

UNAUDITED FIRST QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS⁽¹⁾

	INDIVIDUAL QUARTER			CUMULATIVE PERIOD		
	CURRENT YEAR QUARTER 31.03.2019	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2018	CHANGES (%)	CURRENT YEAR TO-DATE 31.03.2019	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2018	CHANGES (%)
	RM'000	RM'000		RM'000	RM'000	
Revenue	31,066	32,797	-5.3%	31,066	32,797	-5.3%
Cost of sales	(24,754)	(27,064)	-8.5%	(24,754)	(27,064)	-8.5%
Gross profit	6,312	5,733	10.1%	6,312	5,733	10.1%
Other income	92	164	-43.9%	92	164	-43.9%
Administrative expenses	(2,930)	(2,221)	31.9%	(2,930)	(2,221)	31.9%
Finance costs	(194)	(405)	-52.1%	(194)	(405)	-52.1%
Profit before tax	3,279	3,271	0.2%	3,279	3,271	0.2%
Income tax expense	(919)	(915)	0.4%	(919)	(915)	0.4%
Profit / Total comprehensive income for the period	2,360	2,356	0.2%	2,360	2,356	0.2%
Attributable to:						
Owner of the Company	2,366	2,356	0.4%	2,366	2,356	0.4%
Non-controlling interests ("NCI")	(6)	-	-	(6)	-	-
	2,360	2,356	0.2%	2,360	2,356	0.2%
Earnings per share attributable to owners of the Company (sen) ⁽²⁾ :						
Basic	0.74	0.74		0.74	0.74	
Diluted	0.74	0.74		0.74	0.74	

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 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) Earnings per share is calculated based on the Company's number of ordinary shares at the end of the reporting period.

UNAUDITED FIRST QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31.03.2019	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2018	CURRENT YEAR TO-DATE 31.03.2019	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2018
	RM'000	RM'000	RM'000	RM'000
Profit After Tax for the period	2,360	2,356	2,360	2,356
Other Comprehensive Expenses	-	-	-	-
- Foreign currency translation difference				
Total Comprehensive income for the period	<u>2,360</u>	<u>2,356</u>	<u>2,360</u>	<u>2,356</u>
Attributable to:				
Owner of the Company	2,366	2,356	2,366	2,356
Non-controlling interests ("NCI")	(6)	-	(6)	-
	<u>2,360</u>	<u>2,356</u>	<u>2,360</u>	<u>2,356</u>

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 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED FIRST QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	Unaudited As at 31.03.2019	Audited As at 31.12.2018
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,044	7,229
Investment properties	2,841	2,856
Trade receivables	8,630	7,403
	<u>18,515</u>	<u>17,488</u>
Current assets		
Trade receivables	31,544	33,404
Other receivables, deposits and prepayments	3,475	3,501
Contract assets	25,861	27,349
Deposits with licensed banks	10,712	9,194
Cash and bank balances	12,210	10,511
	<u>83,802</u>	<u>83,959</u>
TOTAL ASSETS	<u>102,317</u>	<u>101,447</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	32,000	32,000
Retained profits	18,623	16,262
	<u>50,623</u>	<u>48,262</u>
Non-controlling interest	<u>(6)</u>	<u>(5)</u>
Total Equity	<u>50,617</u>	<u>48,257</u>
Non-current liabilities		
Finance lease liabilities	485	532
Term loan	4,612	4,750
Deferred tax liabilities	78	78
Trade payables	2,594	2,466
	<u>7,769</u>	<u>7,826</u>
Current liabilities		
Trade payables	29,250	30,831
Other payables and accruals	1,265	2,468
Contract liabilities	5,619	7,058
Finance lease liabilities	334	376
Short-term borrowings	7,114	4,152
Current tax liabilities	349	479
	<u>43,931</u>	<u>45,364</u>
TOTAL LIABILITIES	<u>51,700</u>	<u>53,190</u>
TOTAL EQUITY AND LIABILITIES	<u>102,317</u>	<u>101,477</u>
Net asset per share (RM) ⁽²⁾	<u>0.16</u>	<u>0.15</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 2018 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 FIRST QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾

	Non- distributable Share Capital RM'000	Distributable Retained Profits RM'000	Non-controlling Interest	Total Equity RM'000
Balance at 01.01.2019	32,000	16,257	-	48,257
As at 31.03.2019 profit after taxation	-	2,366	(6)	2,360
Balance as at 31.03.2019	32,000	18,623	(6)	50,617

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 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED FIRST QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾

	CUMULATIVE PERIOD	
	Current Period Ended 31.03.2019 RM'000	Comparative Period Ended 31.03.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,279	3,271
Adjustments for:		
Depreciation	230	199
Interest expense	194	286
Interest income	(62)	(140)
Operating profit before changes in working capital	3,641	3,616
Net decrease in amount owing by/to contract customers	49	5,201
(Increase) / decrease in trade and other receivables	659	(6,007)
Increase / (decrease) in trade and other payables	(2,655)	886
Cash flows from operations	1,694	3,696
Interest paid	(194)	(286)
Interest received	62	140
Tax paid	(1,049)	(942)
Net cash from operating activities	513	2,608
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(30)	(236)
Net cash used in investing activities	(30)	(236)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (decrease) in fixed deposits pledged to banks	(1,518)	2,692
Net drawdown / repayment in trade finance	2,979	(2,513)
Repayment of hire purchase obligations	(89)	(92)
Repayment of term loans	(84)	(1,603)
Dividend Paid	-	-
Net cash used in financing activities	1,288	(1,516)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,771	856
Cash and cash equivalents at beginning of the financial period	9,381	9,073
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	11,152	9,929
Cash and cash equivalents comprise :		
Deposits with licensed banks	12,210	13,551
Cash and bank balances	10,712	12,765
Bank overdrafts	(1,058)	(2,836)
	21,864	23,480
Less: Deposits pledged to licensed banks	(10,712)	(13,551)
	11,152	9,929

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 2018 and the accompanying explanatory notes attached to this interim financial report.

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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 2018.

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 2018, the Group has further adopted the following MFRS in this interim financial statement, effective from 1 January 2019:-

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations ⁽¹⁾
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements ⁽¹⁾
Amendments to MFRS 112	Income Taxes ⁽¹⁾
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs ⁽¹⁾
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC interpretation 23	Uncertainty Over Income Tax Treatments

Note:

(1) Amendments to MFRSs contained in the document entitle Annual Improvements to MFRSs 2015-2017 Cycle.

The Group expect that the adoption of the above Standards, Amendments and IC interpretation are not expected to have any material financial impacts to the current period and prior period financial statement.

A3 Auditors’ Report

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2018.

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 first quarter ended 31 March 2019.

A8 Dividends Paid

No dividends have been paid during the first quarter ended 31 March 2019.

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

There were no changes in the composition of the Group during the current financial quarter.

A12 Contingent Liabilities and Contingent Assets

Contingent liabilities of the Group as at 31 March 2019 comprised of guarantees given to third parties in respect of performance bonds for the Group's projects amounting to RM13.75 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

918

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 RM31.07 million as compared to its preceding year's corresponding quarter ended 31 March 2018 of RM32.80 million. Despite the decrease in revenues, profit before tax ("PBT") during the current quarter slightly increased to RM3.28 million, representing an increase of RM0.01 million from its preceding year's corresponding quarter ended 31 March 2018 of RM3.27 million.

The increase in the PBT despite a decrease in revenue was mainly attributed to the reduction in finance costs.

B2 Comparison with Immediate Preceding Quarter Results

	Current Quarter 31.03.2019	Immediate Preceding Quarter 31.12.2018	Changes (Amount / %)	
	RM'000	RM'000	RM'000	%
Revenue	31,066	34,899	(3,833)	-10.9
Profit Before Tax	3,279	2,282	997	43.7

The Group recorded similar gross profit of RM6.31 million for the current quarter as compared with RM6.32 million in the previous quarter ended 31 December 2018 despite a slightly drop in revenue of RM31.1 million for current quarter as compared with RM34.9 million in the previous quarter ended 31 December 2018. This mainly due to higher profit margin recognised to adjusted budgeted costs for several near completion projects.

The Group's PBT of RM3.28 million for the current quarter was 43.7% higher than the RM2.28 million achieved in the previous quarter ended 31 December 2018. The increase was mainly due to reduction in administrative expenses and finance costs.

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 March 2019, the Group's order book, contracts secured and tenders are as follows:-

- (i) order book balance is approximately RM297 million;
- (ii) total value of contracts secured is approximately RM51 million; and
- (iii) approximately RM312 million worth of tenders still pending.

Based on the above, the Board of Directors is of the opinion that the Group's financial performance for the current year to be satisfactory.

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 March 2019	Comparative quarter ended 31 March 2018	Cumulative 3-month period ended 31 March 2019	Cumulative 3-month period ended 31 March 2018
	RM'000	RM'000	RM'000	RM'000
Income tax	919	837	919	837
Under provided in prior year	-	-	-	-
Deferred tax	-	78	-	78
	919	915	919	915
Effective tax rate ⁽¹⁾	28.0%	27.97%	28.0%	27.97%

Note:

- (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 (“Board”) that the Company proposes to undertake a special issue of up to 34,000,000 new ordinary shares in KAB (“Special Issue Shares”) 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.

On 29 April 2019, Mercury Securities announced on behalf of the Board that the issue price for the first tranche of the placement of 15,000,000 Special Issue Shares has been fixed at RM0.20 per Special Issue Share. The Company had on 7 May 2019 issued 15,000,000 Special Issue Shares to the identified Bumiputera investors.

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	Further Revision 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	⁽³⁾ 13,081	(12,571)	510	Within 24 months
Capital expenditure	2,200	2,200	⁽³⁾ 1,690	(1,690)	-	Within 18 months
Setting up a proposed new branch office in Johor Bahru ⁽¹⁾ and an additional office in Kuala Lumpur	600	289	289	(289)	-	Within 12 months
Repayment of bank borrowings	1,600	1,600	1,600	(1,600)	-	Within 12 months
Estimated Listing expenses	3,500	3,340	3,340	(3,340)	-	Immediate
Total	20,000	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.

- (3) The Company has decided not to invest in the capital expenditure for the time being so as to focus on existing projects on hand. As such, the balance proceeds for the capital expenditure have been re-allocated for working capital purposes.

B8. Group's Borrowings and Debt Securities

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

	As at 31 March 2019	As at 31 March 2018
	RM'000	RM'000
Long term:		
Term loans	4,612	5,066
Finance lease liabilities	485	621
	5,097	5,687
Short term:		
Term loans	398	280
Finance lease liabilities	334	350
Bank overdrafts	1,058	2,836
Trade finance	5,658	2,051
	7,448	5,517

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

An announcement was made on 25 February 2019 in relation to the entitlement of an interim Single Tier Dividend of 0.5 sen per share that has been paid on 4 April 2019. The entitlement date for the dividend was on 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) There were no fair value changes as at the current quarter under review.

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 March 2019	Preceding Year Corresponding Quarter Ended 31 March 2018	Quarter Ended 31 March 2019	Preceding Year Corresponding Quarter Ended 31 March 2018
Profit after tax attributable to owners of the Company (RM'000)	2,360	2,356	2,360	2,356
Number of ordinary shares ('000)	320,000	320,000	320,000	320,000
Basic earnings per share (sen) ⁽¹⁾	0.74	0.74	0.74	0.74
Diluted earnings per share (sen) ⁽²⁾	0.74	0.74	0.74	0.74

Notes:

- (1) The basic earnings per share is computed based on the profit attributable to the equity shareholders of the Company divided by 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 March 2019.

B13. Disclosure of Realised and Unrealised Profits

The breakdown of the retained profits of the Group as at 31 March 2019 into realised and unrealised profits is as follows:-

	As at 31 March 2019	As at 31 March 2018
	RM'000	RM'000
Total retained profits of the Group:		
- Realised	18,617	13,256
- Unrealised	-	-
	<u>18,617</u>	<u>13,256</u>

B14. Notes to the Statement of Comprehensive Income

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

	Current quarter ended 31 March 2019 RM'000	Preceding Year Corresponding Quarter Ended 31 March 2018 RM'000	Cumulative 3-month period ended 31 March 2019 RM'000	Cumulative 3-month period ended 31 March 2018 RM'000
Interest income	(62)	(140)	(62)	(140)
Interest expense	194	286	194	286
Depreciation of property, plant and machinery	215	188	215	188
Depreciation of investment properties	15	11	15	11
Professional fees	202	210	202	210

B15. Authorised for issue

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 16 May 2019.