

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the Third Quarter Ended 30 September 2017

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/09/2017 RM'000	Preceding Year Quarter 30/09/2016 RM'000	Current Year To Date 30/09/2017 RM'000	Preceding Year To Date 30/09/2016 RM'000
Revenue	248,079	224,175	613,056	705,325
Cost of sales	(211,412)	(193,435)	(520,721)	(598,392)
Gross profit	36,667	30,740	92,335	106,933
Other income	1,580	2,268	6,742	6,988
Selling and administrative expenses	(16,120)	(10,363)	(34,344)	(33,639)
Finance costs	(1,817)	(1,851)	(4,895)	(6,150)
Share of profit of joint ventures	18	1,164	307	1,586
Profit before tax	20,328	21,958	60,145	75,718
Income tax expense	(6,098)	(5,448)	(15,736)	(17,984)
Profit net of tax	14,230	16,510	44,409	57,734
Other comprehensive income	(1)	(5)	(17)	-
Total comprehensive income for the period	14,229	16,505	44,392	57,734
Profit attributable to :				
Owners of the Company	14,230	16,510	44,406	57,734
Non-controlling interests	-	-	3	-
	14,230	16,510	44,409	57,734
Earnings Per Share (Sen)				
- Basic (2)	4.51	5.26	14.23	18.76
- Diluted (2)	4.30	5.14	13.59	18.58
Total comprehensive income attributable to :				
Owners of the Company	14,229	16,505	44,389	57,734
Non-controlling interests	-	-	3	-
	14,229	16,505	44,392	57,734

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 2016 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 2017

	Unaudited As at 30/09/2017 RM'000	Audited As at 31/12/2016 RM'000
Assets		
Non- current assets		
Property, plant and equipment	196,157	155,787
Land held for property development	69,239	51,766
Investment properties	8,212	5,637
Other investments	417	256
Investment in joint ventures	17,899	17,291
	<u>291,924</u>	<u>230,737</u>
Current assets		
Properties held for sale	1,829	1,829
Property Development costs	31,726	54,157
Inventories	58,658	18,445
Trade and other receivables	419,602	466,754
Other current assets	179,532	134,251
Cash and bank balances	93,584	79,025
	<u>784,931</u>	<u>754,461</u>
TOTAL ASSETS	<u><u>1,076,855</u></u>	<u><u>985,198</u></u>
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	9,800	10,676
Loans and borrowings	38,713	47,373
Trade and other payables	315,263	284,582
Other current liability	39,856	33,076
	<u>403,632</u>	<u>375,707</u>
Net current assets	<u>381,299</u>	<u>378,754</u>
Non-current liabilities		
Loans and borrowings	86,981	67,662
Deferred tax liabilities	3,859	2,566
	<u>90,840</u>	<u>70,228</u>
TOTAL LIABILITIES	<u>494,472</u>	<u>445,935</u>
Net assets	<u>582,383</u>	<u>539,263</u>
Equity		
Share capital	173,844	155,145
Share premium	47,971	47,971
Treasury shares	(24)	(24)
Other reserves	34,706	34,816
Retained earnings	325,585	301,357
Equity attributable to owners of the Company	<u>582,082</u>	<u>539,265</u>
Non-controlling interests	301	(2)
Total equity	<u>582,383</u>	<u>539,263</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,076,855</u></u>	<u><u>985,198</u></u>
Net Assets Per Share Attributable to owners of the Company (RM)	1.82	1.74

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 2016 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 2017

	Current Year To Date 30/09/2017 RM'000	Preceding Year To Date 30/09/2016 RM'000
Operating activities		
Profit before tax	60,145	75,718
Adjustment for :		
Unrealised foreign exchange loss	5,676	(95)
Depreciation	18,203	14,479
Allowance for impairment on trade receivables	5,883	-
Bad debts recovered	(809)	(553)
Impairment of goodwill	-	3
Net fair value profit on investment securities	(154)	307
Gain on disposal of property, plant and equipment	(1,316)	(37)
Fixed asset written off	44	13
Interest expenses	2,837	3,741
Interest income	(1,316)	(1,059)
Share of profit of joint ventures	(307)	(1,586)
Operating cash flows before changes in working capital	<u>88,886</u>	<u>90,931</u>
Changes in working capital		
Development property	22,431	(1,519)
Inventories	(40,213)	5,103
Receivables	41,114	(23,664)
Other current assets	(49,059)	(33,849)
Payables	29,918	(6,293)
Other current liabilities	6,780	(3,635)
Cash flows generated from operations	<u>99,857</u>	<u>27,074</u>
Interest paid	(2,837)	(3,741)
Tax paid	(15,319)	(10,935)
Interest received	1,316	1,059
Net cash flows generated from operating activities	<u>83,017</u>	<u>13,457</u>
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(17,474)	(1,160)
Purchase of property, plant and equipment	(16,254)	(8,757)
Proceeds from disposal of property, plant & equipment	2,298	66
Purchase of investment property and additional expenditure incurred on investment property	(2,575)	(10)
Investment in joint venture company	(300)	(4,020)
Purchase of Investment Securities	-	(385)
Net cash flows used in investing activities	<u>(34,305)</u>	<u>(14,266)</u>
Financing activities		
Proceeds from issuance of shares	18,969	15,272
Share issuance expense	(62)	(232)
Dividend paid	(20,178)	(17,431)
Repayment of loans and borrowings	(16,100)	(33,462)
Repayment to hire purchase creditors	(7,103)	(5,432)
Net cash flows used in financing activities	<u>(24,474)</u>	<u>(41,285)</u>
Net increase/(decrease) in cash and cash equivalents	24,238	(42,094)
Effects of exchange rate changes on cash and cash equivalents	(197)	193
Cash and cash equivalents at beginning of financial period	<u>68,960</u>	<u>83,311</u>
Cash and cash equivalents at end of financial period	<u>93,001</u>	<u>41,410</u>
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	93,584	46,720
Bank overdrafts (included within short term borrowings)	(583)	(5,310)
	<u>93,001</u>	<u>41,410</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 2016 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 2017

	Attributable to owners of the Company						Sub-Total
	Non-distributable					Distributable	
	Share capital	Share premium	Treasury shares	Warrants reserve	Foreign currency translation reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
YTD ended 30 September 2017							
Balance At 1/1/2017	155,145	47,971	(24)	34,866	(50)	301,357	539,265
Total comprehensive income for the period	-	-	-	-	(17)	44,406	44,389
<u>Transactions with owner</u>							
Share issuance by a subsidiary							
Issuance of ordinary shares (as detailed in Note A7)	18,761			(93)			18,668
Share issue expenses	(62)						(62)
Dividend payment (as detailed in Note B11)						(20,178)	(20,178)
At 30/09/2017	173,844	47,971	(24)	34,773	(67)	325,585	582,082
YTD ended 30 September 2016							
Balance At 1/1/2016	150,281	37,795	(24)	34,865	(44)	236,868	459,741
Total comprehensive income for the period	-	-	-	-	(1)	57,734	57,733
<u>Transactions with owner</u>							
Issuance of ordinary shares pursuant to dividend reinvestment plan	4,864	10,408	-	-	-	-	15,272
Share issue expenses	-	(232)	-	-	-	-	(232)
Dividend payment (as detailed in Note B11)	-	-	-	-	-	(17,431)	(17,431)
At 30/09/2016	155,145	47,971	(24)	34,865	(45)	277,171	515,083

(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 2016 and the accompanying notes attached to the interim financial statements

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 2016.

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 2016, except for the adoption of the following new Financial Reporting Standards (“FRSs”) and Amendments to FRSs (“Amendments”) with effect from 1 January 2017:

FRS 107 Disclosures Initiatives (Amendments to FRS 107)
FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)
Amendments to FRS 12: Disclosure of Interests in Other Entities

The adoption of the above FRSs and Amendments will not have material impact on the financial statements of the Group other than as discussed below:

FRS 107 Disclosures Initiatives (Amendments to FRS 107)

The amendments to FRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Application of these amendments will result in additional disclosures to be provided by the Group and the Company.

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.

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 2016.

A4. Seasonal or Cyclical Factors

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

A5. Items of Unusual Nature

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

A6. Material Changes in Estimates

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

A7. Changes in Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial year-to-date save for the issuance of the following new ordinary shares in the Company ("New Shares"):

- (i) 9,199,803 New Shares pursuant to the DRP, as detailed in Note B7(b); and
- (ii) 160,000 New Shares for cash arose from the exercise of 160,000 units of the 2014/2024 warrants issued by the Company, at the exercise price of RM1.68 per warrant. Balance of 2014/2024 warrants which have yet to be exercised at the end of the financial period were 59,952,500 units.

A8. Dividend Paid

The final single-tier dividend of 6.5 sen per share in respect of the financial year ended 31 December 2016 was paid on 8 August 2017.

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 2017 are as follows:

	RM'000
Approved and contracted for	<u>16,365</u>

The capital commitment is mainly for the purchase of heavy machineries including road rollers, motor graders, and excavators to meet the requirements of construction projects, in particular the Pan Borneo Highway project in Sarawak, and moulds for the production of pre-cast concrete components.

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM59.60 million during the financial period-to-date, mainly incurred for the purchase of site vehicles, heavy machineries including road rollers, motor graders, compactor and excavators to meet the requirements of construction projects, and crusher plant and premix plant for quarry operation.

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 2017, 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

Save as disclosed below, there were no changes in the composition of the Group during the current financial year up to the LPD:

Date of incorporation	Company incorporated	The Company's effective shareholding
2 May 2017	JBB Kimlun Sdn Bhd	40%
12 October 2017	Kiiville Sdn Bhd	100%
6 November 2017	Kii Morris Sdn Bhd	100%
6 November 2017	Kii Ashbury Sdn Bhd	100%

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 2017 (RM'000)
Provision of construction services to a company in which the Company's director, Pang Tin @ Pang Yon Tin has substantial financial interest	2,679	2,069

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 30 SEPTEMBER 2017

A16. Segmental Information

The Group is organized into the following operating segments:-

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

The segment revenue and results for the financial period ended 30 September 2017:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	530,147	68,173	14,555	181	0	613,056
Inter-segment sales	485	13,104	490	20,598	(34,677)	0
Total revenue	530,632	81,277	15,045	20,779	(34,677)	613,056
RESULTS						
Profit from operations	66,506	20,524	2,828	20,779	(18,302)	92,335
Other operating income						6,742
Selling and administrative expenses						(34,344)
Finance costs						(4,895)
Share of profit of a joint venture						307
Profit before tax						60,145
Income tax expense						(15,736)
Profit net of tax						44,409
Segment Assets	664,367	265,454	137,747	259,280	(249,993)	1,076,855
Segment Liabilities	340,649	138,079	80,085	2,277	(66,618)	494,472

KIMLUN CORPORATION BERHAD (867077-X)**UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2017**

The segment revenue and results for the financial period ended 30 September 2016:

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
REVENUE						
External sales	553,290	146,150	5,831	54	0	705,325
Inter-segment sales	5,153	1,757	147	14,484	(21,541)	0
Total revenue	558,443	147,907	5,978	14,538	(21,541)	705,325
RESULTS						
Profit from operations	58,599	47,260	420	14,537	(13,883)	106,933
Other operating income						6,988
Selling and administrative expenses						(33,639)
Finance costs						(6,150)
Share of profit of a joint venture						1,586
Profit before tax						75,718
Income tax expense						(17,984)
Profit net of tax						57,734
Segment Assets	579,333	267,271	148,039	239,781	(257,005)	977,419
Segment Liabilities	296,659	146,579	105,048	1,314	(87,264)	462,336

KIMLUN CORPORATION BERHAD (867077-X)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2017

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		2nd Quarter 30/06/2017 RM'000	3rd quarter compared to 2nd quarter	
	Current Year	Preceding Year	Amount RM'000	%	Current Year	Preceding Year	Amount RM'000	%		Amount RM'000	%
	Quarter 30/09/2017 RM'000	Quarter 30/09/2016 RM'000			To Date 30/09/2017 RM'000	To Date 30/09/2016 RM'000					
Revenue											
Construction	217,883	184,692	33,191	18.0%	530,632	558,443	(27,811)	-5.0%	166,422	51,461	30.9%
Manufacturing & Trading	32,385	40,171	(7,786)	-19.4%	81,277	147,907	(66,630)	-45.0%	23,933	8,452	35.3%
Property Development	4,326	1,513	2,813	185.9%	15,045	5,978	9,067	151.7%	8,817	(4,491)	-50.9%
Investment	572	570	2	0.4%	20,779	14,538	6,241	42.9%	19,723	(19,151)	-97.1%
Elimination	(7,087)	(2,771)	(4,316)	155.8%	(34,677)	(21,541)	(13,136)	61.0%	(24,097)	17,010	-70.6%
Consolidated revenue	248,079	224,175	23,904	10.7%	613,056	705,325	(92,269)	-13.1%	194,798	53,281	27.4%
Gross profit ("GP")											
Construction	28,028	19,281	8,747	45.4%	66,506	58,599	7,907	13.5%	21,367	6,661	31.2%
Manufacturing & Trading	7,169	11,189	(4,020)	-35.9%	20,524	47,260	(26,736)	-56.6%	5,269	1,900	36.1%
Property Development	769	183	586	320.2%	2,828	420	2,408	573.3%	1,581	(812)	-51.3%
Investment	572	569	3	0.5%	20,779	14,537	6,242	42.9%	19,723	(19,151)	-97.1%
Elimination	129	(482)	611	-126.8%	(18,302)	(13,883)	(4,419)	31.8%	(18,354)	18,483	-100.7%

KIMLUN CORPORATION BERHAD (867077-X)
UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2017

	Individual Quarter (3rd Quarter)		Changes		Cumulative Period		Changes		2nd Quarter 30/06/2017 RM'000	3rd quarter compared to 2nd quarter	
	Current Year	Preceding Year	Amount RM'000	%	Current Year	Preceding Year	Amount RM'000	%		Amount RM'000	%
	Quarter 30/09/2017 RM'000	Quarter 30/09/2016 RM'000			To Date 30/09/2017 RM'000	To Date 30/09/2016 RM'000					
Consolidated GP	36,667	30,740	5,927	19.3%	92,335	106,933	(14,598)	-13.7%	29,586	7,081	23.9%
GP margin											
Construction	12.9%	10.4%			12.5%	10.5%			12.8%		
Manufacturing & Trading	22.1%	27.9%			25.3%	32.0%			22.0%		
Property Development	17.8%	12.1%			18.8%	7.0%			17.9%		
Investment	100.0%	99.8%			100.0%	100.0%			100.0%		
Consolidated GP margin	14.8%	13.7%			15.1%	15.2%			15.2%		
Other income	1,579	2,268	(689)	-30.4%	6,742	6,988	(246)	-3.5%	1,880	(301)	-16.0%
Selling & administrative expenses	(16,119)	(10,363)	(5,756)	55.5%	(34,344)	(33,639)	(705)	2.1%	(10,114)	(6,005)	59.4%
Finance costs	(1,817)	(1,851)	34	-1.8%	(4,895)	(6,150)	1,255	-20.4%	(1,535)	(282)	18.4%
Share of profit of joint ventures	18	1,164	(1,146)	-98.5%	307	1,586	(1,279)	-80.6%	153	(135)	88.2%
Profit before tax	20,328	21,958	(1,630)	-7.4%	60,145	75,718	(13,943)	-25.9%	19,970	358	1.8%
Profit net of tax	14,230	16,510	(2,280)	-13.8%	44,409	57,734	(11,045)	-26.8%	14,797	(567)	-3.8%

B1. Operating Segments Review

3rd Quarter (“Q3”) financial year ending/ended 31 December (“FY”) 2017 v Q3 FY2016, year to date FY2017 (“YTD 2017”) v year to date FY2016 (“YTD 2016”)

Revenue recorded in Q3 FY2017 was 10.7% higher compared to Q3 FY2016 as construction revenue increased by RM33.19 million, partly offset by the decline in manufacturing and trading (“M&T”) revenue of RM7.79 million. The improvement in construction revenue was mainly due to contribution of revenue from several new projects which began to pick up momentum during the period. The decline in M&T revenue was mainly due to the reason stated in the ensuing paragraph.

Revenue recorded in YTD 2017 was 13.1% lower compared to YTD 2016 mainly due to lower revenue achieved by the construction and M&T divisions despite of the amount of balance orders in hand carried forward from FY2016 was higher vis-à-vis the amount of balance order in hand carried forward from FY2015, as follows:

	Balance orders in hand carried forward from	
	FY2016	FY2015
Construction	RM1.67 billion	RM0.94 billion
M&T	RM0.26 billion	RM0.17 billion

This is mainly due to:

- (i) the substantial completion of some larger size construction projects in FY2016 while the construction activities of most of the new larger size projects secured during FY2016 are either yet to reach their peak level or at early stage; and
- (ii) the completion of the tunnel lining segments (“TLS”) supply orders for Singapore’s underground power transmission network in FY2016 and Singapore MRT Thomson Line in the early part of FY2017, while the supply of TLS and segmental box girders (“SBG”) for Klang Valley Mass Rapid Transit system (“KVMRT”) line 2 project (“KVMRT2”) will only pick up in the later part of FY2017.

The property development division recorded revenue of RM15.05 million in YTD 2017, attributable to more completed houses were sold during the period.

For YTD 2017, 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.

The Group’s gross profit margin (“GP margin”) of 14.8% achieved in Q3 FY2017 improved compared to Q3 FY2016. The Group’s GP margin of 15.1% achieved in YTD 2017 approximates the GP margin of YTD FY2016. During YTD 2017 and Q3 FY2017, the GP margin of the construction and property development divisions improved while the GP margin of the M&T division declined.

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

The improvement in GP margin of the property development division was mainly due to better margin products were sold during the period.

The decline in GP margin of the M&T division during the period was mainly due to:

- (i) lower revenue achieved by pre-cast concrete products sub-division while fixed overhead increased on incurrance of capital expenditures to meet the production requirements of new orders; and
- (ii) approximately 20% of the M&T revenue was contributed by the new quarry products sub-division which earned lower GP margin compared to the pre-cast concrete products sub-division

On the back of higher revenue and improvement in GP margin, the Group's gross profit increased by 19.3% in Q3 FY2017 compared to Q3 FY2016. The Group's gross profit decreased by 13.7% in YTD 2017 attributable to lower revenue achieved in YTD 2017.

The selling and administrative expenses in Q3 FY2017 increased by RM5.75 million, due to provision for doubtful debt of RM5.88 million ("PDD") during the period. The selling and administrative expenses in YTD 2017 increased by RM0.70 million, due to the PDD and higher human resources expenses, partly offset by lower carriage outward expenses in line with lower delivery of finished goods to customers.

Finance costs were lower due to lower utilization of banking facilities while stronger cash inflow was generated from operating activities.

Share of profit of joint ventures was lower in YTD 2017 and Q3 FY2017 mainly due to the property development project known as Cyber Bistari (Hyve) ("Hyve") carried out by a joint venture company was completed in FY2016.

(c) Group Cash Flow Review

For YTD 2017, the Group registered net cash inflow from operating activities of RM83.02 million. Net cash used in investing activities of RM34.31 million was mainly due to the completion of the acquisition of the lease over the last of the two parcels of freehold land as detailed in Note B7, and capital expenditures as detailed in Note A11. Net cash used in financing activities of RM24.47 million was attributable to payment of dividend, repayment of loans and borrowings and hire purchase instalments in accordance with the schedule of repayments, partly offset by net proceeds from issuance of shares.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q2 FY2017)

The Group recorded higher revenue and gross profit in Q3 FY2017 compared to the Q2 FY2017, mainly attributable to higher construction revenue on further construction progress of projects in hand, and M&T revenue on higher revenue generation by quarry products sub-division and from KVMRT2 TLS sales order.

Selling and administrative expenses were higher in Q3 FY2017 mainly due to the PDD.

B3. Prospects For 2017

The Group has an estimated construction and manufacturing balance order book of approximately RM2.05 billion and RM0.35 billion respectively as at 30 September 2017, contributed by numerous construction contracts and supply contracts. The balance order book provides a good earnings visibility to the Group and is expected to keep the Group busy for the next 2 years.

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, IGB Corporation Bhd Group, 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 SBG and TLS to KVMRT Line 2, with aggregate contract value of approximately RM252 million (collectively “KVMRT2 Supply Contracts”). The supplies of products under these contracts are expected to be completed in 2019;
- (b) Pan Borneo Highway (“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 (“Project”). The estimated completion period of the Project is end March 2020; and
- (c) The construction of 5 blocks of Selangorku affordable apartments in Mukim Petaling, Selangor at contract sum of RM165.82 million. The project is expected to be completed in April 2019.

The Board is optimistic that the construction sector of Malaysia and Singapore will continue to be vibrant in 2017, thus offer order book replenishment prospects.

Malaysian Construction Sector

The sector is expected to benefit from the construction projects to be rolled out under the 11th Malaysia Plan (“11MP”) 2016-2020 (“Plan Period”). The construction sector is estimated to expand by 10.3% per annum during the Plan Period, attributable to continued civil engineering works and a growing residential subsector to fulfil the demand for housing, particularly from the middle-income group.

The Malaysian Government has allocated RM260 billion for development expenditure under the 11MP, up 13% as compared to 10th Malaysia Plan. The Group has secured the following contracts under the 11MP, which will keep the Group busy for the next few years:

- (a) The KVMRT 2 Supply Contracts; and
- (b) The PBH

With the strong track record in various types of construction works, and the supply of pre-cast concrete components to KVMRT Line 1 and Singapore MRT projects, the Group will compete for potential contracts from civil engineering projects such as the Light Rail Transit Line 3 (“LRT3”), the Malaysia-Singapore High Speed Rail and Pan Borneo Highway Sabah, when opportunities arise. In addition, the Group will continue to seek for business opportunities from private sector’s projects.

Singapore Construction Sector

The total construction demand is projected to be between \$28 billion to \$35 billion in 2017. The public sector is expected to contribute about 70% of the total construction demand, boosted by an increase in demand for most building types and civil engineering works. This year’s projects include new public housing projects, JTC’s Logistics Hub @ Gul, and mega public sector infrastructure projects which include the second phase of the Deep Tunnel Sewerage System, North-South Corridor Expressway and MRT Circle Line 6.

The average construction demand is projected to be between \$26 billion and \$35 billion per annum in 2018 and 2019. Public sector construction demand is projected to be between \$18 billion and \$23 billion per annum, with similar proportions of demand coming from building projects and civil engineering works. Upcoming mega infrastructure projects include the construction of new MRT lines and various infrastructure developments for Changi Airport Terminal 5.

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

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

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

The completed Hyve and the Taman Puteri residential development in Pekan Nenas, Johor, with total unsold stocks worth RM42 million will continue to contribute to the Group's revenue in 2017 with further sales. There is no other on-going development carried out by the Group on its land bank totalling 155 acres.

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 30.9.2017 RM'000	Cumulative Quarter 9 months ended 30.9.2017 RM'000
(a) interest income	405	1,316
(b) other income including investment Income	1,175	4,109
(c) interest expense	1,146	2,837
(d) depreciation and amortization	7,244	18,203
(e) provision for and write off of receivables	5,883	5,883
(f) provision for and write off of inventories	0	0
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	2	(1,316)
(h) Provision/(reversal) of assets impairment	(135)	(111)
(i) foreign exchange (gain) or loss	(101)	205
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

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B6. Taxation

	Current Quarter 3 months ended 30.9.2017 RM'000	Cumulative Quarter 9 months ended 30.9.2017 RM'000
In respect of the current period		
- Income tax	5,737	14,529
- Deferred tax	432	1,624
	<u>6,169</u>	<u>16,153</u>
In respect of prior year		
- Income tax	(87)	(87)
- Deferred tax	16	(330)
	<u>6,098</u>	<u>15,736</u>

The effective tax rate for the financial year to date was higher than the statutory rate applicable to the Group as certain expenses were disallowed for tax deduction under tax regulations.

B7. Status of Corporate Proposals

- (a) On 28 March 2013, the Company's wholly-owned subsidiary, Kimlun Medini Sdn Bhd entered into a conditional lease purchase agreement ("LPA") with Medini Land Sdn Bhd for the acquisition of 99-year lease over two parcels of contiguous freehold land with a total land area measuring 5.31 acres in Mukim of Pulai, District of Johor Bahru, Johor for a total cash consideration of RM31.06 million.

The LPA was declared unconditional on 11 April 2013. The acquisition of the lease has been completed in March 2017.

- (b) 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 13 June 2017 ("8th AGM"), the Shareholders approved the declaration of a final single tier dividend of RM0.065 per ordinary share in Kimlun ("Kimlun Share(s)") in respect of the financial year ended 31 December 2016 ("FYE 2016 Final Dividend"), and the issuance of new Kimlun Shares ("New Shares") pursuant to the application of DRP thereto.

Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 16 May 2017, approved the listing and quotation of up to 12,500,000 New Shares to be issued pursuant to the DRP, subject to the following conditions ("Conditions"):-

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- Kimlun and its adviser to the DRP, RHB Investment Bank Bhd (“RHBIB”) must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the DRP;
- Kimlun and RHBIB to inform Bursa Securities upon the completion of the DRP; and
- Kimlun to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the DRP is completed.

A total of 9,199,803 New Shares were issued and allotted at RM2.00 per New Share on 8 August 2017 pursuant to the DRP in relation to the FYE 2016 Final Dividend. The electable portion of the FYE 2016 Final Dividend which was not reinvested in New Shares was paid on 8 August 2017. Kimlun and RHBIB had complied with all the Conditions.

B8. Group Borrowing and Debts Securities

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

	Interest rate per annum YTD 2017	As at 30.9.2017 RM'000	As at 30.9.2016 RM'000
Long term borrowings			
<u>Secured:</u>			
Hire purchase creditors	2.37% to 3.56%	37,114	9,131
Term loans	4.90% to 6.70%	49,867	59,031
		86,981	68,162
Short term borrowings			
<u>Secured:</u>			
Bank overdraft	5.35% to 8.29%	584	5,310
Hire purchase creditors	2.37% to 3.56%	16,495	7,019
Bankers' acceptance	4.15% to 4.58%	5,547	15,409
Term loans	4.90% to 6.70%	16,087	22,062
		38,713	49,800

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. 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 30.9.2017 RM'000	Group 31.12.2016 RM'000
Total retained earnings		
- Realised	335,553	305,230
- Unrealised	(5,087)	3,057
	<u>330,466</u>	<u>308,287</u>
Less : Consolidation adjustments	<u>(4,881)</u>	<u>(6,929)</u>
Total Group retained earnings as per consolidated accounts	<u>325,585</u>	<u>301,358</u>

B11. Dividends

- (a) The FYE 2016 Final Dividend was approved by the shareholders at the 8th AGM, as detailed in Note B7(b).
- (b) The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 30 September 2017.
- (c) Dividend declared during the previous year's corresponding period:

A final single-tier dividend of 5.8 sen per share in respect of the financial year ended 31 December 2015.

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B12. Earnings Per Share (“EPS”)

	Current Quarter Ended		Year to-Date Ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Profit attributable to owners of the Company (RM'000)	14,230	16,510	44,406	57,734
Weighted average number of ordinary shares in issue ('000)	315,825	314,001	312,142	307,684
Assumed shares issued from the exercise of warrants ('000)	14,786	7,238	14,609	3,056
Adjusted weighted average number of ordinary shares in issue ('000)	330,611	321,239	326,751	310,740
Basic earnings per share (Sen)	4.51	5.26	14.23	18.76
Diluted earnings per share (Sen)	4.30	5.14	13.59	18.58

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.