

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS<sup>(1)</sup>

|   | 3-MONTHS ENDED       |                      |              | YEAR-TO-DATE ENDED   |                      |              |
|---|----------------------|----------------------|--------------|----------------------|----------------------|--------------|
|   | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000 | CHANGES<br>% | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000 | CHANGES<br>% |
| Revenue   | 26,308               | 33,923               | -22%         | 57,967               | 64,989               | -11%         |
| Cost of sales   | <u>(21,999)</u>      | <u>(27,367)</u>      | -20%         | <u>(47,747)</u>      | <u>(52,122)</u>      | -8%          |
| Gross profit  | 4,309                | 6,556                | -34%         | 10,220               | 12,867               | -21%         |
| Other income  | 457                  | 49                   | >100%        | 611                  | 142                  | >100%        |
| Administrative expenses   | (4,065)              | (3,842)              | 6%           | (7,872)              | (6,773)              | 16%          |
| Finance costs   | <u>(486)</u>         | <u>(251)</u>         | 94%          | <u>(736)</u>         | <u>(445)</u>         | 65%          |
| Profit before tax   | 215                  | 2,512                | -91%         | 2,223                | 5,791                | -62%         |
| Income tax expense  | <u>(150)</u>         | <u>(638)</u>         | -76          | <u>(673)</u>         | <u>(1,557)</u>       | -57%         |
| <b>Profit for the financial period</b>  | <b><u>65</u></b>     | <b><u>1,874</u></b>  | <b>-97%</b>  | <b><u>1,550</u></b>  | <b><u>4,234</u></b>  | <b>-63%</b>  |
| <b>Attributable to:</b>   |                      |                      |              |                      |                      |              |
| Owner of the Company  | 105                  | 1,875                | -94%         | 1,590                | 4,242                | -63%         |
| Non-controlling interests   | <u>(40)</u>          | <u>(1)</u>           | >100%        | <u>(40)</u>          | <u>(8)</u>           | >100%        |
|   | <b><u>65</u></b>     | <b><u>1,874</u></b>  | <b>-97%</b>  | <b><u>1,550</u></b>  | <b><u>4,234</u></b>  | <b>-63%</b>  |
| Earnings per share attributable to owners of the Company (sen) <sup>(2)</sup> : |                      |                      |              |                      |                      |              |
| Basic   | <u>0.01</u>          | <u>0.59</u>          |              | <u>0.17</u>          | <u>1.33</u>          |              |
| Diluted   | <u>0.01</u>          | <u>0.59</u>          |              | <u>0.16</u>          | <u>1.33</u>          |              |

**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 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Earnings per share is calculated based on the Company's weighted average number of ordinary shares at the end of the reporting period.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME<sup>(1)</sup>

|  | 3-MONTHS ENDED       |                      | YEAR-TO-DATE ENDED   |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000 | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000 |
| <b>Profit for the financial period</b>   | 65                   | 1,874                | 1,550                | 4,234                |
| <b>Other comprehensive expenses</b>  |                      |                      |                      |                      |
| Foreign currency translation<br>differences for foreign operation <sup>(2)</sup> | -                    | -                    | (2)                  | -                    |
| Total comprehensive income for the<br>financial period                           | <u>65</u>            | <u>1,874</u>         | <u>1,548</u>         | <u>4,234</u>         |
| <b>Attributable to:</b>  |                      |                      |                      |                      |
| Owner of the Company   | 105                  | 1,875                | 1,588                | 4,242                |
| Non-controlling interests  | <u>(40)</u>          | <u>(1)</u>           | <u>(40)</u>          | <u>(8)</u>           |
|  | <u>65</u>            | <u>1,874</u>         | <u>1,548</u>         | <u>4,234</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 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Amount less than RM1,000.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>(1)</sup>

|   | Unaudited<br>As at<br>30.06.2020<br>RM'000 | Audited<br>As at<br>31.12.2019<br>RM'000 |
|---|--|--|
| <b>ASSETS</b>                               |  |  |
| <b>Non-current assets</b>                   |  |  |
| Property, plant and equipment               | 7,954                                      | 7,801                                    |
| Investment properties                       | 5,940                                      | 6,607                                    |
| Intangible assets                           | 730  | -  |
| Deferred tax assets                         | 119  | 119                                      |
| Trade receivables                           | 9,830                                      | 7,869                                    |
|   | <u>24,573</u>                              | <u>22,396</u>                            |
| <b>Current assets</b>                       |  |  |
| Inventories                                 | 332  | -  |
| Trade receivables                           | 31,579                                     | 40,445                                   |
| Other receivables, deposits and prepayments | 5,073                                      | 4,702                                    |
| Contract assets                             | 42,242                                     | 35,021                                   |
| Deposits with licensed banks                | 20,708                                     | 20,089                                   |
| Cash and bank balances                      | 6,247                                      | 15,132                                   |
|   | <u>106,181</u>                             | <u>115,389</u>                           |
| <b>TOTAL ASSETS</b>                         | <b><u>130,754</u></b>                      | <b><u>137,785</u></b>                    |
| <b>EQUITY AND LIABILITIES</b>               |  |  |
| <b>Equity</b>                               |  |  |
| Share capital                               | 48,299                                     | 48,299                                   |
| Treasury Shares                             | (4)  | (241)                                    |
| Retained profits                            | 22,378                                     | 23,334                                   |
|   | <u>70,673</u>                              | <u>71,392</u>                            |
| <b>Non-controlling interest</b>             | <u>(72)</u>                                | <u>(36)</u>                              |
| <b>Total Equity</b>                         | <b><u>70,601</u></b>                       | <b><u>71,356</u></b>                     |
| <b>Non-current liabilities</b>              |  |  |
| Finance lease liabilities                   | 1,058                                      | 779                                      |
| Term loan                                   | 5,130                                      | 5,767                                    |
| Deferred tax liabilities                    | -  | -  |
| Trade payables                              | 4,564                                      | 2,774                                    |
|   | <u>10,752</u>                              | <u>9,320</u>                             |
| <b>Current liabilities</b>                  |  |  |
| Trade payables                              | 34,412                                     | 41,428                                   |
| Other payables and accruals                 | 1,917                                      | 1,302                                    |
| Contract liabilities                        | 3,888                                      | 7,297                                    |
| Finance lease liabilities                   | 388  | 329                                      |
| Short-term borrowings                       | 8,792                                      | 5,721                                    |
| Current tax liabilities                     | 4  | 1,032                                    |
|   | <u>49,401</u>                              | <u>57,109</u>                            |
| <b>TOTAL LIABILITIES</b>                    | <b><u>60,153</u></b>                       | <b><u>66,429</u></b>                     |
| <b>TOTAL EQUITY AND LIABILITIES</b>         | <b><u>130,754</u></b>                      | <b><u>137,785</u></b>                    |
| Net asset per share (RM) <sup>(2)</sup>     | <u>0.08</u>                                | <u>0.21</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 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on the Company's weighted average number of ordinary shares at the end of the reporting period.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)</sup>

|   | <-Attributable to Owners of the Company-> |                           | Retained Profits<br>RM'000 | Total<br>RM'000 | Non-controlling Interest<br>RM'000 | Total Equity<br>RM'000 |
|---|---|---------------------------|----------------------------|-----------------|------------------------------------|------------------------|
|   | Non-distributable                         | Distributable             |                            |                 |                                    |                        |
|   | Share Capital<br>RM'000                   | Treasury Shares<br>RM'000 |                            |                 |                                    |                        |
| Balance at 01.01.2020                       | 48,299                                    | (241)                     | 23,334                     | 71,392          | (36)                               | 71,356                 |
| Total Comprehensive                         |   |                           |                            |                 |                                    |                        |
| Income for the period                       | -   | -                         | 1,588                      | 1,588           | (40)                               | 1,548                  |
| Dividend paid                               | -   | 237                       | (2,544)                    | (2,307)         | -                                  | (2,307)                |
| Acquisition of subsidiary companies         | -   | -                         | -                          | -               | (26)                               | (26)                   |
| Issue of shares to non-controlling interest | -   | -                         | -                          | -               | 30                                 | 30                     |
| <b>Balance as at 30.06.2020</b>             | <b>48,299</b>                             | <b>(4)</b>                | <b>22,378</b>              | <b>70,673</b>   | <b>(72)</b>                        | <b>70,601</b>          |
| Balance at 01.01.2019                       | 32,000                                    | -                         | 16,257                     | 48,257          | -                                  | 48,257                 |
| Total Comprehensive                         |   |                           |                            |                 |                                    |                        |
| Income for the period                       | -   | -                         | 4,242                      | 4,242           | (8)                                | 4,234                  |
| Issuance of new shares                      | 6,800                                     | -                         | -                          | 6,800           | -                                  | 6,800                  |
| Shares repurchased                          | -   | (182)                     | -                          | (182)           | -                                  | (182)                  |
| Dividend paid                               | -   | -                         | (1,600)                    | (1,600)         | -                                  | (1,600)                |
| <b>Balance as at 30.06.2019</b>             | <b>38,800</b>                             | <b>(182)</b>              | <b>18,899</b>              | <b>57,517</b>   | <b>(8)</b>                         | <b>57,509</b>          |

**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 2019 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS<sup>(1)</sup>

|  | YEAR-TO-DATE ENDED   |                      |
|--|----------------------|----------------------|
|  | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |                      |                      |
| Profit before taxation   | 2,223                | 5,791                |
| Adjustments for:   |                      |                      |
| Depreciation of property, plant and equipment                  | 586                  | 444                  |
| Depreciation of investment properties                          | 67                   | 30                   |
| Impairment loss on receivables                                 | 150                  | -                    |
| Fair value discount on receivables                             | 346                  | -                    |
| Fair value discount on payables                                | (261)                | -                    |
| Gain on disposal of PPE  | (180)                | -                    |
| Interest expense   | 390                  | 445                  |
| Interest income  | (130)                | (81)                 |
| Operating profit before changes in working capital             | 3,191                | 6,629                |
| Net changes in trade receivables                               | 6,622                | 1,427                |
| Net changes in other receivables, deposits and prepayments     | 94                   | (1,073)              |
| Net changes in contract assets / liabilities                   | (10,630)             | (4,343)              |
| Net Changes in development expenditure                         | -                    | (93)                 |
| Net changes in trade payables                                  | (4,965)              | (115)                |
| Net changes in other payables and accrual                      | 189                  | 28                   |
| Cash flows from operations                                     | (5,499)              | 2,460                |
| Interest paid  | (390)                | (445)                |
| Interest received  | 130                  | 81                   |
| Tax paid   | (1,701)              | (1,771)              |
| Net cash (used in) / generated from operating activities       | (7,460)              | 325                  |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>                 |                      |                      |
| Purchase of property, plant and equipment                      | (720)                | (597)                |
| Proceeds from disposal of PPE                                  | 780                  | -                    |
| Purchase of investment properties                              | -                    | -                    |
| Acquisition of a subsidiary company                            | (490)                | -                    |
| Net cash used in investing activities                          | (430)                | (597)                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |                      |                      |
| Pledged of fixed deposits as securities                        | (2,525)              | (2,847)              |
| Uplift of deposits pledged as securities                       | -                    | -                    |
| Drawdown of bank borrowings                                    | 8,934                | 1,398                |
| Drawdown of finance lease obligations                          | 540                  | 247                  |
| Repayment of bank's borrowings                                 | (10,249)             | (168)                |
| Repayment of finance lease obligations                         | (203)                | -                    |
| Proceeds from issuance of new shares                           | -                    | 6,800                |
| Issue of shares to non-controlling interest                    | 30                   | -                    |
| Buy-back of shares   | -                    | (182)                |
| Dividend paid  | (2,307)              | (1,600)              |
| Net cash used in financing activities                          | (5,780)              | 3,648                |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>               | (13,670)             | 3,376                |
| Cash and cash equivalents at beginning of the financial period | 22,132               | 9,381                |
| Effect of foreign exchange rate changes <sup>(2)</sup>         | (2)                  | -                    |
| <b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>    | <b>8,460</b>         | <b>12,757</b>        |
| <b>Cash and cash equivalents comprise :</b>                    |                      |                      |
| Deposits with licensed banks                                   | 20,708               | 12,041               |
| Cash and bank balances   | 6,247                | 14,921               |
| Bank overdrafts  | (2,882)              | (2,164)              |
|  | 24,073               | 24,798               |
| Less: Deposits pledged to licensed banks                       | (15,613)             | (12,041)             |
|  | 8,460                | 12,757               |

**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 2019 and the accompanying explanatory notes attached to this interim financial report.
- (2) Comparative amount RM1,000.

**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 2019.

**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 2019, the Group has further adopted the following MFRS in this interim financial statement, effective from 1 January 2020:-

|                        |  |
|------------------------|--|
| Amendments to MFRS 3   | Business Combinations – Definition of a Business   |
| Amendments to MFRS 101 | Presentation of Financial Statement  |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material |
| Amendments to MFRS 9   | Financial Instruments  |
| Amendments to MFRS 139 | Financial Instruments : Recognition and Measurement                                      |
| Amendments to MFRS 7   | Financial Instruments : Disclosures – Interest Ratee Benchmark Reform                    |

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 Group for the financial year ended 31 December 2019.

**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 was no unusual item affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period under review.

**A6 Changes in Estimates**

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

**PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT**

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**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 in the current financial quarter, other than as disclosed.

On 26 February 2020, the number of issued shares of the Company were increased from 370,230,000 to 925,574,998 by way of subdivision of every 2 existing shares into 5 subdivided shares.

With regards to treasury shares, the number held in hand as at the financial period under review after taking into consideration the share split on 26 February 2020 was:

|   | <b>No. of Shares</b> |
|---|----------------------|
| Total treasury shares as at 1 January 2020  | 1,126,900            |
| Effect of subdivision of shares issued on 26 February 2020  | 1,690,350            |
| Distribution of 3 treasury shares as dividend for every 1,000 ordinary shares held on 14 April 2020 | <u>(2,767,862)</u>   |
| Total treasury shares as at 30 June 2020  | <u>49,388</u>        |

**A8 Dividends Paid**

|  | <b>RM'000</b> |
|--|---------------|
| (i) 1 <sup>st</sup> interim single-tier dividend of RM0.0025 per share paid on 14 April 2020 in respect of financial year ending 2020  | 2,307         |
| (ii) A total of 2,767,876 treasury shares were distributed as shares dividend and credited into the entitled shareholders' securities account maintained with Bursa Malaysia Depository Sdn Bhd on 14 April 2020 | <u>237</u>    |
|  | <u>2,544</u>  |

**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 period under review 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 those disclosed in Note B6 "Status of Corporate Proposals", there were no other material events subsequent to the end of the current financial period.

#### A11 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period, except as disclosed below:

- (i) KAB Technologies Thai Co. Ltd (“KABTT”) was established on 20 July 2018 as a limited company under Thai law. The entire issued and paid-up share capital is THB2,000,000.00 comprising of 20,000 shares.

The Company’s wholly-owned subsidiary, KAB Technology Sdn Bhd is holding 89% or 17,800 shares of THB100 each and the balance 11% shares allotted to Lai Chuan Shenq, being the minority shareholder, who is also the director in KABTT and Energy Optimization (Thailand) Co., Ltd (“EOT”).

KABTT is principally engaged in investment holding of shares.

- (ii) EOT was established on 31 July 2000 as a limited company under Thai law. The entire issued and paid-up share capital is THB3,000,000.00 comprising of 15,001 ordinary shares and 14,999 preferred shares.

Upon completion of the proposed acquisition in EOT on 26 March 2020, KABTT is holding 49.997% or 14,999 preferred shares of THB100 each. The voting right of the preferred shares is 4 votes per 1 preferred share and the entitlement of dividend and profit sharing allocated to the preferred shareholder are 80%. 14,700 ordinary shares with 1 voting right per 1 share are held by Chanchai Kitprotpisuth being the minority shareholder, who is also the director in EOT.

EOT is principally engaged in design and implementation of energy saving equipment.

#### A12 Contingent Liabilities and Contingent Assets

The changes in contingent liabilities of the Group are as follows:-

|   | As at<br>30.06.2020<br>RM’000 | As at<br>31.12.2019<br>RM’000 |
|---|-------------------------------|-------------------------------|
| Bank guarantees given to third parties in respect of performance bonds for the Group’s projects | 23,618                        | 21,942                        |

There was no contingent asset as at the date of this interim report.



**A13 Capital Commitments**

Capital commitment for financial quarter under review are as follows:-

|   | <b>RM'000</b> |
|---|---------------|
| Approved and contracted but not provided for: |               |
| - Property, plant and equipment               | <u>373</u>    |

**A14 Significant related party transactions**

There was no significant related party transaction in the current financial period under review.

**B1 Review of Group Performance**

For the current financial quarter under review, the Group posted revenues of RM26.31 million and financial period of RM57.97 million as compared to its preceding year's corresponding quarter ended 30 June 2019 of RM33.92 million and corresponding period of RM64.99 million, representing a decrease in revenue of RM7.61 million and RM7.02 million respectively. Along with the decrease in revenue, profit before tax ("PBT") for current quarter dropped to RM0.22million, representing a decrease of RM2.29 million from its preceding year's corresponding quarter ended 30 June 2019 of RM2.51 million.

Significant drop in sales and profits of the Group after taking into account the effects of the Coronavirus Disease 2019 ("COVID-19") pandemic and the Movement Control Orders (MCO) implemented by the Government of Malaysia, the results had declined mainly due to construction activities were halted during the MCO.

**B2 Comparison with Immediate Preceding Quarter Results**

|                   | < ----- 3-MONTHS ENDED ----- > |                      |                   |      |
|-------------------|--------------------------------|----------------------|-------------------|------|
|                   | 30.06.2020<br>RM'000           | 31.03.2020<br>RM'000 | Changes<br>RM'000 | %    |
| Revenue           | 26,308                         | 31,660               | (5,352)           | -17% |
| Gross Profit      | 4,309                          | 5,912                | (1,603)           | -27% |
| Profit Before Tax | 215                            | 2,009                | (1,794)           | -89% |

The Group recorded a gross profit of RM4.31 million for the current quarter as compared to RM5.91 million in the previous quarter ended 31 March 2020. This is in line with the decrease in revenue of RM26.31 million for current quarter as compared to RM31.66 million in the previous quarter ended 31 March 2020.

The Group's PBT of RM0.22 million for the current quarter was 89% lower than RM2.01 million achieved in the previous quarter ended 31 March 2020. The overall decreased was mainly due to construction activities were halted during the MCO imposed by the Government of Malaysia

## PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

**B3 Prospects for the Financial Period**

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

- (i) expansion beyond Klang Valley, as well as venturing into neighbouring Asean countries;
- (ii) supporting the building and financing of energy efficiency systems and taking a share of the savings in energy costs; and
- (iii) diversifying service base to offer customised energy efficiency solutions, which relies on various interrelated technologies to achieve energy savings.

The unprecedented global pandemic of COVID-19 has brought significant economic uncertainty, the Malaysian economy is currently experiencing a sharp decline in its economic activities across most sectors as movement of all persons involved in non-essential industries were restricted, KAB is also affected in the short run mainly due to temporary suspension of project operations and supply chain disruptions.

Despite the delay caused by the MCO, we expect to be able to continue to meet all of our obligations in accordance to the respective project timelines as agreed with the project owner and/or main contractor during the award of respective projects.

As at 30 June 2020, the Group's order book, contracts secured and tenders are as follows:-

- (i) order book balance is approximately RM365 million;
- (ii) total value of new projects pending letter of award is approximately RM17 million; and
- (iii) approximately RM468 million worth of tenders still pending.

The Board will continue to review and monitor the pandemic and economic situation while exercising prudence in spending to sustain with the current market challenges and conditions.

**B4 Profit Forecast**

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

**B5 Taxation**

|                                      | 3-MONTHS ENDED |            | YEAR-TO-DATE-ENDED |              |
|--------------------------------------|----------------|------------|--------------------|--------------|
|                                      | 30.06.2020     | 30.06.2019 | 30.06.2020         | 30.06.2019   |
|                                      | RM'000         | RM'000     | RM'000             | RM'000       |
| Income tax                           | 150            | 707        | 673                | 1,543        |
| Under/ (over) provided in prior year | -              | (69)       | -                  | 14           |
| Deferred tax                         | -              | -          | -                  | -            |
|                                      | <u>150</u>     | <u>638</u> | <u>673</u>         | <u>1,557</u> |
| Effective tax rate <sup>(1)</sup>    | 70%            | 25%        | 30%                | 27%          |

**Note:**

- (1) The effective tax rate for the current quarter is higher than the statutory tax rate of 24% mainly due to losses incurred by certain subsidiary companies are not available for set-off and adjustment for non-deductible expenses.

**B6 Status of Corporate Proposals**

(i) Private Placement

On 10 October 2019, Mercury Securities Sdn Bhd (“Mercury”) had announced on behalf of the Board of Directors of KAB (“Board”) that the Company proposed to undertake a private placement of up to 70,574,600 new ordinary shares in KAB (“Placement Shares”) representing up to 20% of the total number of issued shares of KAB, to independent third-party investors to be identified later, at an issue price to be determined later (“Proposed Private Placement”).

Bursa Malaysia Securities Berhad (“Bursa Securities”) had on 17 October 2019 approved the listing and quotation of up to 70,574,600 Placement Shares to be issued pursuant to the proposed Private Placement.

The shareholders of the Company had approved the Proposed Private Placement at an extraordinary general meeting (“EGM”) of the Company held on 8 November 2019.

On 29 November 2019, Mercury announced on behalf of the Board that the issue price for the private placement of 16,230,000 Placement Shares has been fixed at RM0.5853 per Placement Share. The Company had on 2 December 2019 issued 16,230,000 Placement Shares to the identified investors and there are up to 54,344,600 remaining Placement Shares to be allotted and issued under the Private Placement.

Pursuant to the completion of the Company’s Share Split exercised on 27 February 2020, the remaining Placement Shares is consequentially subdivided to 135,861,500 remaining Placement Shares to be allotted and issued under the Private Placement upon application.

On 18 March 2020, Mercury announced on behalf of the Board that the Company has submitted an application to seek Bursa Securities’ approval for an extension of time of 6 months from 16 April 2020 up to 16 October 2020 for the Company to complete the implementation of the Private Placement.

On 27 March 2020, Mercury announced on behalf of the Board that the Company had obtained the approval of Bursa Securities vide its letter dated 26 March 2020 (which was received on 27 March 2020) for an extension of time of 6 months up to 16 October 2020 for the Company to complete the implementation of the Private Placement.

(ii) Proposed Acquisition of KIEV CRG Sdn Bhd (“KIEV”)

On 5 February 2020, a 90% owned subsidiary of the Company had entered into a Sale and Purchase Agreement with KIEV Energy Sdn Bhd and Tree Hill Sdn Bhd to acquire the entire issued shares in KIEV, for a total cash consideration of RM250,000. Upon completion, KIEV will become a 70% indirect owned subsidiary of the Company.

KIEV is principally engaged in operating power generation facilities that produce electric energy.

The Board announces the transaction was completed on 23 July 2020

**PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**

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- (iii) Proposed Acquisition of Konpro Industries Sdn Bhd (“Konpro”) and Meru One Sdn Bhd (“Meru”) from Invest Energy Sdn Bhd (“INVEN”) (“Proposed Acquisitions”)

On 25 March 2020, KAB Energy Power Sdn Bhd (“KABEP”), a 90% owned subsidiary of the Company had entered into a Provisional Agreement with INVEN to acquire 2,000,000 Ordinary Shares in Konpro and 600,000 Ordinary Shares in Meru for a total cash consideration of RM7,260,000.00 and to assume liabilities totalling RM4,240,000.00.

On 24 April 2020, the Board announced that KABEP and INVEN had mutually agreed to further extend the period for additional 60 days from 24 April 2020 to enable both parties to enter into formal agreements for the Proposed Acquisitions subject to satisfactory due diligence review.

On 23 June 2020 the Company announced due to the COVID-19 pandemic and the implementation of the MCO, the due diligence process in connection with these acquisitions was unable to be finalised in time. Both parties had mutually agreed to further extend the period for additional 60 days to enter into formal agreements for the Proposed Acquisitions subject to satisfactory due diligence.

On 26 August 2020 the Board announces that KABEP and INVEN had mutually agreed to further extend the period for additional 27 days to 22 September 2020 to enable both parties to enter into formal agreements for the Proposed Acquisitions.

As at the date of this announcement, the due diligence exercise is still in progress.

- (iv) Proposed Transfer of the listing and quotation of the entire issued share capital of KAB from the ACE Market to the Main Market of Bursa Securities.

On 13 April 2020, Mercury had announced on behalf of the Board that the Company proposes to undertake a transfer of the listing and quotation of the entire issued share capital of KAB from the ACE Market to the Main Market of Bursa Securities (“Proposed Transfer”).

The application in relation to the Proposed Transfer has been submitted to the Securities Commission Malaysia and Bursa Securities on 14 April 2020 and 12 May 2020 respectively.

Securities Commission Malaysia had on 24 August 2020 approved the transfer of the listing and the resultant equity structure of KAB pursuant to the Proposed Transfer.

Bursa Securities had, vide its letter dated 25 August 2020, approved the Proposed Transfer under the “Industrial Products & Services” sector. And the Proposed Transfer will take effect immediately 2 clear market days upon the announcement to Bursa Securities on the transfer date via Bursa Link.

On 28 August 2020, the entire issued share capital of KAB has successfully listed and quoted on the Main Market of Bursa Securities.

Save as above, there was no corporate proposal announced.

**B7 Utilisation of Proceeds**

## (i) Special Issue

The utilisation of the gross proceeds from the Special Issue amounting to RM6.80 million is as follows:-

| Details of utilisation   | Proposed Utilisation<br>RM'000 | Actual Utilisation<br>RM'000 | Balance Unutilised<br>RM'000 | Intended Timeframe<br>for Unutilised |
|--|--------------------------------|------------------------------|------------------------------|--------------------------------------|
| Acquisition and/or investment in other complementary business and/or assets <sup>(1)</sup> | 6,630                          | (629)                        | 6,001                        | Within 24 months                     |
| Estimated expenses for the proposed Special Issue  | 170                            | (170)                        | -                            | Immediate                            |
| <b>Total</b>   | <b>6,800</b>                   | <b>(799)</b>                 | <b>6,001</b>                 |                                      |

**Notes:**

The utilisation of proceeds as disclosed above should be read in conjunction with the Circular of the Company dated 19 December 2018.

## (ii) Private Placement

The proposed utilisation of the gross proceeds from the Private Placement amounting to RM27.1 million is as follows:

| Purposes  | Proposed Utilisation<br>RM'000 | Actual Utilisation<br>RM'000 | Balance Unutilised<br>RM'000 | Intended Timeframe<br>for Unutilised |
|---|--------------------------------|------------------------------|------------------------------|--------------------------------------|
| Expansion of customised energy efficiency solutions business                  | 17,000                         | -                            | 17,000                       | Within 24 months                     |
| Project costs and expenses  | 4,500                          | (3,706)                      | 794                          | Within 24 months                     |
| Acquisition and/or investment in other complementary businesses and/or assets | 4,694                          | (243)                        | 4,451                        | Within 24 months                     |
| Estimated expenses for the proposed Private Placement                         | 900                            | (283)                        | 617                          | Immediate                            |
| <b>Total</b>  | <b>27,094</b>                  | <b>(4,232)</b>               | <b>22,862</b>                |                                      |

**Notes:**

The utilisation of proceeds as disclosed above should be read in conjunction with the Circular of the Company dated 24 October 2019.

On 2 December 2019, the Company had issued 16,230,000 Placement Shares at RM0.5853 per Placement Share to arrive at total fund of RM9.5 million.

**B8 Group's Borrowings and Debt Securities**

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

|                           | As at<br>30.06.2020<br>RM'000 | As at<br>30.06.2019<br>RM'000 |
|---------------------------|-------------------------------|-------------------------------|
| <b>Long term:</b>         |                               |                               |
| Term loans                | 5,130                         | 4,522                         |
| Finance lease liabilities | 1,058                         | 769                           |
|                           | 6,188                         | 5,291                         |
| <b>Short term:</b>        |                               |                               |
| Term loans                | 347                           | 404                           |
| Finance lease liabilities | 388                           | 387                           |
| Bank overdrafts           | 2,882                         | 2,164                         |
| Trade finance             | 5,563                         | 4,076                         |
|                           | 9,180                         | 7,031                         |

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

**B9 Material Litigation**

KAB Technologies Sdn Bhd, the wholly-owned subsidiary ("**KABT / Plaintiff**"), has on 26 June 2020 commenced a Writ action against ICEE International Sdn Bhd (the "**1st Defendant**") and ICEE Energy Services Sdn Bhd (the "**2nd Defendant**") before the High Court of Malaya at Kuala Lumpur under Civil Suit No.: WA-22NCVC-330-06/2020.

The claim against the 2nd Defendant is premised on a Work Order dated 01.04.2019 ("**Work Order**") entered between KABT on the one part and the 2nd Defendant on the other part wherein the 2nd Defendant is required by contract to ensure that KABT receives its annual guaranteed savings of 8% which corresponds with an amount of monetary return of RM8,329.72 per month for a period of five (5) years i.e. 60 months. KABT alleges that the 2nd Defendant has breached the material terms of the Work Order causing KABT to have suffered and continue to suffer loss and damage in so far as the Pullman Hotel, Kuching project is concerned.

KABT's claim against the 2nd Defendant is for amongst others a declaration that the 2nd Defendant has breached the express and/or implied terms of the Work Order, the outstanding shortfalls under the Work Order in the sum of RM12,418.20, general damages, special damages in the sum of RM813,709.19, interest at 5% per annum on judgement sum and costs.

The claim against the 1st Defendant is premised on an Agreement dated 07.08.2019 ("**2019 Agreement**") entered between KABT on the one part and the 1st Defendant on the other part wherein the 1st Defendant is required by contract to ensure that KABT receives its guaranteed savings of 10% which corresponds with an amount of monetary return of RM6,680.40 and RM6,958.75 for a period of forty-eight (48) months, respectively in respect of the projects at Robinson Rama 9 and Robinson Prachinburi in Thailand. KABT alleges that the 1st Defendant has breached the material terms of the 2019 Agreement causing KABT to have suffered and continue to suffer loss and damage.

KABT's claim against the 1st Defendant is for amongst others a declaration that the 1st Defendant has breached the express and/or implied terms of the 2019 Agreement, the outstanding shortfalls under the 2019 Agreement totalling a sum of RM15,132.98, general damages, special damages totalling a sum of RM1,431,099.49, interest at 5% per annum on judgement sum and costs.

**PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS**

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On 26 June 2020, the Defendants have entered a defence and filed a counterclaim for the Initial Suit which was subsequently amended by an amended defence and counterclaim filed by the Defendants on 10 July 2020, and added KAB as a party (“**Counterclaim**”). The Defendants’ Counterclaim is for passing-off, breach of confidential information, breach of fiduciary duty, the abuse of process and conspiracy to injure. In the Counterclaim, the Defendants had further claimed for monetary damages totalling up to RM17,827,777.01 which include:-

- (i) damages that are allegedly suffered by the Defendants in relation to past or existing projects totalling up to an amount of RM618,247.09; and
- (ii) damages in relation to future projects that the Defendants allegedly lost, the loss of future income and the loss of the value of ICEE, amounting to a total of up to RM17,209,529.92.

The suit is only at the stage of pleadings and the pleadings is not closed yet. At this early stage, it is premature and hence difficult to quantify the potential liability to KAB Group.

Based on opinion rendered by solicitors representing Plaintiffs, Messrs Ken St James, the Plaintiffs have a good chance of succeeding in obtaining the Declaratory Orders sought in the Initial Suit. Further, Messrs Ken St James also conclude that it is more likely than not that the Defendants will not fully succeed in their Counterclaim. As such, the Counterclaim is not expected to have material financial or operational impact on KAB Group.

The Plaintiffs have attended a case management on 29 June 2020 and 11 August 2020. The next case management is scheduled on 12 October 2020.

**B10 Dividends Proposed or Declared**

The Board does not recommend any interim dividend for current quarter.

**B11 Derivatives and Fair Value Changes of Financial Liabilities**

- (i) There were no derivatives as at the current financial period under review.
- (ii) 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 is RM0.07 million and RM0.08 million for the current reporting quarter and current reporting period respectively.



**B12 Earnings Per Share**

The basic and diluted earnings per share for the financial period is computed as follows:-

|  | 3-MONTHS ENDED |            | YEAR-TO-DATE ENDED |            |
|--|----------------|------------|--------------------|------------|
|  | 30.06.2020     | 30.06.2019 | 30.06.2020         | 30.06.2019 |
| Profit after tax attributable to owners of the Company (RM'000)                  | 105            | 1,875      | 1,590              | 4,242      |
| Weighted average number of ordinary shares in issue ('000)                       | 928,392        | 320,000    | 928,392            | 320,000    |
| Adjustment for assumed issuance of Placement Shares ('000)                       | 54,345         | -          | 54,345             | -          |
| Adjusted weighted average number of ordinary shares in issue and issuable ('000) | 982,737        | 320,000    | 982,737            | 320,000    |
| Basic earnings per share (sen) <sup>(1)</sup>                                    | 0.01           | 0.59       | 0.17               | 1.33       |
| Diluted earnings per share (sen)   | 0.01           | 0.59       | 0.16               | 1.33       |

**Notes:**

- (1) The basic earnings per share is computed based on the profit attributable to the equity shareholders of the Company divided by weighted average number of ordinary shares in issue for the financial period under review.

**B13 Notes to the Statement of Comprehensive Income**

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

|   | 3-MONTHS ENDED       |                      | YEAR-TO-DATE ENDED   |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000 | 30.06.2020<br>RM'000 | 30.06.2019<br>RM'000 |
| Interest income                               | (51)                 | (18)                 | (130)                | (81)                 |
| Interest expense                              | 212                  | 251                  | 390                  | 445                  |
| Depreciation of property, plant and machinery | 215                  | 229                  | 586                  | 444                  |
| Depreciation of investment properties         | 33                   | 15                   | 67                   | 30                   |

**B14 Authorised for issue**

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 28 August 2020.