | (75,854) | (12,390) |
| Proceeds from disposal of property, plant & equipment | 66 | 310 |
| Proceeds from disposal of property held for sales | 415 | - |
| Purchase of property held for sales | (380) | - |
| Net cash flows used in investing activities | <u>(75,753)</u> | <u>(12,080)</u> |
| Financing activities | | |
| Proceeds from issuance of shares by a subsidiary to minority interest | - | 49 |
| Proceeds from issuance of shares | 17,616 | - |
| Share issuance expenses | (430) | - |
| Dividend paid | (7,454) | (10,992) |
| Proceeds from loans and borrowings | 86,528 | 32,108 |
| Repayment of loans and borrowings | - | - |
| Repayment to hire purchase creditors | (4,390) | (3,476) |
| Net cash flows from financing activities | <u>91,870</u> | <u>17,689</u> |
| Net decrease in cash and cash equivalents | (44,277) | (32,927) |
| Effects of exchange rate changes on cash and cash equivalents | 70 | (49) |
| Cash and cash equivalents at beginning of financial period | 78,241 | 111,217 |
| Cash and cash equivalents at end of financial period | <u>34,034</u> | <u>78,241</u> |
| Cash and cash equivalents at the end of the financial period comprise the following: | | |
| Cash and bank balances | 36,334 | 81,653 |
| Bank overdrafts (included within short term borrowings) | (2,300) | (3,412) |
| | <u>34,034</u> | <u>78,241</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 2011 and the accompanying notes attached to the interim financial statements

Klmlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Changes in Equity
As at 31 December 2012

| | Attributable to owners of the parent | | | Distributable | Sub-Total | Non-controlling Interest | Total Equity |
|--|--------------------------------------|---------------|--------------------------------------|-------------------|----------------|--------------------------|----------------|
| | Non-distributable | | Foreign currency translation reserve | | | | |
| | Share capital | Share premium | | Retained earnings | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>YTD ended 31 December 2012</u> | | | | | | | |
| Balance At 1/1/2012 | 114,500 | 26,778 | 3 | 74,849 | 216,130 | 12 | 216,142 |
| Total comprehensive income for the period | - | - | 2 | 49,338 | 49,340 | (116) | 49,224 |
| <u>Transactions with owner</u> | | | | | | | |
| Dividend payment (as detailed in Note B11) | - | - | - | (7,454) | (7,454) | - | (7,454) |
| Issuance of ordinary shares pursuant to private placement (as detailed in Note A7) | 5,725 | 11,450 | - | - | 17,175 | - | 17,175 |
| Share issue expenses | - | (430) | - | - | (430) | - | (430) |
| Share issuance by a subsidiary | - | - | - | - | - | 441 | 441 |
| At 31/12/2012 | 120,225 | 37,798 | 5 | 116,733 | 274,761 | 337 | 275,098 |
| <u>YTD ended 31 December 2011 (2)</u> | | | | | | | |
| Balance At 1/1/2011 | 114,500 | 26,778 | (4) | 43,129 | 184,403 | - | 184,403 |
| Total comprehensive Income for the period | - | - | 7 | 42,712 | 42,719 | (37) | 42,682 |
| <u>Transactions with owner</u> | | | | | | | |
| Dividend payment (as detailed in Note A8) | - | - | - | (10,992) | (10,992) | - | (10,992) |
| Share issuance by a subsidiary to minority Interest | - | - | - | - | - | 49 | 49 |
| At 31/12/2011 | 114,500 | 26,778 | 3 | 74,849 | 216,130 | 12 | 216,142 |

(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 2011 and the accompanying notes attached to the interim financial statements

(2) These comparative figures have been extracted consistently from the interim financial report for the quarter ended 31 December 2011 announced to Bursa Malaysia Securities Berhad in prior year.

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 FRS 134: Interim Financial Reporting and Appendix 9B Part A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2011.

The interim financial report 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 FRSs.

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 2011, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs (“Amendments”) and Issues Committee (“IC”) Interpretations with effect from 1 January 2012:

IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
Amendments to FRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7: Transfers of Financial Assets
Amendments to FRS 112: Deferred Tax: Recovery of Underlying Assets
FRS 124: Related Party Disclosures

The adoption of the above FRSs, IC interpretations and Amendments do not have material impact on the financial statements of the Group.

The Group has not adopted the Malaysian Financial Reporting Standards (MFRS) in this interim financial report as the Group falls within the scope of IC Interpretation 15 Agreements for Construction of Real Estate, thereby the adoption of the MFRS will be deferred to annual periods beginning 1 January 2014.

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 2011.

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 except for the issuance of 11,450,000 new ordinary shares of RM0.50 each pursuant to a private placement exercise at an issue price of RM1.50 per ordinary share ("Private Placement") which was completed on 14 March 2012.

A8. Dividend Paid

The final single-tier dividend of 3.1 sen per share amounting to RM7.45 million in respect of the financial year ended 31 December 2011 was approved by the shareholders at the Annual General Meeting held on 18 June 2012. The dividend was paid on 3 August 2012.

A9. Segmental Information

The Group is organized into the following operating segments:-

- a) Construction
- b) Manufacturing of concrete products and trading of building materials
- c) Property development and investment

The segment revenue and results for the financial period ended 31 December 2012:

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2012

| | Construction RM'000 | Manufacturing & Trading RM'000 | Property development & Investment RM'000 | Elimination RM'000 | Consolidated RM'000 |
|-------------------------------------|------------------------|--------------------------------------|---|-----------------------|------------------------|
| REVENUE | | | | | |
| External sales | 808,796 | 87,765 | 712 | 0 | 897,273 |
| Inter-segment sales | 53 | 6,530 | 8,206 | (14,789) | 0 |
| Total revenue | 808,849 | 94,295 | 8,918 | (14,789) | 897,273 |
| RESULTS | | | | | |
| Profit from operations | 67,871 | 22,463 | 8,914 | (8,138) | 91,110 |
| Other operating income | | | | | 5,232 |
| Selling and administrative expenses | | | | | (28,506) |
| Finance costs | | | | | (6,772) |
| Profit before tax | | | | | 61,064 |
| Income tax expense | | | | | (11,842) |
| Profit net of tax | | | | | 49,222 |
| Segment Assets | 490,141 | 170,186 | 210,121 | (148,369) | 722,079 |
| Segment Liabilities | 315,736 | 119,220 | 51,239 | (39,214) | 446,981 |

A10. Valuation of property, plant and equipment

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

A11. Capital commitments

Capital commitment for property, plant and equipment not provided for as at 31 December 2012 are as follows:-

| | |
|-----------------------------|--------------|
| | RM'000 |
| Approved and contracted for | <u>9,769</u> |

The capital commitment is mainly for the construction of the New Factory as defined in Note A12, and the acquisition of plant and equipments for the New Factory.

A12. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM91.04 million, mainly incurred in the acquisition of a parcel of industrial land in Negeri Sembilan ("NS Land") for the setting up of a new pre-cast components factory ("New Factory") thereon, the construction of the New Factory and the hollow core slab plant ("HCS Plant"), and the purchase of plant & machinery for the New Factory and HCS Plant during the financial period-to-date.

A13. Material events subsequent to the end of period reported

There were no material events subsequent to the end of the current financial quarter up to 18 February 2013, being the latest practicable date ("LPD") which is not earlier than 7 days from the date of issuance of this quarterly report, that have not been reflected in this quarterly report.

A14. Changes in composition of the group

Kimlun Land Sdn Bhd, a wholly-owned subsidiary of the Company incorporated a wholly-owned subsidiary namely, Kimlun Medini Sdn Bhd ("KMSB") on 6 December 2012.

Save as disclosed above, there were no changes in the composition of the Group during the financial year-to-date.

A15. Contingent liabilities or contingent assets

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

A16. Significant Related Party Transactions

The Group had the following 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 2012 (RM'000) |
|---|--|---|
| Provision of construction services to a company in which the Company's director, Pang Tin @ Pang Yon Tin has substantial financial interest | 27,074 | 4,934 |
| Purchase of quarry products from a company in which the Company's directors, Pang Tin @ Pang Yon Tin and Phang Piow @ Pang Choo Ing have substantial financial interest | 25,328 | 10,237 |

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 4 Financial Year Ended 31 December ("FY") 2012 vs Quarter 4 FY2011

The Group achieved revenues of RM236.13 million during the current quarter, which is 23.0% higher as compared to RM192.05 million registered in the previous year's corresponding quarter.

Profit after tax of the Group of RM12.19 million for the current quarter is RM0.55 million or 4.8% higher than the RM11.64 million achieved in the previous year's corresponding quarter.

(b) 12 Months Ended 31 December 2012 ("Current Period") vs 12 Months Ended 31 December 2011 ("LY Corresponding Period")

The Group achieved revenues of RM897.27 million during the Current Period, which is 37.6% higher as compared to RM652.13 million registered in LY Corresponding Period.

Profit after tax of the Group of RM49.22 million for the Current Period is RM6.54 million or 15.3% higher than the RM42.68 million achieved in LY Corresponding Period.

(c) Performance review

The construction division continued to be the main revenue contributor to the Group, attributing 89.7% and 90.1% of the current quarter's and Current Period's revenue. For the current quarter, construction revenue improved by RM33.51 million, or 18.8%, compared to last year's corresponding quarter, whereas for the Current Period, construction revenue improved by RM206.60 million, or 34.3% as compared to LY Corresponding Period. The improvement in construction revenue in the current quarter and Current Period was mainly due to:

- (i) greater amount of balance orders in hand carried forward from FY2011 for execution mainly in FY2012 vis-à-vis the amount of balance order in hand carried forward from FY2010 for execution mainly in FY2011; and
- (ii) contribution from new projects secured during the Current Period

For the current quarter, manufacturing and trading revenue improved by RM11.43 million, or 81.4% from last year's corresponding quarter, whereas for the Current Period, manufacturing and trading revenue improved by RM42.63 million, or 82.5% as compared to LY Corresponding Period. The improvement in manufacturing and trading revenue in the current quarter and Current Period was mainly due to the increase in revenue from the sales of tunnel lining segments ("TLS") and jacking pipes ("JP") to Singapore, and the increase in revenue from the sales of prestressed planks locally.

For the current quarter, revenue of the property development and investment division were mainly derived from interest income received from other divisions and interest income generated from deposits placed with financial institutions. For the Current Period, revenue of the property development and investment division were mainly derived from dividend and interest income received from other divisions, and interest income generated from deposits placed with financial

institutions. Revenue generated from property development was negligible as the Group has yet to officially launch its development project.

The Group's gross profit margin declined from 12.0% in last year's corresponding quarter to 8.6% in the current quarter, and from 12.2% in LY Corresponding Period to 10.2% in Current Period, mainly due to lower gross profit margin derived by the construction division.

The construction division derived lower gross profit margin in the current quarter and Current Period mainly due to a larger proportion of lower gross profit projects being carried out and recognition of cost overrun in relation to few projects which were completed during the period.

Manufacturing and trading division derived better gross profit in the Current Period mainly due to economies of scale arising from larger volume of business. On the other hand, gross profit margin of this division was lower in the current quarter due to set up costs, trial run costs and other overheads incurred in the New Factory which commenced production in November 2012.

Selling and administrative expenses, finance costs increased in line with the Group's increasing business activities.

On the back of higher revenue achieved by the Group, gross profit and profit before tax of the Group rose by RM11.85 million and RM2.77 million respectively for the Current Period. On the other hand, gross profit and profit before tax of the Group was lower by RM2.82 million and RM4.58 million respectively in the current quarter despite of higher revenue achieved mainly due to recognition of cost overrun in relation to few construction projects which were completed during the current quarter, and set up costs, trial run costs and other overheads incurred in the New Factory.

The Group recognized tax incentives arising from its investment in the New Factory in the current quarter and thereupon, effective tax rate of the Group for the current quarter and Current Period was lower than the statutory tax rate.

Consequential upon the above, the profit after taxation of the Group for the current quarter and Current Period increased by 4.8% and 15.3% respectively.

(d) Group Cashflow Review

The Group experienced net operating cash outflow of RM60.39 million for the Current Period mainly due to:

- (a) higher level of construction activity and new projects commencing during the period. The Group will need to bear construction costs until a certain percentage or stage of completion before the Group can bill its customers, hence there will be temporary cash flow deficits when construction works escalate in a period;
- (b) the payment of balance purchase consideration and incidental costs totalling RM27.49 million in relation to the acquisition of few parcels of land for future property development purposes;
- (c) increase in stocks holdings mainly due to finished goods manufactured by the New Factory which commenced production in November 2012, and increased raw materials holding to meet production requirements of the New Factory.

Despite of the negative operating cash flow during the period, cash and cash equivalents of the Group stood at RM34.03 million as at 31 December 2012.

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

The Group recorded a 9.83% or RM21.13 million growth in revenue in the current quarter as compared to the preceding quarter, mainly attributable to higher construction activities during the current quarter following the escalation in construction activities of some new larger size projects.

The Group's gross profit margin declined from 10.8% in the preceding quarter to 8.6% in the current quarter due to lower gross profit margin derived by both the construction and the manufacturing and trading division in the current quarter. The causes of the decrease in the gross profit margin were explained in section (c) of Note B1.

The Group's profit after taxation for the current quarter improved by 4.0% or RM0.47 million as compared to the preceding quarter despite of the decline in gross profit margin, due to recognition of tax incentives arising from the Group's investment in the New Factory in the current quarter.

B3. Prospects For 2013

The Board foresees 2013 as an exciting year for the Group with likely growth in both construction and manufacturing and trading divisions on the back of estimated balance order book of approximately RM1.6 billion collectively as at 31 December 2012. The Board is optimistic that the construction sector of Malaysia and Singapore will continue to be vibrant in 2013, thus order book replenishment prospects remain encouraging.

Malaysian Construction Sector

The sector is projected to grow strongly by 11.2% in 2013 underpinned by on-going construction under the Economic Transformation Programme and vibrant housing construction activities. It is also expected to benefit from the implementation of construction projects under the Tenth Malaysia Plan.

Malaysian Government has allocated RM230 billion for development expenditure under the 10th Malaysia Plan. Out of the RM230 billion development expenditure, RM138 billion or 60% is aimed to expand physical development to be undertaken by the construction sector.

Amongst few major projects under the 10th Malaysia Plan which could benefit the Group in the medium to long term include:

- (a) the construction of a high-capacity Mass Rapid Transit system with a total length of about 150 km in Klang Valley ("KVMRT")

The KVMRT is expected to comprise three separate lines serving a 20km radius footprint around the city centre. All three lines are envisaged to be operational by 2020. The first of the three lines, the Sungai Buloh - Kajang line (SBK line) is presently under construction. The second and third lines of KVMRT are currently under feasibility studies of the Land Public Transport Commission (SPAD).

In relation to the SBK line, SPC Industries Sdn Bhd ("SPC"), a wholly owned subsidiary of the Company was appointed as the designated supplier for the supply of segmental box girders to certain packages for RM223 million over the period of approximately 40 months, and won the sales orders for the supply of precast

concrete tunnel segment linings ("TLS") for RM48.48 million over the period of approximately 24 months.

With the track record gained in the SBK line and Singapore MRT projects, coupled with additional production capacity on completion of the New Factory SPC will be in the position to compete for potential sales order from the second and third lines of KVMRT.

- (b) the construction of affordable houses and public amenities such as hospitals and clinics. The Board believes that most, if not all of these projects will be constructed using IBS construction method having regards to the Malaysian Government's policy that the content of IBS components in every new government project is to be increased to no less than 70% with effect from 31 October 2008, save for certain exceptions. Being one of the very few contractors with IBS design capabilities backed by pre-cast concrete manufacturing plant, the Group is in the position to take advantage on the roll out of these projects.

In addition, the vibrant developments in Iskandar Malaysia and PETRONAS' Refinery and Petrochemical Integrated Development (RAPID) project in Southern Johor are expected to create further demand for infrastructure and building construction services in Johor, the home base of the Group.

The residential sub-sector is expected to remain resilient supported by demand for housing in line with improving household income, accommodative financing and the Malaysian Government's continuous support for home ownership.

Singapore Construction Sector

Singapore's construction demand for 2013 is projected to reach between SGD26 billion and SGD32 billion as compared to \$28 billion in 2012. The total construction output is projected to rise to between \$31 billion and \$33 billion in 2013 from \$31 billion in 2012.

For 2013, about 53% of the demand is expected to come from the public sector. The higher public sector demand is due to the continued ramping up of public housing and rail construction. Other than public housing projects, major public sector projects likely to be awarded in 2013 include:

- Nanyang Technological University's Undergraduate Halls of Residence;
- various construction contracts for the fully underground 30-km long Thomson MRT Line; and
- expansion of Kallang Paya Lebar Expressway / Tampines Expressway Interchange

SPC, as a supplier of pre-cast concrete products may benefit from the roll out of the above projects and the commencement of construction of an extra-high-voltage underground power transmission network which comprises a 35 km cable tunnel ("Underground Cable Tunnel").

The construction contracts of the Underground Cable Tunnel were awarded to few international contractors late last year and the Group expects the supply order for TLS will be made by the winning contractors progressively in 2013.

The Group will continue to bid actively for construction projects and orders for pre-cast concrete products particularly for the supply of TLS to Underground Cable Tunnel, Singapore MRT and KVMRT projects.

As for its property development division, the Group expects to officially launch its maiden SOHO and offices property development project known as Cyber Bistari (Hyve) in Cyberjaya, Selangor with an estimated projected gross development value of more than RM200 million, by early of second quarter of this year. This would contribute positively to the revenue and profit of the Group.

The key challenges/risks for the Group include unexpected economic downturn, significant changes in Government spending policies, unfavourable raw material price movements, shortage in supply of labour unexpected problems or delays in the execution of the KVMRT project, or additional measures to curb the property market.

Barring any unforeseen circumstances, the Board is confident that the Group's business will further improve in 2013.

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 31.12.2012 RM'000 | Cumulative Quarter 12 months ended 31.12.2012 RM'000 |
|--|---|---|
| (a) interest income | 1,169 | 4,505 |
| (b) other income including investment income | 145 | 662 |
| (c) interest expense | 2,165 | 6,772 |
| (d) depreciation and amortization | 2,813 | 8,605 |
| (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 | 0 | (65) |
| (h) impairment of assets | 0 | 0 |
| (i) foreign exchange (gain) or loss | 36 | (313) |
| (j) gain or loss on derivatives | 0 | 0 |
| (k) exceptional items | 0 | 0 |

B6. Taxation

| | Current Quarter 3 months ended 31.12.2012 RM'000 | Cumulative Quarter 12 months ended 31.12.2012 RM'000 |
|----------------------------------|--|---|
| In respect of the current period | | |
| - Income tax | 1,224 | 14,112 |
| - Deferred tax | (1,847) | (2,127) |
| | <u>(623)</u> | <u>11,985</u> |
| In respect of prior year | | |
| - Income tax | 0 | (262) |
| - Deferred tax | 3 | 119 |
| | <u>(620)</u> | <u>11,842</u> |

The Group recorded a tax credit rather than tax expense for the current quarter due to the recognition of tax incentives arising from its investment in the New Factory.

B7. Status of Corporate Proposals and Utilisation of Gross Proceeds

- (a) There is no corporate proposal that has been announced by the Company but not completed as at the LPD.
- (b) The status of utilization of the gross proceeds from Public Issue as at LPD is as follows:

| Description | Estimated timeframe for utilisation upon Listing | Proposed Utilisation RM'000 | Actual Utilisation RM'000 | Deviation | | Explanation |
|---|--|--------------------------------|------------------------------|--------------|------|-------------|
| | | | | RM'000 | % | |
| Construction of factories and purchase of plant and machinery | Within 33 [^] months | 31,540 [^] | 30,450 | 1,090 | 3.5% | (1) |
| Purchase of a parcel of industrial land | Within 12 months | 5,200 [*] | 5,200 | 0 | 0% | (3) |
| Working capital | Within 33 Months [^] | 21,340 [^] | 21,340 | 0 | 0% | |
| Estimated listing expenses | Immediate | 4,000 | 4,000 | 0 | 0% | (2) |
| Total Proceeds | | 62,080 | 60,990 | 1,090 | | |

Note:-

* Inclusive of estimated incidental cost of RM200,000.

[^] Revised per the Company's announcement on 21 December 2011

- (1) IPO proceeds will be utilized within the estimated timeframe. The Group does not expect any material deviation as at the date of this report.
- (2) The total listing expenses was RM4.09 million. The deviation of RM0.09 million was financed via the funds generated internally by the Group.
- (3) The total amount incurred on the purchase of the industrial land was RM5.19 million. The unutilised balance of RM0.01 million was used for working capital of the Group.

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- (c) The status of utilization of the gross proceeds from the Private Placement as at LPD is as follows:

| Description | Estimated timeframe for utilisation from the receipt of the proceeds | Proposed Utilisation | Actual Utilisation | Deviation | | Explanation |
|--|--|----------------------|--------------------|--------------|-------|-------------|
| | | RM'000 | RM'000 | RM'000 | % | |
| Development and incidental expenditure of the Group's existing land bank | Within 18 months | 13,000 | 4,017 | 8,983 | 69.1% | (4) |
| Purchase of a parcel of industrial land | Within 12 months | 2,800 | 2,800 | 0 | 0% | |
| Working capital | Within 18 Months | 935 | 935 | 0 | 0% | |
| Expenses incidental to the Private Placement | Within 1 month | 440 | 440 | 0 | 0% | |
| Total Proceeds | | 17,175 | 8,192 | 8,983 | | |

Note:-

- (4) Private Placement proceeds will be utilized within the estimated timeframe. The Group does not expect any material deviation as at the date of this report.

B8. Group Borrowing and Debts Securities

The Group's borrowing and debts securities as at 31 December 2012 are as follows:

| | RM'000 |
|-----------------------------------|---------------|
| Long term borrowings | |
| <u>Secured:</u> | |
| Hire purchase creditors | 11,422 |
| Term loans | 53,855 |
| | <u>65,277</u> |
| Short term borrowings | |
| <u>Secured:</u> | |
| Bank overdraft | 2,300 |
| Hire purchase creditors | 3,143 |
| Bankers' acceptance | 72,886 |
| Advance against progressive claim | 15,278 |
| Term loans | 2,555 |
| | <u>96,162</u> |

B9. Material Litigation

There was no material litigation as at the LPD.

B10. Realised and Unrealised Profits

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits below is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities.

| | Group 31.12.2012 RM'000 | Group 31.12.2011 RM'000 |
|--|--|--|
| Total retained earnings | | |
| - Realised | 117,366 | 78,529 |
| - Unrealised | 13 | <u>(3,247)</u> |
| | 117,379 | 75,282 |
| Less : Consolidation adjustments | <u>(646)</u> | <u>(433)</u> |
| Total Group retained earnings as per consolidated accounts | <u>116,733</u> | <u>74,849</u> |

B11. Dividends

- (a) The Board of Directors recommend the payment of a final single-tier dividend of 4.8 sen per share amounting to RM11.542 million in respect of the financial year ended 31 December 2012 which is subject to the approval of the members at the forthcoming Annual General Meeting.
- (b) Total dividend declared during the financial year-to-date was 3.1 sen per share amounting to RM7.45 million, being the single-tier final dividend in respect of the financial year ended 31 December 2011.
- (c) Dividend declared during the previous year's corresponding period:
 - (i) The final single-tier dividend of 2.8 sen per share amounting to RM6.41 million in respect of the financial year ended 31 December 2010
 - (ii) The first interim single-tier dividend of 2.0 sen per share in respect of the financial year ended 31 December 2011

B12. Earnings Per Share ("EPS")

Basic EPS are calculated by dividing the profit attributable to equity holder of the Group by the weighted average number of ordinary shares in issue during the financial period as follow:

| | Current Quarter Ended | | Year to-Date Ended | |
|--|-----------------------|--------------------|----------------------|--------------------|
| | 31.12.2012 | 31.12.2011 | 31.12.2012 | 31.12.2011 |
| Profit attributable to equity holder of the Group (RM'000) | 12,187 | 11,670 | 49,338 | 42,712 |
| Weighted average number of ordinary shares in issue ('000) | 238,323 [^] | 229,000 | 238,323 [^] | 229,000 |
| Basic earnings per share (RM) | 0.051 | 0.051 [*] | 0.207 | 0.187 [#] |

The diluted earnings per share are not shown as there were no dilutive instruments as at balance sheet date.

[^]: Weighted average ordinary shares in issue

[#]: Had the EPS been computed based on the weighted average number of ordinary shares in issue of 238.3 million shares, the EPS for preceding year quarter ended 31 December 2011 and preceding year to-date ended 31 December 2011 would be RM0.049 and RM0.179 respectively.