

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

	Individual Quarter		Cumulative Period	
	Current Year Quarter 30/06/2019 RM'000	Preceding Year Quarter 30/06/2018 RM'000	Current Year To Date 30/06/2019 RM'000	Preceding Year To Date 30/06/2018 RM'000
<b>Revenue</b>	325,166	217,971	643,723	438,896
Cost of sales	(293,063)	(194,007)	(577,038)	(387,625)
<b>Gross profit</b>	32,103	23,964	66,685	51,271
Other income	1,989	1,912	3,738	4,484
Selling and administrative expenses	(11,346)	(9,751)	(21,818)	(20,289)
Finance costs	(4,150)	(2,523)	(8,616)	(4,903)
Share of profit of joint ventures	181	143	457	311
<b>Profit before tax</b>	18,777	13,745	40,446	30,874
Income tax expense	(5,345)	(3,911)	(11,108)	(8,450)
<b>Profit net of tax</b>	13,432	9,834	29,338	22,424
<b>Other comprehensive income</b>	2	1	1	(4)
<b>Total comprehensive income for the period</b>	13,434	9,835	29,339	22,420
<b>Profit attributable to :</b>				
Owners of the Company	13,449	9,848	29,380	22,495
Non-controlling interests	(17)	(14)	(42)	(71)
	13,432	9,834	29,338	22,424
Earnings Per Share (Sen)				
- Basic (2)	4.05	3.07	8.85	7.02
- Diluted (2)	4.05	3.04	8.85	6.83
<b>Total comprehensive income attributable to :</b>				
Owners of the Company	13,451	9,849	29,381	22,491
Non-controlling interests	(17)	(14)	(42)	(71)
	13,434	9,835	29,339	22,420

**Notes:**

(1) The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying notes attached to the interim financial statements.

(2) Please refer to Note B12 for details.

Kimlun Corporation Berhad  
(Company No: 867077-X)  
Unaudited Condensed Consolidated Statements of Financial Position  
As at 30 June 2019

	Unaudited As at 30/06/2019 RM'000	Audited As at 31/12/2018 RM'000
<b>Assets</b>		
<b>Non- current assets</b>		
Property, plant and equipment	212,731	229,495
Right-of-use asset	8,762	-
Land held for property development	157,098	70,242
Investment properties	6,239	7,027
Other investments	75	75
Investment in joint ventures	19,069	18,612
	<u>403,974</u>	<u>325,451</u>
<b>Current assets</b>		
Properties held for sale	1,829	1,829
Property Development costs	122,943	105,453
Inventories	108,781	122,240
Trade and other receivables	435,403	464,831
Prepayment	2,752	5,292
Contract assets	382,332	336,472
Cash and bank balances	56,803	35,569
	<u>1,110,843</u>	<u>1,071,686</u>
<b>TOTAL ASSETS</b>	<u>1,514,817</u>	<u>1,397,137</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Income tax payable	17,050	7,941
Loans and borrowings	176,896	193,148
Lease liability	3,791	-
Trade and other payables	434,589	443,876
Contract liabilities	19,940	3,589
	<u>652,266</u>	<u>648,554</u>
<b>Net current assets</b>	<u>458,577</u>	<u>423,132</u>
<b>Non-current liabilities</b>		
Loans and borrowings	174,579	80,006
Lease liabilities	5,236	-
Deferred tax liabilities	1,115	3,781
	<u>180,930</u>	<u>83,787</u>
<b>TOTAL LIABILITIES</b>	<u>833,196</u>	<u>732,341</u>
<b>Net assets</b>	<u>681,621</u>	<u>664,796</u>
<b>Equity</b>		
Share capital	237,408	237,452
Treasury shares	(24)	(24)
Other reserves	34,123	34,122
Retained earnings	410,077	393,167
<b>Equity attributable to owners of the Company</b>	<u>681,584</u>	<u>664,717</u>
Non-controlling interests	37	79
<b>Total equity</b>	<u>681,621</u>	<u>664,796</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,514,817</u>	<u>1,397,137</u>
Net Assets Per Share Attributable to owners of the Company (RM)	2.05	2.00

**Notes:**

(1) The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying notes attached to the interim financial statements.

**Kimlun Corporation Berhad**  
**(Company No: 867077-X)**  
**Unaudited Condensed Consolidated Statement of Cash Flow**  
**For The Period Ended 30 June 2019**

	<b>Current Year To Date 30/06/2019 RM'000</b>	<b>Preceding Year To Date 30/06/2018 RM'000</b>
<b>Operating activities</b>		
Profit before tax	40,446	30,874
Adjustment for :		
Allowance for impairment of trade receivables	822	-
Unrealised foreign exchange loss/(gain)	3,696	(12)
Depreciation	27,882	17,922
Impairment loss on investment properties	76	-
Loss on disposal of investment properties	16	-
Net fair value loss on investment securities	-	116
Gain on disposal of property, plant and equipment	(224)	(6)
Fixed asset written off	3	39
Interest expenses	8,549	3,670
Interest income	(760)	(916)
Share of profit of joint ventures	(457)	(311)
Operating cash flows before changes in working capital	<u>80,049</u>	<u>51,376</u>
<b>Changes in working capital</b>		
Development property	(16,193)	(24,094)
Inventories	13,458	(79,249)
Receivables	36,679	70,788
Other current assets	(43,734)	(33,962)
Payables	11,552	26,784
Other current liabilities	(34,115)	(13,130)
Cash flows generated from/(used in) operations	<u>47,696</u>	<u>(1,487)</u>
Interest paid	(9,747)	(3,670)
Tax paid	(4,665)	(6,976)
Interest received	760	916
Net cash flows generated from/(used in) operating activities	<u>34,044</u>	<u>(11,217)</u>
<b>Investing activities</b>		
Purchase of land held for property development and expenditure on land held for property development	(85,840)	(59)
Purchase of property, plant and equipment	(4,611)	(21,817)
Proceeds from disposal of property, plant & equipment	735	14
Proceeds from disposal of investment properties	1,521	-
Incidental expenses on investment properties	(7)	-
Incidental expenses on disposal of investment properties	(31)	-
Net cash flows used in investing activities	<u>(88,233)</u>	<u>(21,862)</u>
<b>Financing activities</b>		
Proceeds from issuance of shares	-	173
Share issuance expense	(44)	(53)
Proceeds from loans and borrowings	95,005	11,934
Advance from joint venture	4,701	-
Repayment to hire purchase creditors	(14,094)	(10,589)
Repayment of lease liabilities	(1,889)	-
Withdrawal of fixed deposit with licensed bank	(481)	79
Net cash flows generated from financing activities	<u>83,198</u>	<u>1,544</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>29,009</b>	<b>(31,535)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>194</b>	<b>147</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>(4,859)</b>	<b>61,501</b>
<b>Cash and cash equivalents at end of financial period</b>	<b><u>24,344</u></b>	<b><u>30,113</u></b>
<b>Cash and cash equivalents at end of the financial period comprise the following:</b>		
Cash and bank balances	56,803	55,886
Less: Pledge of fixed deposit with licensed banks	(22,657)	(24,992)
Bank overdrafts (included within short term borrowings)	<u>(9,802)</u>	<u>(781)</u>
	<u>24,344</u>	<u>30,113</u>
<b>Notes:</b>		
(1) The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying notes attached to the interim financial statements		

Kimlun Corporation Berhad  
(Company No: 867077-X)  
Unaudited Condensed Consolidated Statement of Changes in Equity  
As at 30 June 2019

	Attributable to owners of the Company					Sub-Total	Non-controlling interest	Total Equity
	<----- Non-distributable ----->				Distributable			
	Share capital	Treasury shares	Warrants reserve	Foreign currency translation reserve	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>YTD ended 30 June 2019</b>								
Balance At 1/1/2019	237,452	(24)	34,193	(71)	393,167	664,717	79	664,796
Effect of initial adoption of MFRS 16: leases	-	-	-	-	(191)	(191)	-	(191)
Total comprehensive income for the period	-	-	-	1	29,380	29,381	(42)	29,339
<u>Transactions with owner</u>								
Dividend payment (as detailed in Note B10)	-	-	-	-	(12,279)	(12,279)	-	(12,279)
Share issue expenses	(44)	-	-	-	-	(44)	-	(44)
<b>At 30/06/2019</b>	<b>237,408</b>	<b>(24)</b>	<b>34,193</b>	<b>(70)</b>	<b>410,077</b>	<b>681,584</b>	<b>37</b>	<b>681,621</b>
<b>YTD ended 30 June 2018</b>								
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 : Conversions of warrants	232	-	(60)	-	-	172	-	172
Share issue expenses	(53)	-	-	-	-	(53)	-	(53)
<b>At 30/06/2018</b>	<b>223,997</b>	<b>(24)</b>	<b>34,193</b>	<b>(74)</b>	<b>354,523</b>	<b>612,615</b>	<b>81</b>	<b>612,696</b>

(1) The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying notes attached to the interim financial statements

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

**NOTES TO THE REPORT**

**PART A – EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL REPORTING STANDARDS (“FRS”) 134, INTERIM FINANCIAL REPORTING**

**A1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and Appendix 9B Part A of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). It contains condensed combined financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group. The interim combined financial report and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with MFRSs.

The interim financial report should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2018 (“FY2018 AFS”).

**A2. Changes in accounting policies**

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2018 except for the adoption of the following new MFRs, amendments to MFRSs and IC Interpretations that are mandatory for annual financial periods beginning on or after 1 January 2019:

MFRS 9 Prepayment features with negative compensation (amendment to MFRS 9)  
MFRS 16 Leases  
MFRS 128: Long term interests in associates and joint ventures (amendments to MFRS 128)  
Amendments to Annual improvements to MFRS Standards 2015 – 2017 Cycle  
MFRS 119: Plan amendment, curtailment or settlement (amendments to MFRS 119)  
IC Interpretation 23: Uncertainty over income tax treatment

The adoption of MFRS 16 increases the assets and liabilities of the Group as the Group will recognize right-of-use assets and lease liabilities for leases previously classified as operating leases. The Group recognised the cumulative effect of initially applying MFRS 16 as an adjustment to the opening balance of retained earnings. The adoption of the other MFRSs and Amendments stated above will not have material impact on the financial statements of the Group.

**A3. Auditor’s report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2018.

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

**A4. Seasonal or Cyclical Factors**

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

**A5. Items of Unusual Nature**

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

**A6. Material Changes in Estimates**

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

**A7. Changes in Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the financial year-to-date.

**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 2019 are as follows:

	RM'000
Approved and contracted for	<u>11,627</u>

The capital commitment is mainly for the purchase of moulds and heavy machineries for infrastructure works.

**A11. Property, Plant and Equipment**

The Group acquired property, plant and equipment amounting to RM10.47 million during the financial period-to-date, mainly incurred for the purchase of excavators, formworks and moulds.

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

**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 August 2019, being the latest practicable date ("LPD") which is not earlier than 7 days from the date of issuance of this quarterly report, that have not been reflected in this quarterly report.

**A13. Changes in composition of the group**

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

**A14. Contingent liabilities or contingent assets**

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

**A15. Significant Related Party Transactions**

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

Nature of Transactions	Transaction Value Based on Billings (RM'000)	Balance outstanding as at 30 Jun 2019 (RM'000)
Provision of construction services to a company in which the Company's director, Pang Tin @ Pang Yon Tin has substantial financial interest	4,053	Nil

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 JUNE 2019**

**A16. Segmental Information**

The Group is organized into the following operating segments:-

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

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

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>						
External sales	496,757	146,187	762	17	0	643,723
Inter-segment sales	281	41,092	0	12,432	(53,805)	0
Total revenue	497,038	187,279	762	12,449	(53,805)	643,723
<b>RESULTS</b>						
Profit from operations	40,870	25,721	142	12,449	(12,497)	66,685
Other operating income						3,738
Selling and administrative expenses						(21,818)
Finance costs						(8,616)
Share of profit of a joint venture						457
Profit before tax						40,446
Income tax expense						(11,108)
<b>Profit net of tax</b>						29,338
<b>Segment Assets</b>	885,453	352,638	314,721	284,528	(322,523)	1,514,817
<b>Segment Liabilities</b>	501,933	196,195	210,791	12,753	(88,476)	833,196



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

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

	Construction RM'000	Manufacturing & Trading RM'000	Property Development RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
<b>REVENUE</b>						
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
<b>RESULTS</b>						
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)
<b>Profit net of tax</b>						22,424
<b>Segment Assets</b>	712,110	330,177	160,256	276,362	(256,312)	1,222,593
<b>Segment Liabilities</b>	360,257	200,412	79,314	18,051	(48,137)	609,897

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

**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		Preceding Quarter 31/03/2019 RM'000	Current quarter compare to preceding quarter	
	Current Year	Preceding Year	Amount RM'000	%	Current Year	Preceding Year	Amount RM'000	%		Amount RM'000	%
	Quarter 30/06/2019 RM'000	Quarter 30/06/2018 RM'000			To Date 30/06/2019 RM'000	To Date 30/06/2018 RM'000					
<b>Revenue</b>											
Construction	255,699	176,315	79,384	45.0%	497,038	370,367	126,671	34.2%	241,339	14,360	6.0%
Manufacturing & Trading	89,166	48,403	40,763	84.2%	187,279	80,353	106,926	133.1%	98,113	(8,947)	-9.1%
Property Development	(81)	567	(648)	-114.3%	762	2,268	(1,506)	-66.4%	843	(924)	-109.6%
Investment	12,110	17,533	(5,423)	-30.9%	12,449	17,960	(5,511)	-30.7%	339	11,771	3472.3%
Elimination	(31,728)	(24,847)	(6,881)	27.7%	(53,805)	(32,052)	(21,753)	67.9%	(22,077)	(9,651)	43.7%
Consolidated revenue	325,166	217,971	107,195	49.2%	643,723	438,896	204,827	46.7%	318,557	6,609	2.1%
<b>Gross profit ("GP")</b>											
Construction	20,733	16,116	4,617	28.6%	40,870	40,547	323	0.8%	20,137	596	3.0%
Manufacturing & Trading	11,440	7,640	3,800	49.7%	25,721	9,864	15,857	160.8%	14,281	(2,841)	-19.9%
Property Development	-	113	(113)	-100.0%	142	452	(310)	-68.6%	142	(142)	-100.0%
Investment	12,110	17,533	(5,423)	-30.9%	12,449	17,960	(5,511)	-30.7%	339	11,771	3472.3%
Elimination	(12,180)	(17,438)	5,258	-30.2%	(12,497)	(17,552)	5,055	-28.8%	(317)	(11,863)	3742.3%

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

	Individual Quarter (2nd Quarter)		Changes		Cumulative Period		Changes		Preceding Quarter 31/03/2019 RM'000	Current quarter compare to preceding quarter	
	Current Year	Preceding Year	Amount RM'000	%	Current Year	Preceding Year	Amount RM'000	%		Amount RM'000	%
	Quarter 30/06/2019 RM'000	Quarter 30/06/2018 RM'000			To Date 30/06/2019 RM'000	To Date 30/06/2018 RM'000					
Consolidated GP	32,103	23,964	8,139	34.0%	66,685	51,271	15,414	30.1%	34,582	(2,479)	-7.2%
<b>GP margin</b>											
Construction	8.1%	9.1%			8.2%	10.9%			8.3%		
Manufacturing & Trading	12.8%	15.8%			13.7%	12.3%			14.6%		
Property Development	0.0%	19.9%			18.6%	19.9%			16.8%		
Investment	100.0%	100.0%			100.0%	100.0%			100.0%		
Consolidated GP margin	9.9%	11.0%			10.4%	11.7%			10.9%		
Other operating income	1,989	1,912	77	4.0%	3,738	4,484	(746)	-16.6%	1,749	240	13.7%
Selling & administrative expenses	(11,346)	(9,751)	(1,595)	16.4%	(21,818)	(20,289)	(1,529)	7.5%	(10,472)	(874)	8.3%
Finance costs	(4,150)	(2,523)	(1,627)	64.5%	(8,616)	(4,903)	(3,713)	75.7%	(4,466)	316	-7.1%
Share of profit of joint ventures	181	143	38	26.6%	457	311	146	46.9%	276	(95)	-34.4%
<b>Profit before tax</b>	<b>18,777</b>	<b>13,745</b>	<b>5,032</b>	<b>36.6%</b>	<b>40,446</b>	<b>30,874</b>	<b>9,572</b>	<b>31.0%</b>	<b>21,669</b>	<b>(2,892)</b>	<b>-13.3%</b>
<b>Profit net of tax</b>	<b>13,432</b>	<b>9,833</b>	<b>3,599</b>	<b>36.6%</b>	<b>29,338</b>	<b>22,424</b>	<b>6,914</b>	<b>30.8%</b>	<b>15,906</b>	<b>(2,474)</b>	<b>-15.6%</b>

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

**B1. Operating Segments Review**

**2nd Quarter (“Q2”) financial year ending/ended 31 December (“FY”) 2019 v Q2 FY2018, year to date FY2019 (“YTD 2019”) v year to date FY2018 (“YTD 2018”)**

Revenue recorded in Q2 FY2019 and YTD 2019 was RM107.20 million or 49.2%, and RM204.83 million or 46.7% higher compared to Q2 FY2018 and YTD2018 respectively, attributable to higher revenue achieved by the construction and manufacturing and trading (“M&T”) divisions. Construction revenue increased by RM79.38 million or 45.0%, and RM126.67 million or 34.2% in Q2 FY2019 and YTD 2019 respectively mainly due to higher revenue contribution from the Pan Borneo Highway Sarawak project (“PBH”) on higher percentage of completion.

The improvement in M&T revenue by RM40.76 million or 84.2%, and RM106.93 million or 133.1% in Q2 FY2019 and YTD 2019 respectively was mainly due to the following:

Operation	Revenue (RM' mil)		Revenue (RM' mil)		Main reasons for variance
	2Q FY2019	2Q FY2018	YTD 2019	YTD 2018	
Precast concrete products	68.91	38.98	149.16	61.65	Higher revenue from Klang Valley Mass Rapid Transit System (“KVMRT”) line 2 project
Quarry products	20.26	9.42	38.12	18.70	Higher volume of quarry products supplied to the PBH

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.

On the back of higher revenue achieved, gross profit (“GP”) recorded in Q2 FY2019 and YTD 2019 was RM8.14 million or 34.0%, and RM15.41 million or 30.1% higher compared to Q2 FY2018 and YTD 2018 respectively.

The Group achieved a lower GP margin of 9.9% in Q2 FY2019 compared to 11.0% in Q2 FY2018, due to lower GP margin achieved by the construction and M&T divisions.

The Group's YTD FY2019 GP margin of 10.4% was lower compared to 11.7% of YTD FY2018, due to lower GP margin achieved by the construction division, partly offset by the improvement in the GP margin of the M&T division.

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

The decline in GP margin of the M&T division during Q2 FY2019 was mainly due to larger proportion of the precast concrete products revenue was contributed by lower margins sales orders.

The GP margin of the M&T division improved in YTD FY2019 despite of lower GP margin achieved by the precast concrete products operation, as GP margin of the quarry products operation improved on the back of economies of scale arising from larger volume of business and higher sales of better margin products.

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

Selling and administrative (“S&M”) expenses increased by RM1.59 million in Q2 FY2019 and RM1.53 million in YTD FY2019 compared to last year’s corresponding period mainly attributable to the provision of doubtful debts of RM0.82 million in Q2 FY2019.

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

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

Consequently, profit before tax in Q2 FY2019 and YTD FY2019 improved by RM5.03 million and RM9.57 million respectively compared to last year’s corresponding period. Profit after tax in Q2 FY2019 and YTD FY2019 improved by RM3.60 million and RM6.91 million respectively, i.e. approximately 31% higher compared to last year’s corresponding period.

**(c ) Group Cash Flow Review**

For YTD 2019, the Group registered net cash generated from operating activities of RM34.04 million. Net cash used in investing activities of RM88.23 million was mainly due to the completion of the purchase of the KMR Land (as defined in Note B7), which is held for development. Net cash generated from financing activities of RM83.20 million was from bank loans and borrowings.

**B2. Material Changes In The Quarterly Results Compared To The Results Of The Preceding Quarter (Q1 FY2019)**

Revenue recorded in Q2 FY2019 was slightly higher by 2.1% compared to Q1 FY2019. The Group’s GP in Q2 FY2019 was RM2.48 million or 7.2% lower compared to Q1 FY2019, mainly attributable to lower GP margin achieved by the M&T division as lower margin sales contracts contributed a higher proportion of pre-cast concrete products revenue in Q2 FY2019.

S&M expenses increased by RM0.87 million in Q2 FY2019 mainly attributable to the provision of doubtful debts of RM0.82 million in Q2 FY2019.

Profit after tax of Q2 FY2019 thus declined by RM2.96 million or 18.6% compared to Q1 FY2019.

**B3. Prospects For 2019**

The Group has an estimated construction and manufacturing balance order book of approximately RM1.7 billion and RM0.3 billion respectively as at 30 June 2019, contributed by numerous construction contracts and supply contracts. The Board is positive of the performance of the Group in 2019 as the balance order book is expected to support the Group’s performance in 2019.

Our on-going projects and sales orders comprises of contracts secured from, amongst other, Lebuhraya Borneo Utara Sdn Bhd, MMC Gamuda KVMRT (UGW) Joint Venture, UEM Sunrise Bhd Group, Sunway Iskandar Sdn Bhd, Hillcrest Gardens Sdn Bhd and China Railway First Group Co.Ltd. Our on-going projects and sales orders include the following:

- (a) The supply contracts in relation to the supply of segmental box girders, tunnel lining segments (“TLS”) and other precast concrete products to KVMRT Line 2, with aggregate contract value of approximately RM330 million. The supplies of products under these contracts are expected to be completed in 2020;

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

- (b) PBH - Zecon Kimlun Consortium Sdn Bhd, the Company's 30% owned joint venture company was awarded with a work package under the PBH for a contract sum of RM1.46 billion. The estimated completion period of the project is year 2021; and
- (c) Main building works for 1 block of commercial building and 1 block of apartments at Medini Iskandar, Mukim Pulai, Daerah Johor Bahru, Johor at a contract sum of RM165.82 million. The estimated completion period of the project is year 2021.

The Group will continue to actively bid for new construction projects in Malaysia, in particular those in relation to affordable housing development which continue to receive strong demand from the low and middle income group.

***Singapore Construction Sector***

The total construction demand in 2019 is projected to range between \$27 billion to \$32 billion in 2019, comparable to the \$30.5 billion (preliminary estimate) awarded in 2018.

The projected outlook is due to sustained public sector construction demand, which is expected to reach between S\$16.5 billion and S\$19.5 billion in 2019. Public construction demand is expected to be boosted by major infrastructure projects and a pipeline of major industrial building projects.

The private sector's construction demand is expected to remain steady at between S\$10.5 billion and S\$12.5 billion in 2019, supported by projects including the redevelopment of past en-bloc sales sites concluded prior to the second half of 2018 and new industrial developments.

The construction demand is expected to be improve over the medium term. Demand is projected to reach between S\$27 billion and S\$34 billion per year for 2020 and 2021 and could increase to between S\$28 billion and S\$35 billion per year for 2022 and 2023.

The public sector is expected to contribute S\$16 billion to S\$20 billion per year from 2020 to 2023 with similar proportions of demand coming from building projects and civil engineering works. Besides public residential developments, public sector construction demand over the medium term will continue to be supported by big infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5.

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

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

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

There is no on-going development carried out by the Group on its existing land bank totalling 204 acres and the Group does not expect any new launching until early of 2020, subject to the sentiment of the property market.

**B4. Profit Forecast And Profit Estimate**

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

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

**B5. Profit Before Tax**

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

	<b>Current Quarter 3 months ended 30.6.2019 RM'000</b>	<b>Cumulative Quarter 6 months ended 30.6.2019 RM'000</b>
(a) interest income	439	760
(b) other income including investment Income	1,328	2,754
(c) interest expense	5,591	9,747
(d) depreciation and amortization	14,081	27,882
(e) provision for and write off of receivables	822	822
(f) provision for and write off of inventories	0	0
(g) (gain) or loss on disposal of quoted or unquoted investments or properties	(222)	(224)
(h) provision/(reversal) of asset impairment	76	76
(i) foreign exchange (gain) or loss	(224)	638
(j) gain or loss on derivatives	0	0
(k) exceptional items	0	0

**B6. Taxation**

	<b>Current Quarter 3 months ended 30.6.2019 RM'000</b>	<b>Cumulative Quarter 6 months ended 30.6.2019 RM'000</b>
In respect of the current period		
- Income tax	6,035	13,774
- Deferred tax	(690)	(2,666)
	5,345	11,108
In respect of prior year		
- Income tax	-	-
- Deferred tax	-	-
	5,345	11,108

The effective tax rate for the period under review was higher than the statutory rate applicable to the Group as certain expenses were disallowed for tax deduction under tax regulations, and potential deferred tax benefits in relation to interest expenses were not recognized on prudent basis.

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

**B7. Status of Corporate Proposals**

- (a) On 20 December 2017, the Company's wholly-owned subsidiary, Kii Morris Sdn Bhd ("KMRSB") entered into a conditional sale and purchase agreement ("KMRSB SPA") with Nusajaya Greens Sdn Bhd ("NGSB") to purchase all that freehold agriculture land held under HS (D) 458296 PTD 166915, in the Mukim of Pulai, District of Johor Bahru, Johor with land area of approximately 11.734 hectares ("KMR Land") from NGSB for a total cash purchase consideration of RM82,097,421.

The acquisition was completed on 27 March 2019.

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

The acquisition has yet to be completed.

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

The acquisition has yet to be completed.

- (d) Application of dividend reinvestment plan that provides the shareholders of the Company ("Shareholders") with an option to elect to reinvest their cash dividend in new ordinary shares in Kimlun ("DRP")

At the Annual General Meeting held on 17 June 2019 ("10th AGM"), the Shareholders approved the declaration of a final single tier dividend of RM0.037 per ordinary share in Kimlun ("Kimlun Share(s)") in respect of the financial year ended 31 December 2018 ("FYE 2018 Final Dividend"), and the issuance of new Kimlun Shares ("New Shares") pursuant to the application of DRP thereto.

Bursa Securities had, vide its letter dated 29 April 2019, approved the listing and quotation of up to 16,000,000 new Kimlun Shares to be issued pursuant to the DRP, subject to the following conditions:-

- Kimlun and its adviser to the DRP, RHB Investment Bank Bhd ("RHBIB") must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities pertaining to the implementation of the DRP;
- Kimlun/RHBIB to furnish Bursa Securities with the certified true copies of the resolutions passed by the Shareholders at the 10<sup>th</sup> AGM approving the FYE 2018 Final Dividend and the renewal of authority for Kimlun to allot new ordinary shares for the purpose of the DRP, prior to the listing and quotation of the new ordinary shares to be issued pursuant to the DRP
- Kimlun and RHBIB to inform Bursa Securities upon the completion of the DRP; and



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

- Kimlun to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the DRP is completed.

A total of 7,929,839 New Shares were issued and allotted at RM1.25 per New Share on 31 July 2019 pursuant to the DRP in relation to the FYE 2018 Final Dividend. The electable portion of the FYE 2018 Final Dividend which was not reinvested in New Shares was paid on 31 July 2019. Kimlun and RHBIB had complied with the Conditions.

**B8. Group Borrowing and Debts Securities**

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

	<b>Interest rate per annum YTD 2019</b>	<b>As at 30.6.2019 RM'000</b>	<b>As at 30.6.2018 RM'000</b>
<b>Long term borrowings</b>			
<u>Secured:</u>			
Hire purchase creditors	2.37% to 3.56%	44,429	45,236
Term loans	5.10% to 6.70%	130,150	39,100
		<u>174,579</u>	<u>84,336</u>
<b>Short term borrowings</b>			
<u>Secured:</u>			
Bank overdraft	5.35% to 8.37%	9,802	781
Hire purchase creditors	2.37% to 3.56%	26,219	31,281
Bankers' acceptance	3.69% to 5.10%	49,632	12,962
Invoices financing	4.24% to 7.95%	86,231	11,216
Term loans	5.10% to 6.70%	5,012	8,699
		<u>176,896</u>	<u>64,939</u>

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

**B9. Material Litigation**

There was no material litigation as at the LPD.

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

**B10. Dividends**

- (a) The FYE 2018 Final Dividend was approved by the Shareholders at the 10<sup>th</sup> AGM, as detailed in Note B7(d).
- (b) The Board of Directors does not recommend the payment of an interim dividend for the financial quarter ended 30 June 2019.
- (c) Dividend declared during the previous year's corresponding period:

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

**B11. Earnings Per Share ("EPS")**

	Current Quarter Ended		Year to-Date Ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
Profit attributable to owners of the Company (RM'000)	13,449	9,848	28,380	22,495
Weighted average number of ordinary shares in issue ('000)	331,871	320,628	331,871	320,625
Assumed shares issued from the exercise of warrants ('000)	0	2,997	0	8,933
Adjusted weighted average number of ordinary shares in issue ('000)	331,871	323,625	331,871	329,558
Basic earnings per share (Sen)	4.05	3.07	8.85	7.02
Diluted earnings per share (Sen)	4.05	3.04	8.85	6.83

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.