

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 12 MONTHS ENDED	
	CURRENT QUARTER ENDED 31/12/2017 RM	COMPARATIVE QUARTER ENDED 31/12/2016 RM	CURRENT PERIOD ENDED 31/12/2017 RM	COMPARATIVE PERIOD ENDED 31/12/2016 RM
Revenue	70,168,969	26,122,794	209,270,705	103,110,656
Cost of sales	(58,271,436)	(29,259,658)	(196,773,405)	(99,245,923)
Gross profit/(loss)	<u>11,897,533</u>	<u>(3,136,864)</u>	<u>12,497,300</u>	<u>3,864,733</u>
Other income	1,367,966	1,342,194	8,367,349	6,356,686
Distribution costs	(230,980)	(285,689)	(635,940)	(828,551)
Administrative expenses	(3,720,888)	(4,418,649)	(14,867,542)	(16,284,990)
Other expenses	(319,581)	(370,080)	(1,166,448)	(1,542,981)
Finance costs	(65,983)	(141,224)	(520,115)	(486,413)
Share of results of associates	1,369,299	370,577	2,729,464	(218,987)
Profit/(loss) before tax	<u>10,297,366</u>	<u>(6,639,735)</u>	<u>6,404,068</u>	<u>(9,140,503)</u>
Income tax expense	(4,101,370)	2,328,164	(3,108,255)	3,397,356
Profit/(loss) for the period	<u>6,195,996</u>	<u>(4,311,571)</u>	<u>3,295,813</u>	<u>(5,743,147)</u>
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income/(Expense) for the period	<u>6,195,996</u>	<u>(4,311,571)</u>	<u>3,295,813</u>	<u>(5,743,147)</u>
Profit/(loss) for the period attributable to:				
Owners of the parent	5,342,836	(4,062,795)	1,638,880	(5,779,651)
Non-controlling interests	853,160	(248,776)	1,656,933	36,504
	<u>6,195,996</u>	<u>(4,311,571)</u>	<u>3,295,813</u>	<u>(5,743,147)</u>
Total Comprehensive Income/(Expense) for the period attributable to:				
Owners of the parent	5,342,836	(4,062,795)	1,638,880	(5,779,651)
Non-controlling interests	853,160	(248,776)	1,656,933	36,504
	<u>6,195,996</u>	<u>(4,311,571)</u>	<u>3,295,813</u>	<u>(5,743,147)</u>
Earnings/(loss) per share attributable to owners of the parent:				
Basic, for profit/(loss) for the period (sen)	<u>2.07</u>	<u>(1.58)</u>	<u>0.64</u>	<u>(2.24)</u>
Diluted, for profit/(loss) for the period (sen) - Not Applicable				

(These Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

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INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 31/12/2017 RM	AS AT 31/12/2016 RM
ASSETS		
Non-current assets		
Property, plant & equipment	134,998,278	143,185,361
Investment in associates	4,508,141	1,778,677
Deferred tax assets	<u>2,027,666</u>	<u>2,027,666</u>
	<u>141,534,085</u>	<u>146,991,704</u>
Current assets		
Inventories	35,015,005	27,322,947
Amount due from customers for contract work	19,959,694	-
Trade and other receivables	57,771,879	17,584,698
Other current assets	3,979,872	3,818,310
Short term funds	83,281,906	101,315,507
Cash and bank balances	<u>17,579,773</u>	<u>34,794,573</u>
	<u>217,588,129</u>	<u>184,836,035</u>
TOTAL ASSETS	<u>359,122,214</u>	<u>331,827,739</u>
EQUITY AND LIABILITIES		
Current liabilities		
Amount due to customers for contract work	-	1,275,636
Loans and borrowings	3,289,817	7,161,470
Trade and other payables	54,355,704	20,985,781
Income tax payable	<u>685,572</u>	<u>227,162</u>
	<u>58,331,093</u>	<u>29,650,049</u>
Net Current assets	<u>159,257,036</u>	<u>155,185,986</u>
Non-current liabilities		
Loans and borrowings	1,415,677	4,719,244
Deferred tax liabilities	<u>701,198</u>	<u>580,013</u>
	<u>2,116,875</u>	<u>5,299,257</u>
Total liabilities	<u>60,447,968</u>	<u>34,949,306</u>
Net assets	<u>298,674,246</u>	<u>296,878,433</u>
Equity attributable to owners of the parent		
Share capital	128,896,000	128,896,000
Retained earnings	<u>158,003,329</u>	<u>156,364,449</u>
	286,899,329	285,260,449
Non-controlling interests	<u>11,774,917</u>	<u>11,617,984</u>
Total equity	<u>298,674,246</u>	<u>296,878,433</u>
TOTAL EQUITY AND LIABILITIES	<u>359,122,214</u>	<u>331,827,739</u>

(These Condensed Consolidated Statements of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

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INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017**Unaudited Condensed Consolidated Statements of Changes in Equity**

	<----- Attributable to owners of the parent ----->			Non-controlling	Total
	Non-Distributable	Distributable	Total	Interests	Equity
	Share	Retained			
	Capital	Earnings			
	RM	RM	RM	RM	RM
At 1 January 2016	128,896,000	172,455,780	301,351,780	10,081,480	311,433,260
(Loss)/profit for the period	-	(5,779,651)	(5,779,651)	36,504	(5,743,147)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive (expense)/income for the period	-	(5,779,651)	(5,779,651)	36,504	(5,743,147)
Dividend paid to non-controlling interests	-	-	-	(1,500,000)	(1,500,000)
First and final dividend for FYE 31 December 2015	-	(10,311,680)	(10,311,680)	-	(10,311,680)
Capital contribution by non-controlling interests	-	-	-	3,000,000	3,000,000
At 31 December 2016	<u>128,896,000</u>	<u>156,364,449</u>	<u>285,260,449</u>	<u>11,617,984</u>	<u>296,878,433</u>
At 1 January 2017	128,896,000	156,364,449	285,260,449	11,617,984	296,878,433
Profit for the period	-	1,638,880	1,638,880	1,656,933	3,295,813
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	1,638,880	1,638,880	1,656,933	3,295,813
Dividend paid to non-controlling interests	-	-	-	(1,500,000)	(1,500,000)
At 31 December 2017	<u>128,896,000</u>	<u>158,003,329</u>	<u>286,899,329</u>	<u>11,774,917</u>	<u>298,674,246</u>

(These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

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INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 12 MONTHS ENDED 31/12/2017 RM	CUMULATIVE 12 MONTHS ENDED 31/12/2016 RM
Profit/(loss) before taxation	6,404,068	(9,140,503)
Adjustments for:		
Depreciation of property, plant & equipment	12,722,956	12,270,089
Interest expense	520,115	486,413
Property, plant & equipment written off	4,107	19,163
Gain on disposal of property, plant & equipment	(162)	-
Reversal of bad debts written off	(115,402)	-
Impairment loss on trade receivables	10,075	144,354
Dividend income	(1,676,772)	(2,340,976)
Fair value changes in short term funds	(1,736,570)	(1,830,223)
Unrealised foreign exchange gain	(5,197)	(9,814)
Interest income	(3,022,553)	(370,034)
Share of results of associates	(2,729,464)	218,987
Total adjustments	<u>3,971,133</u>	<u>8,587,959</u>
Operating cash flows before changes in working capital	10,375,201	(552,544)
Changes in working capital		
(Increase)/decrease in inventories	(7,692,058)	650,924
Increase in amount due from customers for contract work	(19,959,694)	-
(Decrease)/increase in amount due to customers for contract work	(1,275,636)	106,092
Increase in receivables	(40,038,623)	(2,575,712)
Increase in payables	33,375,120	13,302,796
Increase in other current assets	(10,238)	-
Cash flows (used in)/from operations	<u>(25,225,928)</u>	<u>10,931,556</u>
Interest paid	(520,115)	(486,413)
Taxation paid, net of refund	(2,679,983)	(3,794,568)
Net cash flows (used in)/from operating activities	<u>(28,426,026)</u>	<u>6,650,575</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	1,545	-
Acquisition of property, plant & equipment	(4,541,364)	(4,273,734)
Net proceeds from short term funds	21,446,943	24,142,103
Capital contribution by non-controlling interests	-	3,000,000
Interest received	2,979,322	222,896
Dividend received from an associate	-	20,000
Net cash flows from investing activities	<u>19,886,446</u>	<u>23,111,265</u>
Financing activities		
Dividend paid to shareholders of the Company	-	(10,311,680)
Dividend paid to non-controlling interests	(1,500,000)	(1,500,000)
Net (repayment of)/proceeds from bankers' acceptances	(3,400,000)	3,400,000
Repayment of lease instalments	(3,775,220)	(3,319,537)
Net cash flows used in financing activities	<u>(8,675,220)</u>	<u>(11,731,217)</u>
Net (decrease)/increase in cash and cash equivalents	(17,214,800)	18,030,623
Cash and cash equivalents at the beginning of the period	34,794,573	16,763,950
Cash and cash equivalents at the end of the period	<u><u>17,579,773</u></u>	<u><u>34,794,573</u></u>

(These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Selected explanatory notes pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting

1. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“MASB”), IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2016. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

2. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2016 except for the adoption of the following with effect from 1 January 2017:

- ❖ Amendments to MFRS 107: Disclosures Initiative
- ❖ Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
- ❖ Annual Improvements to MFRS Standards 2014-2016 Cycle
 - Amendments to MFRS 12: Disclosure of Interests in Other Entities

The initial application of the above is not expected to have any material financial impact on the Group's results.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2016 was not qualified.

4. Seasonal or cyclical factors

The business operations of the Group are not significantly affected by any seasonal or cyclical factors in the current quarter and financial year to date.

5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group in the current quarter and financial year to date.

6. Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years which have a material effect in the current quarter and financial year to date.

7. Debt and equity securities

There were no issuances and repayments of debt and equity securities, share buy backs, shares cancellation, shares held as treasury shares and resale of treasury shares in the current quarter and financial year to date.

8. Dividend paid

No dividend was paid in the current quarter and financial year to date.

9. Segmental Reporting

The information for business segments predominantly conducted in Malaysia for the current financial year to date was as follows:

RESULTS FOR PERIOD-TO-DATE ENDED 31 DECEMBER 2017

	Manufacturing RM	Engineering RM	Consolidated RM
Total revenue	32,406,773	187,647,527	220,054,300
Less: Inter-segment revenue	(7,783,216)	(3,000,379)	(10,783,595)
External revenue	24,623,557	184,647,148	209,270,705
Results	5,122,730	(928,011)	4,194,719
Finance costs	(114,611)	(405,504)	(520,115)
Share of results of associates	70,033	2,659,431	2,729,464
Profit before tax	5,078,152	1,325,916	6,404,068
Income tax expense	(1,340,370)	(1,767,885)	(3,108,255)
Profit/(loss) after tax	3,737,782	(441,969)	3,295,813
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OTHER INFORMATION

Interest income	120,763	2,901,790	3,022,553
Depreciation	995,362	11,727,594	12,722,956
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RESULTS FOR PERIOD-TO-DATE ENDED 31 DECEMBER 2016

	Manufacturing RM	Engineering RM	Consolidated RM
Total revenue	37,486,905	84,134,406	121,621,311
Less: Inter-segment revenue	(18,219,719)	(290,936)	(18,510,655)
External revenue	19,267,186	83,843,470	103,110,656
Results	1,810,690	(10,245,793)	(8,435,103)
Finance costs	(28,992)	(457,421)	(486,413)
Share of results of associates	23,130	(242,117)	(218,987)
Profit/(loss) before tax	1,804,828	(10,945,331)	(9,140,503)
Taxation	520,898	2,876,458	3,397,356
Profit/(loss) after tax	2,325,726	(8,068,873)	(5,743,147)
OTHER INFORMATION			
Interest income	78,817	291,217	370,034
Depreciation	1,106,507	11,163,582	12,270,089

10. Material subsequent events

There were no material subsequent events as at the date of this announcement.

11. Changes in composition of the Group

On 24 January 2018, KKB Engineering Berhad ("KKB") subscribed 5,000,000 new ordinary shares at an issue price of RM1.00 each in the share capital of OceanMight Sdn Bhd ("OMSB"), an associate company of KKB. The consideration for the said subscription was settled by way of capitalizing a sum of RM5,000,000 being the amount owing by OMSB to KKB. Following the said subscription, OMSB became a 60.81% owned subsidiary of KKB.

Save as disclosed above, there were no other changes affecting the composition of the Group for the current quarter and financial year-to-date.

12. Contingent liabilities/Contingent assets as at 31 December 2017

There were no material contingent liabilities or contingent assets as at the date of this announcement.

13. Capital Commitments

	As at 31/12/2017 RM	As At 31/12/2016 RM
Commitments in respect of capital expenditure:		
Approved and contracted for:		
Property, plant and equipment	4,419,570	200,367

14. Related Party Transactions

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2017 RM	Comparative Quarter Ended 31/12/2016 RM	Current Period Ended 31/12/2017 RM	Comparative Period Ended 31/12/2016 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	8,345	16,347	28,982	82,814
- Provision of miscellaneous services such as machineries, equipments and labour	21,158	22,801	90,082	85,013
- Rental income	6,000	6,000	24,000	24,000
- Purchase of miscellaneous services such as machineries, equipments and labour	-	12,735	15,734	47,899
Transactions with an associate, OceanMight Sdn. Bhd.				
- Rental income	56,200	84,900	298,900	366,890
- Sales of fabricated/galvanised steel products, structural steel works and other related products	6,537,496	9,271,420	47,996,353	46,272,761
- Provision of miscellaneous services such as machineries/equipment/facilities, labour/subcontract works etc	1,030	-	7,004	-
- Purchase of miscellaneous services such as machineries/equipment, labour etc	1,762	-	290,332	-
Transactions with subsidiaries of an investor, Cahya Mata Sarawak Bhd.				
- Sales of steel pipes and pipe fittings to CMS Infra Trading Sdn. Bhd.	11,488,520	-	12,140,316	2,266,750
- Sales of steel pipes, pipe fittings, fabricated/galvanized steel products and structural steel works to PPES Works (Sarawak) Sdn. Bhd.	-	-	-	761,550
- Sales of fabricated/galvanized steel products and structural steel works to CMS Wires Sdn. Bhd.	-	-	-	200
- Purchase of steel and concrete products from CMS Concrete Products Sdn. Bhd.	-	50,378	79,304	254,495
- Purchase of graded aggregates, etc. from CMS Quarries Sdn. Bhd.	-	8,227	-	8,227
Rental expense paid to companies in which certain directors of the Company have substantial financial interest and/or are also directors				
- KKB Development Sdn. Bhd.	17,850	17,850	71,400	71,400

- KKB Realty Sdn. Bhd.	17,400	17,400	69,600	69,600
- Sepang Kaya Sdn. Bhd.	30,856	30,856	123,426	123,426
Rental expense paid to a director, Dato Kho Kak Beng	7,200	7,200	28,800	28,800
Rental expense paid to a person connected with certain directors of the Company - Kho Siew Lan	4,800	4,800	19,200	16,000
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	18,198,617	9,550,914	61,283,433	50,479,825
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These transactions have been entered into with related parties on terms and conditions that are not more favourable to the related party than those generally available to the public.

Explanatory notes pursuant to Appendix 9B of Main Market Listing Requirements of Bursa Malaysia Securities Berhad

15. Review Of Performance

Financial review for current quarter and financial year to date

	Quarter		Changes (%)	Cumulative 12 months		Changes (%)	Year Ended
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period		
	31/12/17 RM'000	31/12/16 RM'000		31/12/17 RM'000	31/12/16 RM'000		
Revenue	70,169	26,123	168.6%	209,271	103,111	103.0%	103,111
Earnings/(Loss) Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	13,603	(3,418)	498.0%	19,647	3,616	443.3%	3,616
Profit/(loss) before interest and tax	10,363	(6,499)	259.5%	6,924	(8,654)	180.0%	(8,654)
Profit/(loss) before tax	10,297	(6,640)	255.1%	6,404	(9,141)	170.1%	(9,141)
Profit/(loss) after tax	6,196	(4,312)	243.7%	3,296	(5,743)	157.4%	(5,743)
Profit/(loss) attributable to ordinary equity holders of the parent	5,343	(4,063)	231.5%	1,639	(5,780)	128.4%	(5,780)

Group revenue for 4th Quarter 2017 of RM70.2 million (4Q16: RM26.1 million) saw the highest quarterly sales compared to the preceding quarters of the year; comprises revenue from Manufacturing and Engineering sectors of RM55.4 million and RM14.8 million respectively. Revenue rose by about 169.0% compared to the preceding year corresponding quarter, while the Group's year-to-date revenue increased to RM209.3 million (2016: RM103.1 million), mainly driven by higher revenue from the Group's Civil Construction and Steel Pipes manufacturing divisions.

The Group recorded a higher pre-tax profit of RM10.3 million against pre-tax loss of RM6.6 million in the preceding year corresponding quarter, after taking into account the share of results from its associate Company amounting to RM1.4 million (4Q16: RM371K). Similarly, the cumulative twelve months pre-tax profit shot up to RM6.4 million compared to pre-tax loss of RM9.1 million recorded in the preceding year period.

The overall improved results of the Group was mainly due to the improved performance of both the Manufacturing and Engineering sectors, in particular from the Group's Steel Pipes manufacturing division for the supply of Mild Steel Cement Lined Pipes during the quarter and improved

performance of the Steel Fabrication division, mainly from the subcontract works for the fabrication of Wellhead Platforms for the Bunga Pakma project coupled with improved performance of its Associate Company.

Engineering Sector

The Sector's revenue for the quarter of RM55.4 million (4Q16: RM20.3 million) represents 79% of the Group's total revenue whereby 63% of the Group's revenue in 4Q17 is contributed by the Civil Construction division. Revenue from the Civil Construction division for the quarter of RM44.6 million (4Q16: RM3.8 million) was solely derived from the development and upgrading of the Proposed Pan Borneo Highway project in the State of Sarawak (Phase 1 Works Package Contract – WPC-09) undertaken by the subsidiary Company i.e KKBWCT Joint Venture Sdn Bhd which commenced during the 4th Quarter 2016.

Steel Fabrication division recorded revenue of RM9.3 million, reduced by 38% as compared to RM15.0 million achieved in the preceding year corresponding quarter. Revenue for the quarter were mainly derived from the subcontract works for the fabrication of Wellhead Platforms which has reached its tail end and other on-going fabrication works involving the supply of Low/High Tension Steel Poles, Mild Steel Casing and other miscellaneous fabrication works.

Hot-Dip Galvanising division's revenue of RM1.5 million (4Q16: RM1.5 million) for the quarter remained fairly consistent with the preceding year corresponding quarter, mainly contributed from the supply of Hot Dip Galvanised Low and High Tension Steel Poles.

Manufacturing Sector

Current quarter's consolidated revenue of RM14.8 million (4Q16: RM5.9 million) surpassed the preceding year corresponding quarter's sales by 150.8%, showed Steel Pipes manufacturing business leading the pack with RM11.9 million in revenue or contributing 80.4% of the Manufacturing sector's total revenue in 4Q17. The supply of Mild Steel Pipes & fittings to Jabatan Bekalan Air Luar Bandar (JBALB) through CMS Infra Trading Sdn Bhd, with billings worth some RM11.5 million attributed to the positive growth in revenue in the current quarter.

LPG Cylinders manufacturing division recorded lower revenue of RM2.9 million (4Q16: RM4.9 million), due to lower off takes of LPG cylinders from Brunei Shell Marketing Company Sdn Bhd, Petron Malaysia Refining & Marketing Sdn Bhd and Mygaz Sdn Bhd but offset by increased orders from Boustead Petroleum Marketing Sdn Bhd as compared to the preceding year corresponding quarter. 4Q17 revenue of RM2.9 million was for the supply of LPG cylinders to Petron Malaysia Refining & Marketing Bhd (formerly known as Esso Malaysia Bhd), Boustead Petroleum Marketing Sdn Bhd, Brunei Shell Marketing Company Sdn Bhd and Mygaz Sdn Bhd.

16. Material changes in the quarterly results compared to the results of the preceding quarter

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/12/17	30/09/17	
	RM'000	RM'000	
Revenue	70,169	49,305	42.3%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	13,603	10,152	34.0%
Profit before interest and tax	10,363	6,912	49.9%
Profit before tax	10,297	6,836	50.6%
Profit after tax	6,196	5,217	18.8%
Profit attributable to ordinary equity holders of the parent	5,343	4,973	7.4%

Group revenue for the current Quarter reached RM70.2 million (3Q17: RM49.3 million), representing 42.4% increase over the preceding Quarter, as a result of higher revenue registered from Civil Construction division from RM24.3 million in 3Q17 to RM44.6 million in the current quarter coupled with increase revenue of the Steel Pipes manufacturing business from RM157K in 3Q17 to RM11.9 million in the current quarter although offset by lower revenue from the Steel Fabrication division.

In tandem with increased revenue, pre-tax profit for the current quarter also improved by 51.5% to record RM10.3 million as compared to RM6.8 million achieved in the preceding Quarter. Overall, the improvement in pre-tax profit in excess of the group revenue in percentage term was mainly due to higher gross profit margin registered by the manufacturing sector, specifically Steel Pipes manufacturing business.

17. Prospects

The Board is cautious that the continued uncertainties in the global economic environment, escalation of costs due to inflationary pressure, volatility of global raw material steel prices and fluctuation of exchange rates are amongst factors that may impact the Group's performance.

Notwithstanding, our diverse portfolio of businesses coupled with the Group's healthy financial position with relatively low gearing will provide us with the resilience to mitigate the adverse effects under the prevailing competitive and challenging business environment. We remain focused and continue our efforts to strengthen and grow our core business in both the engineering and manufacturing activities based on strong fundamentals to optimise our operations towards a sustainable growth for the financial year ending 2018.

The Group will continue to bid for new contracts/projects, particularly the government infrastructure projects whenever the opportunity arises. The group also remains focused on its effort to identify viable new strategic and potential business opportunities in the Major Onshore Fabrication, in collaboration with OceanMight Sdn Bhd and other strategic partner(s), to acquire technology and competitive edge in the medium to long term.

With the on-going construction works for the development and upgrading of the Proposed Pan Borneo Highway in the State of Sarawak (Phase 1 Works Package Contract – WPC-09), coupled with its existing contracts in hand for the supply of Mild Steel Cement Lined Pipes and Specials, LPG cylinders and Steel Fabrication works, the Board anticipates that the Group's performance for 2018 will remain satisfactory, barring any unforeseen circumstances.

18. Variances from financial estimate, forecast or projection, or profit guarantee

Not applicable to the Group as no financial estimate, forecast or projection, or profit guarantee were published.

19. Commentary on the company's progress to achieve the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document and steps taken or proposed to be taken to achieve the financial estimate, forecast, projection or internal targets

Not applicable to the Group as no announcements or disclosures were published in a public document as to the financial estimate, forecast, projection or internal targets as at the date of this announcement.

20. Statement of the Board of Directors' opinion as to whether the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document are likely to be achieved

Not applicable to the Group as no announcements or disclosures were published in a public document as to the financial estimate, forecast, projection or internal targets as at the date of this announcement.

21. Income Tax Expense

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2017 RM	Comparative Quarter Ended 31/12/2016 RM	Current Period Ended 31/12/2017 RM	Comparative Period Ended 31/12/2016 RM
Malaysian taxation				
- Current year	2,107,068	(307,921)	2,760,625	57,979
- Prior year	-	(1)	226,445	(331,263)
Deferred tax	1,994,302	(2,020,242)	121,185	(3,124,072)
	-----	-----	-----	-----
	4,101,370	(2,328,164)	3,108,255	(3,397,356)
	=====	=====	=====	=====

The higher effective tax expense for the current quarter and for financial year to date were primarily due to non-recognition of certain deferred tax assets, losses at subsidiaries level and non-deductible expenses.

22. Status of Corporate Proposals

There were no new or outstanding corporate proposals announced which have not been completed as at the date of this announcement.

23. Group's Borrowings and Debt Securities

Total Group's loans and borrowings as at 31 December 2017 were as follows: -

Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Lease payables	3,289,817

<u>Non-Current</u>	
Lease payables	1,415,677

Total borrowings	4,705,494
	=====

Total Group's loans and borrowings as at 31 December 2016 were as follows: -

Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM	Unsecured RM
<u>Current</u>		
Lease payables	3,761,470	-
Bankers' acceptances	-	3,400,000
	-----	-----
<u>Non-Current</u>		
Lease payables	4,719,244	-
	-----	-----
Total borrowings	8,480,714	3,400,000
	=====	=====

24. Material Litigations

The hearing of the arbitration proceedings between KKB Builders Sdn Bhd (a wholly owned subsidiary of the Company) as the Claimant and Global Upline Sdn Bhd as the Respondent was completed in October 2017. The Arbitrator will hear the parties' closing submissions from 26 March 2018 to 30 March 2018.

The legal opinion given by the Company's lawyers is that the Respondent's claim is without basis.

Save as disclosed above, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position.

25. Dividend

The Board of Directors has recommended a first and final single tier dividend of 2.0 sen per ordinary share, in respect of the financial year ended 31 December 2017.

The payment of this dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

The date of the Annual General Meeting and the dates of the dividend entitlement and payment will be announced at a later date.

26. Earnings per share

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2017	Comparative Quarter Ended 31/12/2016	Current Period Ended 31/12/2017	Comparative Period Ended 31/12/2016
Net profit/(loss) attributable to owners of the parent (RM)	<u>5,342,836</u>	<u>(4,062,795)</u>	<u>1,638,880</u>	<u>(5,779,651)</u>
Weighted average number of ordinary shares in issue	<u>257,792,000</u>	<u>257,792,000</u>	<u>257,792,000</u>	<u>257,792,000</u>
Basic earnings/(loss) per share for the period attributable to owners of the parent (sen)	<u>2.07</u>	<u>(1.58)</u>	<u>0.64</u>	<u>(2.24)</u>

There is no dilution in its earnings/(loss) per ordinary share in the current quarter and financial year to date as there are no dilutive potential ordinary shares outstanding at the end of the reporting period.

27. Realised and Unrealised Profits/Losses

	As at 31/12/2017 RM	As at 31/12/2016 RM
Total retained profits of the Company and its subsidiaries:		
- Realised	157,916,956	158,693,004
- Unrealised	9,564,262	9,685,447
	-----	-----
	167,481,218	168,378,451
Total share of accumulated losses from associates:		
- Realised	(83,983)	(3,048,319)
- Unrealised	(234,872)	
	-----	-----
	167,162,363	165,330,132
Less: Consolidation adjustments	(9,159,034)	(8,965,683)
	-----	-----
Total group retained profits as per consolidated accounts	158,003,329	156,364,449
	=====	=====

28. Additional Disclosures on Profit for the period

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2017 RM	Comparative Quarter Ended 31/12/2016 RM	Current Period Ended 31/12/2017 RM	Comparative Period Ended 31/12/2016 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income	(194,254)	(142,496)	(3,022,553)	(370,034)
Realised foreign exchange (gain)/loss	(166,479)	19,610	(207,678)	(88,728)
Unrealised foreign exchange loss/(gain)	2,575	7,772	(5,197)	(9,814)
Rental income	(66,700)	(99,900)	(347,900)	(435,890)
Gain on disposal of property, plant and equipment	(115)	-	(162)	-
Reversal of bad debts written off	-	-	(115,402)	-
Depreciation of property, plant and equipment	3,240,105	3,138,661	12,722,956	12,270,089
Interest expense	65,983	141,224	520,115	486,413
Impairment loss on trade receivables	2,390	35,399	10,075	144,354
Property, plant and equipment written off	49	19,162	4,107	19,163

Other than the above items which have been included in the statement of profit or loss and other comprehensive income, there were no provision for and write off of receivables, provision for and write off of inventories, gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items for the current quarter and period ended 31 December 2017.