Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statement of Comprehensive Income
For the Second Quarter Ended 30 June 2018

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/06/2018 RM'000	Preceding Year Quarter 30/06/2017 RM'000	Current Year To Date 30/06/2018 RM'000	Preceding Year To Date 30/06/2017 RM'000
Revenue	217,971	194,798	438,896	364,977
Cost of sales	(194,007)	(165,772)	(387,625)	(310,782)
Gross profit	23,964	29,026	51,271	54,195
Other income	1,912	1,879	4,484	5,163
Selling and administrative expenses	(9,751)	(9,553)	(20,289)	(16,752)
Finance costs	(2,523)	(1,535)	(4,903)	(3,078)
Share of profit of joint ventures	143	153	311	289
Profit before tax	13,745	19,970	30,874	39,817
Income tax expense	(3,911)	(5,173)	(8,450)	(9,638)
Profit net of tax	9,834	14,797	22,424	30,179
Other comprehensive income	1	(10)	(4)	(16)
Total comprehensive income for the period	9,835	14,787	22,420	30,163
Profit attributable to :				
Owners of the Company	9,848	14,795	22,495	30,176
Non-controlling interests	(14)	2	(71)	3
	9,834	14,797	22,424	30,179
Earnings Per Share (Sen)				
- Basic (2)	3.07	4.77	7.02	9.73
- Diluted (2)	3.04	4.54	6.83	9.29
Total comprehensive income attributable to :				
Owners of the Company	9,849	14,785	22,491	30,160
Non-controlling interests	(14)	2	(71)	3
	9,835	14,787	22,420	30,163

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 2017 and the accompanying notes attached to the interim financial statements.

(2) Please refer to Note B11 for details.

Kimlun Corporation Berhad
(Company No: 867077-X)
Unaudited Condensed Consolidated Statements of Financial Position
As at 30 June 2018

	Unaudited As at 30/06/2018 RM'000	Audited As at 31/12/2017 RM'000
Assets		
Non- current assets		
Property, plant and equipment	227,543	206,149
Land held for property development	69,622	69,563
Investment properties	8,002	8,002
Other investments	247	370
Investment in joint ventures	18,245	17,985
Deferred tax assets	-	-
	323,659	302,069
Current assets		
Properties held for sale	1,829	1,829
Property Development costs	56,133	32,040
Inventories	153,135	73,886
Trade and other receivables	358,523	412,258
Other current assets	273,428	239,563
Cash and bank balances	55,886	86,572
	898,934	846,148
TOTAL ASSETS	1,222,593	1,148,217
EQUITY AND LIABILITIES		
Current liabilities		
Income tax payable	13,613	12,355
Loans and borrowings	64,939	46,032
Trade and other payables	443,526	367,015
Other current liability	2,877	31,020
	524,955	456,422
Net current assets	373,979	389,726
Non-current liabilities		
Loans and borrowings	84,336	83,570
Deferred tax liabilities	606	433
	84,942	84,003
TOTAL LIABILITIES	609,897	540,425
Net assets	612,696	607,792
Equity		
Share capital	223,997	223,818
Treasury shares	(24)	(24)
Other reserves	34,119	34,183
Retained earnings	354,523	349,663
Equity attributable to owners of the Company	612,615	607,640
Non-controlling interests	81	152
Total equity	612,696	607,792
TOTAL EQUITY AND LIABILITIES	1,222,593	1,148,217
Net Assets Per Share Attributable to owners of the Company (RM)	1.91	1.90

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 2017 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 June 2018

	Current Year To Date 30/06/2018 RM'000	Preceding Year To Date 30/06/2017 RM'000
Operating activities		
Profit before tax	30,874	39,817
Adjustment for :		
Unrealised foreign exchange (gain)/ loss	(12)	5,104
Depreciation	17,922	10,959
Reversal of allowance for impairment on trade receivables	-	(809)
Net fair value loss/(profit) on investment securities	116	(19)
Gain on disposal of property, plant and equipment	(6)	(1,318)
Fixed asset written off	39	43
Interest expenses	3,670	1,691
Interest income	(916)	(911)
Share of profit of joint ventures	(311)	(289)
Operating cash flows before changes in working capital	51,376	54,268
Changes in working capital		
Development property	(24,094)	22,714
Inventories	(79,249)	(29,295)
Receivables	70,788	64,249
Other current assets	(33,962)	9,620
Payables	26,784	(54,792)
Other current liabilities	(13,130)	1,048
Cash flows generated from operations	(1,487)	67,812
Interest paid	(3,670)	(1,691)
Tax paid	(6,976)	(6,456)
Interest received	916	911
Net cash flows (used in)/ generated from operating activities	(11,217)	60,576
Investing activities		
Purchase of land held for property development and expenditure on land held for property development	(59)	(17,059)
Purchase of property, plant and equipment	(21,817)	(16,548)
Proceeds from disposal of property, plant & equipment	14	1,386
Additional expenditure incurred on investment property	-	(19)
Investment in joint venture company	-	(300)
Net cash flows used in investing activities	(21,862)	(32,540)
Financing activities		
Proceeds from issuance of shares	173	-
Share issuance expense	(53)	-
Proceeds from/(Repayment of) loans and borrowings	11,934	(13,402)
Repayment to hire purchase creditors	(10,589)	(2,073)
Withdrawal of fixed deposit with licensed bank	79	(21,240)
Net cash flows generated/(used) in financing activities	1,544	(36,715)
Net decrease in cash and cash equivalents	(31,535)	(8,679)
Effects of exchange rate changes on cash and cash equivalents	147	662
Cash and cash equivalents at beginning of financial period	61,501	68,960
Cash and cash equivalents at end of financial period	30,113	60,943
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	55,886	88,724
Less: Deposit with a licensed banks pledged	(24,992)	(21,240)
Bank overdrafts (included within short term borrowings)	(781)	(6,541)
	30,113	60,943

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 2017 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 June 2018

	Attributable to owners of the Company								
	<----------------- Non-distributable ----------------->					Distributable			
	Share capital	Share premium	Treasury shares	Warrants reserve	Foreign currency translation reserve	Retained earnings	Sub-Total	Non-controlling interest	Total Equity
	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>YTD ended 30 June 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	-	-	-	-	(4)	22,495	22,491	(71)	22,420
<u>Transactions with owner</u>									
Dividend payment (as detailed in Note B10)	-	-	-	-	-	(17,635)	(17,635)	-	(17,635)
Issuance of ordinary shares pursuant to conversion of warrants	232	-	-	(60)	-	-	172	-	172
Share issue expenses	(53)	-	-	-	-	-	(53)	-	(53)
At 30/06/2018	**223,997**	**-**	**(24)**	**34,193**	**(74)**	**354,523**	**612,615**	**81**	**612,696**
<u>YTD ended 30 June 2017</u>									
Balance At 1/1/2017	155,145	47,971	(24)	34,866	(50)	301,357	539,265	(2)	539,263
Total comprehensive income for the period	-		-	-	(16)	30,179	30,163	3	30,166
Transition to no-par value regime	47,971	(47,971)	-	-	-	-	-	-	-
<u>Transactions with owner</u>									
Dividend payment (as detailed in Note B10)	-	-	-	-	-	(20,168)	(20,168)	-	(20,168)
At 30/06/2017	**203,116**	**-**	**(24)**	**34,866**	**(66)**	**311,368**	**549,260**	**1**	**549,261**

(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 2017 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 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 2017 ("FY2017 AFS"). The FY2017 AFS were prepared under Financial Reporting Standards ("FRSs").

With effect from 1 January 2018, the Group prepares financial statements using MFRSs. The transition from FRS to MFRS does not have a material impact on the financial position and financial performance of the Group.

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 2017 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 2018:

MFRS 9 Financial instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15 Revenue from contracts with customers
Amendments to MFRS 1: Annual improvements to MFRS Standards 2014 – 2016 Cycle
Amendments to MFRS 2: Classification and measurement of share-based payment transactions
Amendments to MFRS 4: Applying MFRS 9 with MFRS 4 insurance contracts
Amendments to MFRS 15: Clarifications to MFRS 15
Amendments to MFRS 128: Annual improvements to MFRS Standards 2014 – 2016 Cycle
Amendments to MFRS 140: Transfers of investment property
IC Interpretation 22: Foreign currency transactions and advance consideration

The adoption of the above MFRSs and Amendments 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 2017.

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"):

102,700 New Shares for cash arose from the exercise of 102,700 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 58,954,600 units.

A8. Dividend Paid

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

A9. Valuation of property, plant and equipment

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

A10. Capital commitments

Capital commitment for property, plant and equipment not provided for as at 30 June 2018 are as follows:

	RM'000
Approved and contracted for	14,635

The capital commitment is mainly for the purchase of tunnel forms and mould.

A11. Property, Plant and Equipment

The Group acquired property, plant and equipment amounting to RM39.17 million during the financial period-to-date, mainly incurred for the purchase of motor graders, excavators, trucks, formworks and cranes to meet the requirements of construction projects, in particular the Pan Borneo Highway project in Sarawak.

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 22 August 2018, 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

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

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 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 Jun 2018 (RM'000)
Provision of construction services to a company in which the Company's director, Pang Tin @ Pang Yon Tin has substantial financial interest	16,524	5,669

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

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 June 2018:

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	370,367	66,222	2,268	39	0	438,896
Inter-segment sales	-	14,131	0	17,921	(32,052)	0
Total revenue	370,367	80,353	2,268	17,960	(32,052)	438,896
RESULTS						
Profit from operations	40,547	9,864	452	17,960	(17,552)	51,271
Other operating income						4,484
Selling and administrative expenses						(20,289)
Finance costs						(4,903)
Share of profit of a joint venture						311
Profit before tax						30,874
Income tax expense						(8,450)
Profit net of tax						22,424
Segment Assets	712,110	330,177	160,256	276,362	(256,312)	1,222,593
Segment Liabilities	360,257	200,412	79,314	18,051	(48,137)	609,897

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

	Construction	Manufacturing & Trading	Property Development	Investment	Elimination	Consolidated
REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External sales	312,260	42,310	10,343	64	0	364,977
Inter-segment sales	489	6,582	376	20,143	(27,590)	0
Total revenue	312,749	48,892	10,719	20,207	(27,590)	364,977
RESULTS						
Profit from operations	38,479	11,881	2,059	20,207	(18,431)	54,195
Other operating income						5,163
Selling and administrative expenses						(16,752)
Finance costs						(3,078)
Share of profit of a joint venture						289
Profit before tax						39,817
Income tax expense						(9,638)
Profit net of tax						30,179
Segment Assets	592,920	257,867	140,866	260,396	(269,140)	982,909
Segment Liabilities	281,416	132,203	83,130	22,246	(85,347)	433,648

The preceding year’s comparative figures original reported in the interim financial reports of the respective preceding period have been restated in this interim report to be consistent with current period’s presentation.

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

	Individual Quarter (2nd Quarter)		Changes		Cumulative Period		Changes			Current quarter compare to preceding quarter	
	Current Year Quarter 30/06/2018 RM'000	Preceding Year Quarter 30/06/2017 RM'000	Amount RM'000	%	Current Year To Date 30/06/2018 RM'000	Preceding Year To Date 30/06/2017 RM'000	Amount RM'000	%	Preceding Quarter 31/03/2018 RM'000	Amount RM'000	%
Revenue											
Construction	176,315	166,422	9,893	5.9%	370,367	312,749	57,618	18.4%	194,052	(17,736)	-9.1%%
Manufacturing & Trading	48,403	23,933	24,470	102.2%	80,353	48,892	31,461	64.3%	31,950	16,454	51.5%
Property Development	567	8,817	(8,250)	-93.6%	2,268	10,719	(8,451)	-78.8%	1,701	(1,134)	-66.7%
Investment	17,533	19,723	(2,190)	-11.1%	17,960	20,207	(2,247)	-11.1%	427	17,106	4006.1%
Elimination	(24,847)	(24,097)	(750)	3.1%	(32,052)	(27,590)	(4,462)	16.2%	(7,205)	(17,643)	244.9%
Consolidated revenue	217,971	194,798	23,173	11.9%	438,896	364,977	73,919	20.3%	220,925	(2,954)	-1.3%
Gross profit ("GP")											
Construction	16,116	21,367	(5,251)	-24.6%	40,547	38,479	2,068	5.4%	24,430	(8,314)	-34.0%
Manufacturing & Trading	7,640	4,708	2,932	62.3%	9,864	11,881	(2,017)	-17.0%	2,224	5,416	243.5%
Property Development	113	1,582	(1,469)	-92.9%	452	2,059	(1,607)	-78.0%	339	(226)	-66.7%
Investment	17,533	19,723	(2,190)	-11.1%	17,960	20,207	(2,247)	-11.1%	427	17,106	4006.1%
Elimination	(17,438)	(18,354)	916	-5.0%	(17,552)	(18,431)	879	-4.8%	(114)	(17,325)	15197%

	Individual Quarter (2nd Quarter)		Changes		Cumulative Period		Changes			Current quarter compare to preceding quarter	
	Current Year Quarter 30/06/2018 RM'000	Preceding Year Quarter 30/06/2017 RM'000	Amount RM'000	%	Current Year To Date 30/06/2018 RM'000	Preceding Year To Date 30/06/2017 RM'000	Amount RM'000	%	Preceding Quarter 31/03/2018 RM'000	Amount RM'000	%
Consolidated GP	23,964	29,026	(5,062)	-17.4%	51,271	54,195	(2,924)	-5.4%	27,307	(3,343)	-12.2%
GP margin											
Construction	9.1%	12.8%			10.9%	12.3%			12.6%		
Manufacturing & Trading	15.8%	19.7%			12.3%	24.3%			7.0%		
Property Development	19.9%	17.9%			19.9%	19.2%			19.9%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	11.0%	14.9%			11.7%	14.8%			12.4%		
Other income	1,912	1,879	33	1.8%	4,484	5,163	(679)	-13.2%	2,572	(660)	-25.7%
Selling & administrative expenses	(9,751)	(9,553)	(198)	2.1%	(20,289)	(16,752)	(3,537)	21.1%	(10,538)	787	-7.5%
Finance costs	(2,523)	(1,535)	(988)	64.4%	(4,903)	(3,078)	(1,825)	59.3%	(2,380)	(143)	6.0%
Share of profit of joint ventures	143	153	(10)	-6.5%	311	289	22	-7.6%	168	(25)	-14.9%
Profit before tax	13,745	19,970	(6,225)	-31.2%	30,874	39,817	(8,943)	-22.5%	17,129	(3,384)	-19.8%
Profit net of tax	9,833	14,797	(4,964)	-33.5%	22,423	30,179	(7,756)	-25.7%	12,590	(2,757)	-21.9%

B1. Operating Segments Review

2nd Quarter ("Q2") financial year ending/ended 31 December ("FY") 2018 v Q2 FY2017, year to date FY2018 ("YTD 2018") v year to date FY2017 ("YTD 2017")

Revenue recorded in Q2 FY2018 and YTD 2018 was RM23.17 million or 11.9%, and RM73.92 million or 20.3% higher compared to Q2 FY2017 and YTD2017 respectively, attributable to higher revenue achieved by the construction and manufacturing and trading ("M&T") divisions. Construction revenue increased by RM9.89 million or 5.9%, and RM57.62 million or 18.4% during Q2 FY2018 and YTD 2018 respectively due to the higher percentage of completion for several large projects during the period.

The improvement in M&T revenue by RM24.47 million and RM31.46 million during Q2 FY2018 and YTD 2018 respectively was mainly due to the following:

Operation	Revenue (RM' mil)		Revenue (RM' mil)		Main reasons for variance
	2Q FY2018	2Q FY2017	YTD 2018	YTD 2017	
Precast concrete products	38.98	18.10	61.65	40.28	Higher revenue from Klang Valley Mass Rapid Transit System ("KVMRT") line 2 project
Quarry products	9.42	5.83	18.70	8.61	Higher volume of quarry products supplied to the Pan Borneo Highway project

The property development division recorded a lower revenue in the period under review as fewer 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.

Gross profit ("GP") recorded in Q2 FY2018 and YTD 2018 was RM5.06 million or 17.4%, and RM2.92 million or 5.4% lower compared to Q2 FY2017 and YTD 2017 respectively, attributable to lower GP margin achieved during the period under review. The decline in the Group's GP margin was due to lower GP margin achieved by the construction and M&T divisions, partly offset by the improvement in the GP margin of the property development division, during the period under review.

The decline in GP margin of the construction division was mainly due to projects mix with higher composition of lower margin projects, whereas the decline in GP margin of the M&T division during the period under review was mainly due to:

(i) larger proportion of the precast concrete products revenue was contributed by the lower margins from KVMRT segmental box girders ("SBG") and tunnel lining segment ("TLS") supply contracts;

(ii) higher sales of lower margin quarry products; and

(iii) fixed overhead increased on incurrence of capital expenditures and additional staff recruitment to meet the operation requirements

There was a slight improvement in GP margin of the property development division due to better margin products were sold during the period under review.

Selling and administrative ("S&M") expenses marginally increased by RM0.198 million in Q2 FY2018 compared to Q2 FY2017, whereas S&M expenses incurred in YTD 2018 was RM3.54 million or 21.1% higher compared to YTD 2017. The variances were mainly attributable to the following:

	Q2 FY2018 v Q2 FY2017 (RM' mil)	YTD 2018 v YTD 2017 (RM' mil)
The increase/(decrease) in foreign exchange loss, mainly attributable to changes in exchange rate between Ringgit Malaysia and Singapore Dollar	(1.39)	1.15
The increase in employee expenses mainly due to additional recruitment since the second half of FY2017 to meet the higher scale of operation and the requirement of the quarry operation which commenced active production in FY2017	0.49	1.15
Variance arose from the provision for doubtful debts	0.80	0.81

Finance costs were higher during the period under review due to the drawdown of hire purchase facilities during the period to finance capital expenditures, and higher utilization of working capital financing facilities to meet the requirement of higher scale of operation.

Share of profit of joint ventures recorded in the period under review, and other income earned in Q2 FY2018, approximate the level achieved in last year's corresponding period.

The variances in gross profit, share of profit of joint ventures, other income and expenses have resulted in the decline in profit before tax by RM6.22 million or 31.2% in Q2 FY2018 and RM8.94 million or 22.5% in YTD 2018, compared to Q2 FY2017 and YTD 2017 respectively. Profit after tax recorded in the period under review thus declined accordingly.

(c) Group Cash Flow Review

For YTD 2018, the Group registered net cash used in operating activities of RM11.22 million mainly due to part payment toward the purchase consideration of BB Properties (as defined in Note B7 (d)). Net cash used in investing activities of RM21.86 million was mainly due to the purchase of property, plant and equipment. A marginal net cash inflow of RM1.54 million was generated from financing activities in YTD 2018.

B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q1 FY2018)

Revenue recorded in Q2 FY2018 was slightly lower by 1.3% compared to Q1 FY2018. The Group's GP in Q2 FY2018 was RM3.34 million or 12.2% lower compared to Q1 FY2018, attributable to lower GP margin achieved by the construction division due to projects mix with higher composition of lower margin projects. The impact of a declined construction GP margin was partly offset by the improvement in the M&T GP margin. The improvement in M&T GP was mainly due to the better margin precast concrete products contributed a higher proportion of M&T sales during in Q2 FY2018.

Other income was slightly lower than Q1 FY2018 mainly due to lower machinery rental earned. There was no significant variance noted in selling and administrative expenses, finance costs and share of profit of joint ventures in Q2 FY2018 compared to Q1 FY2018.

Profit after tax of Q2 FY2018 thus declined by RM2.76 million or 21.90% compared to Q1 FY2018.

B3. Prospects For 2018

The Group has an estimated construction and manufacturing balance order book of approximately RM1.7 billion and RM0.4 billion respectively as at 30 June 2018, 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.

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 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 and housing projects from both public and private sectors.

Singapore Construction Sector

The total construction demand is projected to be between $26 billion to $31 billion in 2018, up from the $24.5 billion (preliminary estimate) awarded in 2017.

The projected higher construction demand is due to an anticipated increase in public sector construction demand, which is expected to grow from the $15.5 billion in 2017 to between $16 billion and $19 billion in 2018, contributing to about 60% of 2018's total projected demand. Public construction demand is expected to be boosted by an anticipated increase in demand for institutional and other buildings such as healthcare facilities, and civil engineering works as well as a slate of smaller government projects that have been brought forward in response to the slowdown in the previous years. Projects slated to be awarded this year include new public housing projects, redevelopment of National Skin Centre and Woodlands Integrated Health Campus, and mega infrastructure projects which include the second phase of the Deep Tunnel Sewerage System, North-South Corridor Expressway and new MRT works.

The private sector's construction demand is similarly expected to improve from $9 billion in 2017 to between $10 billion and $12 billion in 2018, on the back of a strengthened overall economic outlook and the upturn in property market sentiment.

The average construction demand is projected to be between $26 billion and $33 billion per annum in 2019 and 2020. The public sector will continue to lead demand and is expected to contribute $16 billion to $20 billion per annum in 2019 to 2022 with similar proportions of demand coming from building projects and civil engineering works. Besides public housing developments and healthcare and educational facilities, public sector construction demand over the medium-term will continue to be supported by major infrastructure projects which include various developments for Changi Airport Terminal 5 and land transport projects such as the Cross Island Line, Jurong Regional Line and Rapid Transit System.

In addition, private sector construction demand is expected to increase gradually in the medium term, boosted by the redevelopment of en-bloc sale sites and the spill-over benefits generated by the improved performance and outlook in other economic sectors.

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 Taman Puteri residential development in Pekan Nenas, Johor, with total unsold stocks worth RM37 million will continue to contribute to the Group's revenue in 2018 with further sales. There is no other on-going development carried out by the Group on its existing land bank totalling 175 acres and the Group does not expect any new launching until early part of 2019, subject to the sentiment of the property market.

B4. Profit Forecast And Profit Estimate

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

B5. Profit Before Tax

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

	Current Quarter 3 months ended 30.6.2018 RM'000	Cumulative Quarter 6 months ended 30.6.2018 RM'000
(a) interest income	398	916
(b) other income including investment Income	1,520	3,562
(c) interest expense	1,942	3,670
(d) depreciation and amortization	9,252	17,922
(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	6	(6)
(h) provision/(reversal) of asset impairment	59	155
(i) foreign exchange (gain) or loss	136	1,456
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

B6. Taxation

	Current Quarter 3 months ended 30.6.2018 RM'000	Cumulative Quarter 6 months ended 30.6.2018 RM'000
In respect of the current period		
- Income tax	2,375	8,161
- Deferred tax	1,420	173
	3,795	8,334
In respect of prior year		
- Income tax	116	116
- Deferred tax	-	-
	3,911	8,450

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, and the deferred tax benefit of unutilized capital allowances of quarry operation was 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 from NGSB for a total cash purchase consideration of RM82,097,421.

The acquisition is pending fulfillment of the conditional precedent of the KMRSB SPA.

(b) On 28 December 2017, the Company's wholly-owned subsidiary, Kii Ashbury Sdn Bhd ("KASB") entered into a sale and purchase agreement ("KASB SPA") with Meridin East Sdn Bhd ("MESB") to purchase 17.90 acres of land forming part of the freehold agriculture land held under HSD 566044 PTD 224535, in the Mukim of Plentong, Daerah Johor Bahru, Johor for a total cash consideration of RM21,829,301.

The acquisition has yet to be completed.

(c) On 28 December 2017, the Company's wholly-owned subsidiary, Kiiville Sdn Bhd ("KVSB") entered into a sale and purchase agreement ("KT SPA") with Mah Sing Properties Sdn Bhd to purchase all that piece of freehold commercial land held under HS(D) 508921 PTD 185266, Mukim Pulai, Daerah Johor Bahru, Negeri Johor with land area of approximately 20,836.30 square meters from MSPSB for a total cash consideration of RM14,245,867.

The acquisition has yet to be completed.

(d) On 26 December 2017, the Company's wholly-owned subsidiary, Kimlun Land Sdn Bhd ("KLLSB") entered into a conditional agreement of sale ("MBSB SPA") with Bayu Melati Sdn Bhd on the purchase of the following leasehold properties ("BB Properties"):

(i) forty seven vacant detached lots; and

(ii) thirty units of building lots (each with a double storey detached houses erected thereon),

all in the Mukim Bukit Raja, District of Petaling, Shah Alam, Selangor

The acquisition was completed on 20 April 2018.

(e) 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 22 June 2018 ("9th AGM"), the Shareholders approved the declaration of a final single tier dividend of RM0.055 per ordinary share in Kimlun ("Kimlun Share(s)") in respect of the financial year ended 31 December 2017 ("FYE 2017 Final Dividend"), and the issuance of new Kimlun Shares ("New Shares") pursuant to the application of DRP thereto.

Bursa Securities had, vide its letters dated 18 May 2018 and 25 June 2018 respectively, approved the listing and quotation of the total of up to 18,000,000 new Kimlun Shares to be issued pursuant to the DRP, subject to the following conditions ("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 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 11,243,464 New Shares were issued and allotted at RM1.20 per New Share on 9 August 2018 pursuant to the DRP in relation to the FYE 2017 Final Dividend. The electable portion of the FYE 2017 Final Dividend which was not reinvested in New Shares was paid on 9 August 2018. 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 2018	**As at 30.6.2018 RM'000**	**As at 30.6.2017 RM'000**
Long term borrowings			
Secured:			
Hire purchase creditors	1.68% to 3.56%	45,236	21,974
Term loans	4.90% to 6.70%	39,100	52,827
		84,336	74,801
Short term borrowings			
Secured:			
Bank overdraft	5.35% to 8.29%	781	6,541
Hire purchase creditors	1.68% to 3.56%	31,281	10,986
Bankers' acceptance	4.15% to 5.10%	12,962	7,735
Invoices financing	5.15% to 6.67%	11,216	-
Term loans	4.90% to 6.70%	8,699	13,231
		64,939	38,493

All the borrowings are denominated in RM. All borrowings, other than hire purchase financing which is based on fixed interest rate, are based on floating interest rate.

B9. Material Litigation

There was no material litigation as at the LPD.

B10. Dividends

(a) The FYE 2017 Final Dividend was approved by the shareholders at the 9th AGM, as detailed in Note B7(e).

(b) The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 30 June 2018.

(c) Dividend declared during the previous year's corresponding period:

A final single-tier dividend of 6.5 sen per share in respect of the financial year ended 31 December 2016.

B12. Earnings Per Share ("EPS")

	Current Quarter Ended		Year to-Date Ended	
	30.6.2018	**30.6.2017**	**30.6.2018**	**30.6.2017**
Profit attributable to owners of the Company (RM'000)	9,848	14,795	22,495	30,176
Weighted average number of ordinary shares in issue ('000)	320,628	310,270	320,625	310,270
Assumed shares issued from the exercise of warrants ('000)	2,997	15,623	8,933	14,636
Adjusted weighted average number of ordinary shares in issue ('000)	323,625	325,893	329,558	324,906
Basic earnings per share (Sen)	3.07	4.77	7.02	9.73
Diluted earnings per share (Sen)	3.04	4.54	6.83	9.29

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.