

UNAUDITED FOURTH QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS⁽¹⁾

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER 31.12.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2017 RM'000	CHANGES (%)	CURRENT YEAR TO-DATE 31.12.2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2017 RM'000	CHANGES (%)
Revenue	34,899	31,324	11.4%	139,096	114,552	21.4%
Cost of sales	(28,580)	(24,290)	17.7%	(113,718)	(92,589)	22.8%
Gross profit	6,319	7,034	-10.2%	25,378	21,963	15.5%
Other income	69	209	-67.0%	551	470	17.2%
Administrative expenses	(3,525)	(4,191)	-15.9%	(11,890)	(11,031)	7.8%
Finance costs	(581)	(324)	79.3%	(1,582)	(1,217)	30.0%
Profit before tax	2,282	2,728	-16.3%	12,457	10,185	22.3%
Income tax expense	(807)	(1,302)	-38.0%	(3,858)	(3,409)	13.2%
Profit / Total comprehensive income for the period	1,475	1,426	3.4%	8,599	6,776	26.9%
Profit / Total comprehensive income attributable to owners of the Company	1,475	1,426	3.4%	8,599	6,776	26.9%
Earnings per share attributable to owners of the Company (sen) ⁽²⁾ :						
Basic	0.46	0.51		2.69	2.71	
Diluted	0.46	0.51		2.69	2.71	

Notes:

- (1) The basis of preparation of the Unaudited Consolidated Statements of Profit or Loss are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.
- (2) Based on the Company's weighted average number of ordinary shares at the end of the reporting period.

UNAUDITED FOURTH QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31.12.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2017 RM'000	CURRENT YEAR TO-DATE 31.12.2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2017 RM'000
Profit After Tax for the period	1,475	1,426	8,599	6,776
Other Comprehensive Expenses	-	-	-	-
- Foreign currency translation difference	-	-	-	-
Total Comprehensive income for the period	1,475	1,426	8,599	6,776

Note:

- (1) The basis of preparation of the Unaudited Consolidated Statements of Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED FOURTH QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited As at 31.12.2018 RM'000	Audited As at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	10,085	9,369
	<u>10,085</u>	<u>9,369</u>
Current assets		
Trade receivables	39,798	37,552
Other receivables, deposits and prepayments	2,795	1,643
Amount owing by contract customers	27,350	13,515
Deposits with licensed banks	9,194	16,244
Cash and bank balances	10,511	11,902
	<u>89,648</u>	<u>80,856</u>
TOTAL ASSETS	<u>99,733</u>	<u>90,225</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	32,000	32,000
Retained profits	16,299	10,899
Total equity attributable to owners of the Company	<u>48,299</u>	<u>42,899</u>
Non-current liabilities		
Hire purchase payables	499	709
Term loan	4,792	5,188
Deferred tax liabilities	78	78
	<u>5,369</u>	<u>5,975</u>
Current liabilities		
Trade payables	32,843	21,480
Other payables and accruals	1,206	929
Amount owing to contract customers	7,058	8,201
Hire purchase payables	368	355
Short-term borrowings	4,111	9,155
Current tax liabilities	479	1,231
	<u>46,065</u>	<u>41,351</u>
TOTAL LIABILITIES	<u>51,434</u>	<u>47,326</u>
TOTAL EQUITY AND LIABILITIES	<u>99,733</u>	<u>90,225</u>
Net asset per share (RM) ⁽²⁾	<u>0.15</u>	<u>0.13</u>

Notes:

- (1) The basis of preparation of the Unaudited Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on the Company's number of ordinary shares at the end of the reporting period.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	Non- distributable Share Capital RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
Balance at 01.01.2018	32,000	10,900	42,900
As at 31.03.2018 Profit after taxation	-	2,356	2,356
As at 30.06.2018 Profit after taxation	-	3,266	3,266
Dividend Paid	-	(1,600)	(1,600)
As at 30.09.2018 Profit after taxation	-	1,502	1,502
Dividend Paid	-	(1,600)	(1,600)
As at 31.12.2018 Profit after taxation	-	1,475	1,475
Balance as at 31.12.2018	32,000	16,299	48,299

Note:

- (1) The basis of preparation of the Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED FOURTH QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾

	CUMULATIVE PERIOD	
	Current Period Ended 31.12.2018 RM'000 (Unaudited)	Comparative Period Ended 31.12.2017 RM'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,457	10,185
Adjustments for:		
Depreciation	1,191	634
Listing expenses	-	3,422
Interest expense	714	1,217
Interest income	(411)	(293)
Loss/(Gain) on disposal of property, plant and equipment	(35)	14
Operating profit before changes in working capital	13,916	15,179
Net Increase in amount owing by/to contract customers	(14,977)	(1,638)
Increase in trade and other receivables	(3,398)	(3,140)
Increase / (decrease) in trade and other payables	11,639	(4,457)
Cash flows from operations	7,180	5,944
Interest paid	(714)	(1,217)
Interest received	411	293
Tax paid	(4,609)	(3,017)
Net cash from operating activities	2,268	2,003
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,872)	(3,266)
Net cash used in investing activities	(1,872)	(3,266)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (decrease) in fixed deposits pledged to banks	7,050	(12,131)
Drawdown of term loan	-	5,567
Payment of listing expenses	-	(3,422)
Repayment in bank factoring	(1,886)	(1,041)
Repayment of hire purchase obligations	(197)	(314)
Repayment of term loans	(1,856)	(3,618)
Initial public offering proceeds	-	20,000
Dividend Paid	(3,200)	-
Net cash used in financing activities	(89)	5041
NET INCREASE IN CASH AND CASH EQUIVALENTS	308	3,778
Cash and cash equivalents at beginning of the financial period	9,073	5,295
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	9,381	9,073
Cash and cash equivalents comprise :		
Deposits with licensed banks	9,194	16,244
Cash and bank balances	10,511	11,902
Bank overdrafts	(1,130)	(2,829)
	18,575	25,317
Less: Deposits pledged to licensed banks	(9,194)	(16,244)
	9,381	9,073

Note:

- (1) The basis of preparation of the Unaudited Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

A1 Basis of Preparation

The interim financial statements of the Group are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting and Rule 9.22 of the Listing Requirements.

The interim financial reports should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

A2 Significant Accounting Policies

In addition to the accounting policies and presentations adopted by the Group for the audited financial statements for the year ended 31 December 2017, the Group has further adopted the following MFRS in this interim financial statement, effective from 1 January 2018:-

MFRS 9 - Financial Instruments

MFRS 15 - Revenue from Contracts with Customers

The Group has not early adopted any new or revised standards, amendments or Issue Committees (IC) Interpretations which are applicable to the Group that have been issued by the MASB but are not yet effective for the Group's current financial year ended 31 December 2018.

A3 Auditors' Report

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2017.

A4 Seasonal and Cyclical Factors

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter and period under review.

A6 Changes in Estimates

There were no material changes in estimates that have a material effect on the financial quarter and period under review.

A7 Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the fourth quarter ended 31 December 2018.

UNAUDITED FOURTH QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

A8 Dividends Paid

The second interim single-tier dividend of RM0.005 per ordinary share in KAB amounting to RM1.6 million was paid during the fourth quarter ended 31 December 2018.

A9 Segmental Reporting

The Group is principally involved in the provision of electrical and mechanical engineering services. As such, the revenue of the Group for the current financial quarter under review and the financial period to date is derived entirely from its electrical and mechanical engineering services.

No geographical analysis has been prepared as the Group operates wholly in Malaysia.

A10 Material Events after the End of the Reporting Period

Save for what has been disclosed in Note B6 "Status of Corporate Proposals", there were no other material events subsequent to the end of the current financial year.

A11 Changes in the Composition of the Group

On 25 October 2018, KAB Constructions Sdn Bhd ("KABC"), a wholly-owned subsidiary of KAB had increased its share capital from RM1.00 comprising 1 ordinary share to RM1,000 comprising 1,000 ordinary shares. The Company subscribed to RM509 comprising 509 new ordinary shares issued which effectively reduced its shareholding in KABC to 51%.

A12 Contingent Liabilities and Contingent Assets

Contingent liabilities of the Group as at 31 December 2018 comprised of guarantees given to third parties in respect of performance bonds for the Group's projects amounting to RM13.40 million.

There were no contingent assets as at the date of this interim report.

A13 Capital Commitments

RM'000

Approved and contracted but not provided for:

- Property, plant and equipment 275

A14 Significant related party transactions

There were no significant related party transactions in the current financial quarter and financial period under review.

A15 Financial Liabilities

The Group has not entered into any derivatives and do not have any financial liabilities.

B1 Review of Group Performance

For the current financial quarter under review, the Group posted revenues of RM34.90 million as compared to its preceding year's corresponding quarter ended 31 December 2017 of RM31.32 million. Despite the increase in revenues, profit before tax ("PBT") during the current quarter dropped to RM2.28 million, representing a decrease of RM0.05 million from its preceding year's corresponding quarter ended 31 December 2017 of RM2.73 million.

Overall the decrease in the PBT despite an increase in revenue was mainly attributed to the current provisions made for fair value discount on receivables.

B2 Comparison with Immediate Preceding Quarter Results

	Current Quarter 31.12.2018	Immediate Preceding Quarter 30.09.2018	Changes (Amount / %)	
	RM'000	RM'000	RM'000	%
Revenue	34,899	32,887	2,012	6.1
Profit Before Tax	2,282	2,426	(144)	-5.9

The Group recorded higher gross profit of RM6.32 million for the current quarter as compared with RM6.04 million in the previous quarter ended 30 September 2018 mainly due to higher revenues.

The Group's PBT of RM2.28 million for the current quarter was 5.9% lower than the RM2.43 million achieved in the previous quarter ended 30 September 2018. The decrease was mainly due to additional provisions made for fair value discount on receivables.

B3 Prospects for the Financial Year

The Group will continue to focus on the following future plans and business strategies for the future growth and expansion of its business:-

- (i) grow its market share in Malaysia by increasing tendering activities, focusing on affordable housing sector and geographical expansion;
- (ii) strengthen its capabilities by growing its mechanical engineering services segment;
- (iii) diversifying its revenue stream by providing maintenance services including upgrading, expansion, refurbishment, retrofitting and renovation projects; and
- (iv) In the area of technology innovation, we are planning to collaborate with a software specialist to develop our own proprietary Internet-of-Things (IOT) based software that can monitor ventilation and air-conditioning systems in order to enhance operational efficiencies and reduce cost.

As at 31 December 2018, the Group's order book, contracts secured and tenders are as follows:-

- (i) order book balance is approximately RM282 million;
- (ii) total value of contracts secured is approximately RM36 million; and
- (iii) approximately RM425 million worth of tenders still pending.

The Board of Directors is of the opinion that the Group's financial performance for the current year to be satisfactory.

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENT

B4 Profit Forecast

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

B5 Taxation

	Current quarter ended 31 December 2018 RM'000	Comparative quarter ended 31 December 2017 RM'000	Cumulative 12-month period ended 31 December 2018 RM'000	Cumulative 12-month period ended 31 December 2017 RM'000
Income tax	807	1,236	3,552	3,331
Under provided in prior year	-	-	228	-
Deferred tax	-	66	78	78
	807	1,302	3,858	3,409
Effective tax rate ⁽¹⁾	35.36%	47.73%	30.97%	33.47%

Notes:

- (1) The effective tax rate for the current quarter is higher than the statutory tax rate of 24% mainly due to adjustment for non-deductible expenses.

B6 Status of Corporate Proposals

On 10 December 2018, Mercury Securities Sdn Bhd (“Mercury Securities”) had announced on behalf of the Board of Directors of KAB that the Company proposes to undertake a special issue of up to 34,000,000 new ordinary shares in KAB to Bumiputera investors to be identified and/or approved by the Ministry of International Trade and Industry (“MITI”), at an issue price to be determined at a later date after obtaining all relevant approvals (“Special Issue”). The Special Issue is undertaken to comply with the Bumiputera equity condition of ensuring at least 12.5% of the Company’s enlarged share capital to be allocated or held by Bumiputera investors recognised by the MITI. The Special Issue had been approved by the Company’s shareholders on 3 January 2019.

On 10 December 2018, Mercury Securities had on behalf of the Company submitted an application to the Securities Commission Malaysia (“SC”) for an extension of time of 6 months from 31 December 2018 to 30 June 2019 for the Company to comply with the Bumiputera Equity Condition. The SC had on 11 February 2019 approved the said application.

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENT

B7 Utilisation of Proceeds

Pursuant to the listing of the Company on the ACE Market of Bursa Securities on 17 November 2017 (“**Listing**”), the utilisation of the gross proceeds from the Listing amounting to RM20.00 million is as follows:

Details of utilisation	Proposed Utilisation RM'000	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Estimated timeframe for utilisation upon Listing
Working capital	12,100	⁽¹⁾⁽²⁾ 12,571	(11,497)	1,074	Within 24 months
Capital expenditure	2,200	2,200	(1,690)	510	Within 18 months
Setting up a proposed new branch office in Johor Bahru ⁽¹⁾ and an additional office in Kuala Lumpur	600	⁽¹⁾ 289	(289)	-	Within 12 months
Repayment of bank borrowings	1,600	1,600	(1,600)	-	Within 12 months
Estimated Listing expenses	3,500	⁽²⁾ 3,340	(3,340)	-	Immediate
Total	20,000	20,000	(18,416)	1,584	

Notes:

- (1) We have set up the additional office in Kuala Lumpur as set out in the prospectus dated 30 October 2017. Further to our Listing, the management has decided that the Company is currently able to service and meet the requirement of our Johor Bahru clients from our headquarters located in Kuala Lumpur. As part of our prudent cost management, the management has decided not to invest in the opening of a new branch office in Johor Bahru at this juncture. However, the Company will reassess the commercial and financial viability to set up the branch office again should there be any future need and demand. As such, the proceeds allocated for the setting up of the Johor Bahru branch office has been re-allocated for working capital purposes.
- (2) The Company has fully settled the expenses incurred in relation to the Listing exercise. As such, the balance proceeds have been re-allocated for working capital purposes.

B8. Group Borrowings and Debt Securities

The details of the borrowings of the Group are as follows:-

	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Long term:		
Term loans	4,792	5,188
Hire purchase payables	499	709
	<u>5,291</u>	<u>5,897</u>
Short term:		
Term loans	302	1,762
Hire purchase payables	368	355
Bank overdrafts	1,130	2,829
Bank factoring / Bank Acceptance	2,679	4,564
	<u>4,479</u>	<u>9,510</u>

All the Group's borrowings are secured and denominated in Ringgit Malaysia.

B9. Material Litigation

As at the date of this report, the Group was not engaged in any material litigation.

B10. Dividends Payable

Save for the dividends that have been paid during the fourth quarter ended 31 December 2018 as disclosed under Note A8, no other dividend has been declared and payable during the fourth quarter ended 31 December 2018.

A first interim single-tier dividend of 0.5 sen per ordinary share in respect of the financial year ending 31 December 2019, has been declared and will be paid on 4 April 2019. The entitlement date for the dividend payment is 12 March 2019.

B11. Derivatives and Fair Value Changes of Financial Liabilities

- (1) There were no derivatives as at the current quarter under review.
- (2) The fair value changes arising from discounting future retention sums receivable and retention sums payable to present value for the current quarter under review has been accounted for accordingly. The net fair value loss for the financial period amounted to RM0.32 million.

B12. Earnings Per Share

The basic and diluted earnings per share for the current quarter is computed as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Quarter Ended 31 December 2018	Preceding Year Corresponding Quarter Ended 31 December 2017	Quarter Ended 31 December 2018	Preceding Year Corresponding Quarter Ended 31 December 2017
Profit after tax attributable to owners of the Company (RM'000)	1,475	1,426	8,599	6,776
Weighted average number of ordinary shares ('000)	320,000	279,130	320,000	249,863
Basic earnings per share (sen) ⁽¹⁾	0.46	0.51	2.69	2.71
Diluted earnings per share (sen) ⁽²⁾	0.46	0.51	2.69	2.71

Notes:

- (1) The basic earnings per share is computed based on the profit attributable to the equity shareholders of the Company divided by the weighted average number of ordinary shares in issue for the period under review.
- (2) Diluted earnings per share is equivalent to the basic earnings per share as the Company does not have convertible securities as at 31 December 2018.

B13. Disclosure of Realised and Unrealised Profits

The breakdown of the retained profits of the Group as at 31 December 2018 into realised and unrealised profits is as follows:-

	As at 31 December 2018 RM'000	As at 31 December 2017 RM'000
Total retained profits of the Group:		
- Realised	16,299	10,899
- Unrealised	-	-
	<u>16,299</u>	<u>10,899</u>

B14. Notes to the Statement of Comprehensive Income

Profit before tax is arrived at after (crediting) / charging:

	Current quarter ended 31 December 2018 RM'000	Current quarter ended 31 December 2017 RM'000	Cumulative 12-month period ended 31 December 2018 RM'000	Cumulative 12-month period ended 31 December 2017 RM'000
Interest income	(38)	(41)	(411)	(293)
Interest expense	166	324	714	1,217
Depreciation of property, plant and machinery	543	191	1,191	633
Professional fees	530	1,832	1,678	3,369
Provision for and write off receivables	N/A	N/A	N/A	N/A
Provision for and write off inventories	N/A	N/A	N/A	N/A
Gain or loss on disposal of quoted or unquoted investments of properties	N/A	N/A	N/A	N/A
Impairment of assets	N/A	N/A	N/A	N/A
Foreign exchange gain or loss	N/A	N/A	N/A	N/A
Gain or loss on derivatives	N/A	N/A	N/A	N/A
Exceptional items	N/A	N/A	N/A	N/A

Note:

N/A – Not applicable

B15. Authorised for issue

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 25 February 2019.