

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 3 MONTHS ENDED	
	CURRENT QUARTER ENDED 31/03/2018 RM	COMPARATIVE QUARTER ENDED 31/03/2017 RM	CURRENT PERIOD ENDED 31/03/2018 RM	COMPARATIVE PERIOD ENDED 31/03/2017 RM
Revenue	64,557,670	42,923,902	64,557,670	42,923,902
Cost of sales	(59,554,823)	(43,597,115)	(59,554,823)	(43,597,115)
Gross profit/(loss)	<u>5,002,847</u>	<u>(673,213)</u>	<u>5,002,847</u>	<u>(673,213)</u>
Other income	3,476,723	3,734,363	3,476,723	3,734,363
Distribution costs	(145,755)	(50,488)	(145,755)	(50,488)
Administrative expenses	(5,246,925)	(3,889,320)	(5,246,925)	(3,889,320)
Other expenses	(357,037)	(283,988)	(357,037)	(283,988)
Finance costs	(82,182)	(158,834)	(82,182)	(158,834)
Share of results of associates	(225,965)	(167,798)	(225,965)	(167,798)
Profit/(loss) before tax	<u>2,421,706</u>	<u>(1,489,278)</u>	<u>2,421,706</u>	<u>(1,489,278)</u>
Income tax (expense)/credit	<u>(1,050,728)</u>	<u>261,233</u>	<u>(1,050,728)</u>	<u>261,233</u>
Profit/(loss) for the period	<u>1,370,978</u>	<u>(1,228,045)</u>	<u>1,370,978</u>	<u>(1,228,045)</u>
Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income for the period	<u>1,370,978</u>	<u>(1,228,045)</u>	<u>1,370,978</u>	<u>(1,228,045)</u>
Profit/(loss) for the period attributable to:				
Owners of the parent	1,345,154	(1,475,292)	1,345,154	(1,475,292)
Non-controlling interests	25,824	247,247	25,824	247,247
	<u>1,370,978</u>	<u>(1,228,045)</u>	<u>1,370,978</u>	<u>(1,228,045)</u>
Total Comprehensive Income for the period attributable to:				
Owners of the parent	1,345,154	(1,475,292)	1,345,154	(1,475,292)
Non-controlling interests	25,824	247,247	25,824	247,247
	<u>1,370,978</u>	<u>(1,228,045)</u>	<u>1,370,978</u>	<u>(1,228,045)</u>
Earnings/(loss) per share attributable to owners of the parent:				
Basic, for profit/(loss) for the period (sen)	<u>0.52</u>	<u>(0.57)</u>	<u>0.52</u>	<u>(0.57)</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.)

KKB ENGINEERING BERHAD

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(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 31/03/2018 RM	AS AT 31/12/2017 RM
ASSETS		
Non-current assets		
Property, plant & equipment	136,862,773	135,177,030
Investment in associates	1,484,362	4,508,141
Goodwill	2,304,265	-
Deferred tax assets	<u>2,027,666</u>	<u>2,027,666</u>
	<u>142,679,066</u>	<u>141,712,837</u>
Current assets		
Inventories	38,826,250	35,015,005
Amount due from customers for contract work	46,526,148	19,986,965
Trade and other receivables	53,328,297	56,936,107
Other current assets	4,340,978	3,979,872
Short term funds	88,470,858	83,281,906
Cash and bank balances	<u>9,803,173</u>	<u>17,579,773</u>
	<u>241,295,704</u>	<u>216,779,628</u>
TOTAL ASSETS	<u>383,974,770</u>	<u>358,492,465</u>
EQUITY AND LIABILITIES		
Current liabilities		
Loans and borrowings	2,672,031	3,289,817
Trade and other payables	72,857,719	53,481,734
Income tax payable	<u>758,435</u>	<u>642,933</u>
	<u>76,288,185</u>	<u>57,414,484</u>
Net Current assets	<u>165,007,519</u>	<u>159,365,144</u>
Non-current liabilities		
Trade payables	448,926	274,544
Loans and borrowings	1,104,112	1,415,677
Deferred tax liabilities	<u>1,333,773</u>	<u>744,099</u>
	<u>2,886,811</u>	<u>2,434,320</u>
Total liabilities	<u>79,174,996</u>	<u>59,848,804</u>
Net assets	<u>304,799,774</u>	<u>298,643,661</u>
Equity attributable to owners of the parent		
Share capital	128,896,000	128,896,000
Retained earnings	<u>159,317,649</u>	<u>157,972,495</u>
	288,213,649	286,868,495
Non-controlling interests	<u>16,586,125</u>	<u>11,775,166</u>
Total equity	<u>304,799,774</u>	<u>298,643,661</u>
TOTAL EQUITY AND LIABILITIES	<u>383,974,770</u>	<u>358,492,465</u>

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

KKB ENGINEERING BERHAD

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(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**Unaudited Condensed Consolidated Statements of Changes in Equity**

	<----- Attributable to owners of the parent ----->			Non-controlling Interests	Total Equity
	Non-Distributable Share Capital RM	Distributable Retained Earnings RM	Total RM	RM	RM
At 1 January 2017	128,896,000	156,364,449	285,260,449	11,617,984	296,878,433
(Loss)/profit for the period	-	(1,475,292)	(1,475,292)	247,247	(1,228,045)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	(1,475,292)	(1,475,292)	247,247	(1,228,045)
Dividend paid to non-controlling interests	-	-	-	(250,000)	(250,000)
At 31 March 2017	<u>128,896,000</u>	<u>154,889,157</u>	<u>283,785,157</u>	<u>11,615,231</u>	<u>295,400,388</u>
At 1 January 2018	128,896,000	157,972,495	286,868,495	11,775,166	298,643,661
Profit for the period	-	1,345,154	1,345,154	25,824	1,370,978
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	1,345,154	1,345,154	25,824	1,370,978
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	4,785,135	4,785,135
At 31 March 2018	<u>128,896,000</u>	<u>159,317,649</u>	<u>288,213,649</u>	<u>16,586,125</u>	<u>304,799,774</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.)

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

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INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 3 MONTHS ENDED 31/03/2018 RM	CUMULATIVE 3 MONTHS ENDED 31/03/2017 RM
Profit/(loss) before taxation	2,421,706	(1,489,278)
Adjustments for:		
Depreciation of property, plant & equipment	3,135,320	3,121,755
Interest expense	82,182	158,834
Property, plant & equipment written off	424	4,058
Gain on disposal of property, plant & equipment	-	(47)
Gain on remeasurement of investment in former associate	(1,932,186)	-
Impairment loss on trade receivables	2,276	2,691
Dividend income	(284,969)	(392,394)
Fair value changes in short term funds	(499,203)	(539,486)
Unrealised foreign exchange gain	(2,576)	(7,772)
Interest income	(127,854)	(2,263,281)
Share of results of associates	225,965	167,798
Total adjustments	<u>599,379</u>	<u>252,156</u>
Operating cash flows before changes in working capital	3,021,085	(1,237,122)
Changes in working capital		
(Increase)/decrease in inventories	(3,811,245)	1,319,075
Increase in amount due from customers for contract work	(17,208,356)	-
Increase in amount due to customers for contract work	-	7,490,326
Decrease/(increase) in receivables	16,970,648	(36,384,223)
(Decrease)/increase in payables	(6,270,065)	17,023,077
Decrease in other current assets	1,630	-
Cash flows used in operations	<u>(7,296,303)</u>	<u>(11,788,867)</u>
Interest paid	(82,182)	(158,834)
Taxation paid, net of refund	<u>(1,160,841)</u>	<u>(398,525)</u>
Net cash flows used in operating activities	<u>(8,539,326)</u>	<u>(12,346,226)</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	-	515
Acquisition of property, plant & equipment	(1,227,703)	(563,514)
Net cash inflow from acquisition of a subsidiary	7,276,314	-
Net acquisition of short term funds	(4,404,780)	(7,499,215)
Interest received	96,092	2,227,853
Net cash flows from/(used in) investing activities	<u>1,739,923</u>	<u>(5,834,361)</u>
Financing activities		
Dividend paid to non-controlling interests	-	(250,000)
Net repayment of bankers' acceptances	-	(3,400,000)
Repayment of lease instalments	(977,197)	(926,167)
Net cash flows used in financing activities	<u>(977,197)</u>	<u>(4,576,167)</u>
Net decrease in cash and cash equivalents	(7,776,600)	(22,756,754)
Cash and cash equivalents at the beginning of the period	17,579,773	34,794,573
Cash and cash equivalents at the end of the period	<u>9,803,173</u>	<u>12,037,819</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 2017. 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 2017.

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 2017 except for the adoption of the following with effect from 1 January 2018:

- ❖ Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- ❖ MFRS 9: Financial Instruments
- ❖ MFRS 15: Revenue from Contracts with Customers
- ❖ Amendments to MFRS 140: Transfers of Investment Property
- ❖ Annual Improvements to MFRS Standards 2014-2016 Cycle:
 - Amendments to MFRS 1: First-time Adoption of Financial Reporting Standards
 - Amendments to MFRS 128: Investments in Associates and Joint Ventures
- ❖ IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

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

3. 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.

4. 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, save as disclosed in note 10 and Gain on remeasurement of investment in former associate as disclosed in note 31.

5. 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.

6. 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.

7. Dividend paid

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

8. 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 MARCH 2018

	Manufacturing RM	Engineering RM	Consolidated RM
Total revenue	16,463,933	54,881,954	71,345,887
Less: Inter-segment revenue	(3,086,590)	(3,701,627)	(6,788,217)
External revenue	13,377,343	51,180,327	64,557,670
Results	1,609,459	1,120,394	2,729,853
Finance costs	(3,145)	(79,037)	(82,182)
Share of results of associates	22,723	(248,688)	(225,965)
Profit before tax	1,629,037	792,669	2,421,706
Income tax expense	(508,857)	(541,871)	(1,050,728)
Profit after tax	1,120,180	250,798	1,370,978
	=====	=====	=====

OTHER INFORMATION

Interest income	24,545	103,309	127,854
Depreciation	273,741	2,861,579	3,135,320
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RESULTS FOR PERIOD-TO-DATE ENDED 31 MARCH 2017

	Manufacturing RM	Engineering RM	Consolidated RM
Total revenue	3,977,352	42,111,239	46,088,591
Less: Inter-segment revenue	(2,497,164)	(667,525)	(3,164,689)
External revenue	1,480,188	41,443,714	42,923,902
Results	(106,219)	(1,056,427)	(1,162,646)
Finance costs	(6,953)	(151,881)	(158,834)
Share of results of associates	19,987	(187,785)	(167,798)
Loss before tax	(93,185)	(1,396,093)	(1,489,278)
Income tax credit	5,773	255,460	261,233
Loss after tax	(87,412)	(1,140,633)	(1,228,045)

OTHER INFORMATION

Interest income	8,413	2,254,868	2,263,281
Depreciation	236,017	2,885,738	3,121,755

9. Material subsequent events

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

10. Changes in composition of the Group

On 24 January 2018, KKB Engineering Berhad ("KKB") increased its shareholding in OceanMight Sdn Bhd ("OMSB") to 60.81% from 43.0%, resulted in OMSB becoming a subsidiary of KKB.

The fair value of the identifiable assets and liabilities of OMSB as at the date of acquisition were:

	Fair value RM
Property, plant and equipment	3,593,785
Amount due from customers for contract work	9,330,827
Trade and other receivables	13,362,839
Other current assets	7,980
Cash and bank balances	7,276,314
Trade and other payables	(20,852,495)
Loans and borrowings	(47,846)
Deferred tax liabilities	(460,534)
Total identifiable net assets at fair value	12,210,870
Non-controlling interest (39.1875% of net assets)	(4,785,135)
Goodwill arising on acquisition	2,304,265
Purchase consideration transferred	9,730,000
Less: Carrying amount of investment in the associate	(4,730,000)
Consideration transferred through capitalisation of amount due from OMSB to KKB	5,000,000

	Cash flow RM
Net cash acquired with the subsidiary	7,276,314 =====

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

11. Fair Value of Financial Instruments

(a) Determination of Fair Value

Set out below is a comparison by class of the carrying amount and the fair value of the Group's financial instruments, other than those whose carrying amount are reasonable approximation of fair value.

	31/03/2018		31/12/2017	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial liabilities:				
Loans and borrowings				
- Obligations under finance leases	1,104,112	1,105,076	1,415,677	1,413,164
	=====	=====	=====	=====

The carrying amounts of current trade and other receivables, current trade and other payables, cash and bank balances, current loans and borrowings are reasonable approximation of fair values, due to their short term nature. In addition to that, trade receivables and trade payables are subject to normal trade credit terms while the current portion of loans and borrowings has an insignificant impact of discounting.

Loans and borrowings

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Short term funds

Fair value is determined directly by reference to their published market bid price at reporting date.

(b) Fair Value Hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Quantitative disclosures of the fair value measurement hierarchy were as follows:

	Date of Valuation	Level 1 RM	Level 2 RM	Level 3 RM
Assets measured at fair value:				
Short term funds	31/03/2018	88,470,858	-	-
	31/12/2017	83,281,906	-	-
		=====	=====	=====
Liabilities for which fair values are disclosed:				
Interest-bearing loans and borrowings				
- Obligations under finance lease	31/03/2018	-	1,105,076	-
	31/12/2017	-	1,413,164	-
		=====	=====	=====

There has been no transfer between Level 1 and Level 2 during the period.

12. Contingent liabilities/Contingent assets as at 31 March 2018

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

13. Capital Commitments

	As at 31/03/2018 RM	As At 31/03/2017 RM
Commitments in respect of capital expenditure:		
Approved and contracted for:		
Property, plant and equipment	4,453,026	283,846
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14. Related Party Transactions

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2018 RM	Comparative Quarter Ended 31/03/2017 RM	Current Period Ended 31/03/2018 RM	Comparative Period Ended 31/03/2017 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	598	10,645	598	10,645
- Provision of miscellaneous services such as machineries, equipments and labour	7,953	19,619	7,953	19,619
- Rental income	6,000	6,000	6,000	6,000
- Purchase of miscellaneous services such as machineries, equipments and labour	-	8,490	-	8,490

Transactions with an associate, OceanMight Sdn. Bhd. (from 1 January 2018 to 23 January 2018)				
- Rental income	16,857	84,900	16,857	84,900
- Sales of fabricated/galvanised steel products, structural steel works and other related products	36,603	13,666,241	36,603	13,666,241
- Provision of miscellaneous services such as machineries/equipment/facilities, labour/subcontract works etc	-	5,974	-	5,974
- Purchase of miscellaneous services such as machineries/equipment, labour etc	297	-	297	-
Transactions with subsidiaries of an investor, Cahya Mata Sarawak Bhd.				
- Sales of steel pipes and pipe fittings to CMS Infra Trading Sdn. Bhd.	9,612,876	-	9,612,876	-
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	17,850	17,850
- KKB Realty Sdn. Bhd.	17,400	17,400	17,400	17,400
- Sepang Kaya Sdn. Bhd.	30,857	30,857	30,857	30,857
Rental expense paid to a director, Dato Kho Kak Beng	16,232	7,200	16,232	7,200
Rental expense paid to a person connected with certain directors of the Company				
- Kho Siew Lan	4,800	4,800	4,800	4,800
	9,768,323	13,879,976	9,768,323	13,879,976

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 3 months		Changes (%)	Year Ended
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period		
	31/03/18	31/03/17		31/03/18	31/03/17		
	RM'000	RM'000		RM'000	RM'000		31/12/17
							RM'000
Revenue	64,558	42,924	50.4%	64,558	42,924	50.4%	209,298
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	5,639	1,791	214.9%	5,639	1,791	214.9%	19,438
Profit/(loss) before interest and tax	2,504	(1,330)	288.3%	2,504	(1,330)	288.3%	6,894
Profit/(loss) before tax	2,422	(1,489)	262.7%	2,422	(1,489)	262.7%	6,374
Profit/(loss) after tax	1,371	(1,228)	211.6%	1,371	(1,228)	211.6%	3,265
Profit/(loss) attributable to ordinary equity holders of the parent	1,345	(1,475)	191.2%	1,345	(1,475)	191.2%	1,608

The Group's current quarter revenue of RM64.6 million (1Q17: RM42.9 million) comprising revenue from the Engineering and Manufacturing sectors of RM51.2 million and RM13.4 million, respectively. Revenue increased by 50.4% compared to the preceding year corresponding first quarter, mainly due to the improvement in revenue of the Group's Steel Pipes and LPG cylinders manufacturing divisions and Civil Construction.

The Group recorded a pre-tax profit of RM2.4 million against pre-tax loss of RM1.5 million in 1Q17, after recognizing the Gain on remeasurement of investment in former associate, OceanMight Sdn Bhd ("OMSB") amounting to RM1.9 million. On 24 January 2018, KKB increased its shareholding in OMSB to 60.81% from 43.0%, resulted in OMSB becoming a subsidiary of KKB.

The newly awarded contract in March 2018 from Petronas Carigali Sdn Bhd for the Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for D28 Phase 1 project is still at the preliminary stage to have any significant contribution to the Group's earnings.

Engineering Sector

The sector's revenue of RM51.2 million (1Q17: RM41.4 million) was 23.7% higher compared to the preceding year corresponding first quarter, as a result of higher progress billings from on-going projects under the Civil Construction division. The Construction Division's revenue for the quarter of RM44.7 million was solely derived from the development and upgrading of the Proposed Pan Borneo Highway in the State of Sarawak (Phase 1 Works Package Contract – WPC-09) which commenced during the 4th Quarter 2016.

The Group's Steel Fabrication division recorded lower revenue of RM5.4 million, compared to RM18.0 million achieved in the preceding year corresponding first quarter. The two major fabrication jobs for the fabrication of wellhead platform for Bunga Pakma and Kinabalu Redevelopment Project have been successfully completed in 2H2017. Revenue for the quarter were mainly derived from the additional work order for the Kinabalu Redevelopment Project (HHP Flowlines), and other on-going fabrication works involving the supply of Low/High Tension Steel

Poles, steel structure for pipe rack, fabrication of Mild Steel Casing and other miscellaneous fabrication works.

Hot-Dip Galvanising division's revenue of RM1.1 million (1Q17: RM1.1 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

The Sector's revenue of RM13.4 million registered an improvement of 793.3%, compared to RM1.5 million recorded in the preceding year corresponding first quarter, mainly attributed by higher sales from both the Steel Pipes and LPG cylinders manufacturing divisions.

Revenue of LPG Cylinders manufacturing division for the current quarter shows an increase of 408.7%, mainly due to a higher offtake of LPG cylinders from Petronas Dagangan Berhad and NGC Energy Sdn Bhd as compared to the preceding year first quarter. 1Q18 revenue of RM3.2 million (1Q17: RM629K) was for the supply of LPG cylinders to Petronas Dagangan Berhad, NGC Energy Sdn Bhd, Petron Malaysia Refining & Marketing Sdn Bhd and for requalification works of LPG cylinders to Mygaz Sdn Bhd.

The Group's Steel Pipes manufacturing plant in Kuching, Sarawak and Kota Kinabalu, Sabah under the two subsidiary companies, Harum Bidang Sdn Bhd and KKB Industries (Sabah) Sdn Bhd registered a total revenue of RM10.2 million (1Q17: RM839K). The supply of Mild Steel Pipes & fittings to Jabatan Bekalan Air Luar Bandar and other ad-hoc customers in Kota Kinabalu, Sabah contributed to the positive growth in revenue in the current quarter.

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 (%)
	31/03/18	31/12/17	
	RM'000	RM'000	
Revenue	64,558	70,196	-8.0%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	5,639	13,394	-57.9%
Profit before interest and tax	2,504	10,333	-75.8%
Profit before tax	2,422	10,267	-76.4%
Profit after tax	1,371	6,165	-77.8%
Profit attributable to ordinary equity holders of the parent	1,345	5,312	-74.7%

Group's revenue for the current quarter of RM64.6 million recorded a decrease of 8.0% from the preceding quarter of RM70.2 million. Group's pre-tax profit reduced to RM2.4 million in the current quarter compared to RM10.3 million in the preceding quarter, on the back of lower revenue registered by the Steel Pipes manufacturing business and Steel Fabrication division coupled with lower margin of both the Engineering and Manufacturing sectors.

17. Prospects

The Group continues to focus on its core business in areas of Structural Steel Fabrication, Hot-Dip Galvanising, Civil Construction works, supply of Steel Pipes for Water works projects and other related infrastructure works. Our Plant in Kota Kinabalu, Sabah is ready and equipped to supply any pipes requirement throughout East Malaysia, Brunei and Kalimantan when the opportunity arises.

In March 2018, OceanMight Sdn Bhd (KKB's subsidiary) has been awarded a contract from Petronas Carigali Sdn Bhd for the Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for D18 Phase 2 Project and D28 Phase 1 Project. Commencement of work for D28 Phase 1 Project is March 2018 and scope shall be Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC").

The group 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, the Board anticipates that the Group's performance for 2018 will remain satisfactory, barring any unforeseen circumstances.

The Board however 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.

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/(Credit)

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2018 RM	Comparative Quarter Ended 31/03/2017 RM	Current Period Ended 31/03/2018 RM	Comparative Period Ended 31/03/2017 RM
Malaysian taxation				
- Current year	921,588	239,449	921,588	239,449
Deferred tax	129,140	(500,682)	129,140	(500,682)
	=====	=====	=====	=====
	1,050,728	(261,233)	1,050,728	(261,233)
	=====	=====	=====	=====

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 March 2018 were as follows: -

Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Lease payables	2,672,031

<u>Non-Current</u>	
Lease payables	1,104,112

Total borrowings	3,776,143
	=====

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

Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Lease payables	3,820,435

<u>Non-Current</u>	
Lease payables	3,734,112

Total borrowings	7,554,547
	=====

24. Off Balance Sheet Financial Instruments

There are no financial instruments with off balance sheet risks entered into by the Group as at the date of this announcement.

25. Derivative Financial Instruments

There were no derivative financial instruments entered into by the Group as at 31 March 2018.

26. Gains/Losses Arising from Fair Value Changes of Financial Liabilities

There were no gains/losses arising from fair value changes of financial liabilities for the current quarter and financial year to date.

27. 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 hearing of the closing submissions was completed in March 2018 and pending the award by the Tribunal.

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.

28. Dividend

A first and final single tier dividend of 2.0 sen per ordinary share, in respect of the financial year ended 31 December 2017 has been recommended by the Board of Directors on 9 February 2018, payable to shareholders of the Company whose names appear in the Record of Depositors on 21 May 2018.

The payment of this first and final dividend is subject to the shareholders' approval at the forthcoming Forty-Second Annual General Meeting to be held on 16 May 2018, and if approved will be paid on 12 June 2018.

29. Earnings per share

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2018	Comparative Quarter Ended 31/03/2017	Current Period Ended 31/03/2018	Comparative Period Ended 31/03/2017
Net profit/(loss) attributable to owners of the parent (RM)	<u>1,345,154</u>	<u>(1,475,292)</u>	<u>1,345,154</u>	<u>(1,475,292)</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>0.52</u>	<u>(0.57)</u>	<u>0.52</u>	<u>(0.57)</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.

30. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited financial statements for the financial year ended 31 December 2017 was not qualified.

31. Additional Disclosures on Profit for the period

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2018 RM	Comparative Quarter Ended 31/03/2017 RM	Current Period Ended 31/03/2018 RM	Comparative Period Ended 31/03/2017 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income	(127,854)	(2,263,281)	(127,854)	(2,263,281)
Realised foreign exchange (gain)/loss	(129,815)	21,010	(129,815)	21,010
Unrealised foreign exchange gain	(2,576)	(7,772)	(2,576)	(7,772)
Rental income	(27,357)	(93,400)	(27,357)	(93,400)
Gain on disposal of property, plant and equipment	-	(47)	-	(47)
Gain on remeasurement of investment in former associate	(1,932,186)	-	(1,932,186)	-
Depreciation of property, plant and equipment	3,135,320	3,121,755	3,135,320	3,121,755
Interest expense	82,182	158,834	82,182	158,834
Impairment loss on trade receivables	2,276	2,691	2,276	2,691
Property, plant and equipment written off	424	4,058	424	4,058

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 March 2018.