

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 9 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/09/2018 RM	COMPARATIVE QUARTER ENDED 30/09/2017 RM	CURRENT PERIOD ENDED 30/09/2018 RM	COMPARATIVE PERIOD ENDED 30/09/2017 RM
Revenue	112,183,238	49,304,712	269,934,718	139,101,736
Cost of sales	<u>(95,191,900)</u>	<u>(41,347,239)</u>	<u>(239,418,523)</u>	<u>(138,501,969)</u>
Gross profit	16,991,338	7,957,473	30,516,195	599,767
Other income	1,214,535	1,857,652	6,157,487	6,999,383
Distribution costs	(285,662)	(284,576)	(685,947)	(404,960)
Administrative expenses	(6,738,999)	(3,456,306)	(17,722,943)	(11,146,654)
Other expenses	(424,536)	(299,393)	(1,392,477)	(846,867)
Finance costs	(139,201)	(75,436)	(320,212)	(454,132)
Share of results of associates	25,306	1,136,964	(193,119)	1,360,165
Profit/(loss) before tax	10,642,781	6,836,378	16,358,984	(3,893,298)
Income tax (expense)/credit	<u>(2,055,366)</u>	<u>(1,619,260)</u>	<u>(3,803,704)</u>	<u>993,115</u>
Profit/(loss) for the period	8,587,415	5,217,118	12,555,280	(2,900,183)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	8,587,415	5,217,118	12,555,280	(2,900,183)
Profit/(loss) for the period attributable to:				
Owners of the parent	6,931,563	4,973,347	10,036,240	(3,703,956)
Non-controlling interests	<u>1,655,852</u>	<u>243,771</u>	<u>2,519,040</u>	<u>803,773</u>
	8,587,415	5,217,118	12,555,280	(2,900,183)
Total Comprehensive Income for the period attributable to:				
Owners of the parent	6,931,563	4,973,347	10,036,240	(3,703,956)
Non-controlling interests	<u>1,655,852</u>	<u>243,771</u>	<u>2,519,040</u>	<u>803,773</u>
	8,587,415	5,217,118	12,555,280	(2,900,183)
Earnings/(loss) per share attributable to owners of the parent:				
Basic, for profit/(loss) for the period (sen)	<u>2.69</u>	<u>1.93</u>	<u>3.89</u>	<u>(1.44)</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 THIRD QUARTER ENDED 30 SEPTEMBER 2018**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 30/09/2018 RM	AS AT 31/12/2017 RM
ASSETS		
Non-current assets		
Property, plant & equipment	137,778,637	135,177,030
Investment in associates	1,517,479	4,508,141
Goodwill	2,304,265	-
Deferred tax assets	<u>2,027,666</u>	<u>2,027,666</u>
	<u>143,628,047</u>	<u>141,712,837</u>
Current assets		
Inventories	37,225,488	35,015,005
Amount due from customers for contract work	78,823,004	19,986,965
Trade and other receivables	104,336,900	56,936,107
Other current assets	3,889,749	3,979,872
Short term funds	82,522,814	83,281,906
Cash and bank balances	<u>17,781,424</u>	<u>17,579,773</u>
	<u>324,579,379</u>	<u>216,779,628</u>
TOTAL ASSETS	<u>468,207,426</u>	<u>358,492,465</u>
EQUITY AND LIABILITIES		
Current liabilities		
Loans and borrowings	1,321,946	3,289,817
Trade and other payables	151,815,302	53,481,734
Income tax payable	<u>1,133,593</u>	<u>642,933</u>
	<u>154,270,841</u>	<u>57,414,484</u>
Net Current assets	<u>170,308,538</u>	<u>159,365,144</u>
Non-current liabilities		
Trade payables	1,127,672	274,544
Loans and borrowings	693,971	1,415,677
Deferred tax liabilities	<u>1,286,706</u>	<u>744,099</u>
	<u>3,108,349</u>	<u>2,434,320</u>
Total liabilities	<u>157,379,190</u>	<u>59,848,804</u>
Net assets	<u>310,828,236</u>	<u>298,643,661</u>
Equity attributable to owners of the parent		
Share capital	128,896,000	128,896,000
Retained earnings	<u>162,852,895</u>	<u>157,972,495</u>
	291,748,895	286,868,495
Non-controlling interests	<u>19,079,341</u>	<u>11,775,166</u>
Total equity	<u>310,828,236</u>	<u>298,643,661</u>
TOTAL EQUITY AND LIABILITIES	<u>468,207,426</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.)

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(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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		
At 1 January 2017	128,896,000	156,364,449	285,260,449	11,617,984	296,878,433
(Loss)/profit for the period	-	(3,703,956)	(3,703,956)	803,773	(2,900,183)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	(3,703,956)	(3,703,956)	803,773	(2,900,183)
Dividend paid to non-controlling interests	-	-	-	(250,000)	(250,000)
At 30 September 2017	<u>128,896,000</u>	<u>152,660,493</u>	<u>281,556,493</u>	<u>12,171,757</u>	<u>293,728,250</u>
At 1 January 2018	128,896,000	157,972,495	286,868,495	11,775,166	298,643,661
Profit for the period	-	10,036,240	10,036,240	2,519,040	12,555,280
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	10,036,240	10,036,240	2,519,040	12,555,280
First and final dividend for FYE 31 December 2017	-	(5,155,840)	(5,155,840)	-	(5,155,840)
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	4,785,135	4,785,135
At 30 September 2018	<u>128,896,000</u>	<u>162,852,895</u>	<u>291,748,895</u>	<u>19,079,341</u>	<u>310,828,236</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 THIRD QUARTER ENDED 30 SEPTEMBER 2018**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 9 MONTHS ENDED 30/09/2018 RM	CUMULATIVE 9 MONTHS ENDED 30/09/2017 RM
Profit/(loss) before taxation	16,358,984	(3,893,298)
Adjustments for:		
Depreciation of property, plant & equipment	9,097,511	9,482,851
Interest expense	320,212	454,132
Property, plant & equipment written off	428	4,058
Gain on disposal of property, plant & equipment	-	(47)
Gain on remeasurement of investment in former associate	(1,932,456)	-
Reversal of bad debts written off	-	(115,402)
Impairment loss on trade receivables	6,686	7,685
Dividend income	(1,619,302)	(1,201,941)
Fair value changes in short term funds	(731,919)	(1,464,915)
Unrealised foreign exchange gain	(2,576)	(7,772)
Interest income	(489,150)	(2,828,299)
Share of results of associates	193,119	(1,360,165)
Total adjustments	<u>4,842,553</u>	<u>2,970,185</u>
Operating cash flows before changes in working capital	21,201,537	(923,113)
Changes in working capital		
Increase in inventories	(2,210,483)	(3,017,188)
Increase in amount due from customers for contract work	(49,505,212)	(296,014)
Decrease in amount due to customers for contract work	-	(1,275,636)
Increase in receivables	(34,037,812)	(40,063,730)
Increase in payables	73,593,070	11,015,393
Increase in other current assets	(1,813)	(6,044)
Cash flows from/(used in) operations	<u>9,039,287</u>	<u>(34,566,332)</u>
Interest paid	(320,212)	(454,132)
Taxation paid, net of refund	(3,131,056)	(644,567)
Net cash flows from/(used in) operating activities	<u>5,588,019</u>	<u>(35,665,031)</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	-	515
Acquisition of property, plant & equipment	(8,105,762)	(4,092,423)
Net cash inflow from acquisition of a subsidiary	7,276,314	-
Net proceeds from short term funds	3,110,313	18,400,786
Interest received	226,029	2,753,447
Net cash flows from investing activities	<u>2,506,894</u>	<u>17,062,325</u>
Financing activities		
Dividend paid to shareholders of the Company	(5,155,840)	-
Dividend paid to non-controlling interests	-	(250,000)
Net repayment of bankers' acceptances	-	(3,400,000)
Repayment of lease instalments	(2,737,422)	(2,814,688)
Net cash flows used in financing activities	<u>(7,893,262)</u>	<u>(6,464,688)</u>
Net increase/(decrease) in cash and cash equivalents	201,651	(25,067,394)
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>17,781,424</u>	<u>9,727,179</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

On 12 June 2018, the Company paid a first and final single tier dividend of 2.0 sen per ordinary share, in respect of the financial year ended 31 December 2017.

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 30 SEPTEMBER 2018

	Manufacturing RM	Engineering RM	Consolidated RM
Total revenue	45,364,518	255,461,516	300,826,034
Less: Inter-segment revenue	(9,737,296)	(21,154,020)	(30,891,316)
External revenue	35,627,222	234,307,496	269,934,718
Results	6,706,746	10,165,569	16,872,315
Finance costs	(7,946)	(312,266)	(320,212)
Share of results of associates	59,934	(253,053)	(193,119)
Profit before tax	6,758,734	9,600,250	16,358,984
Income tax expense	(1,929,563)	(1,874,141)	(3,803,704)
Profit after tax	4,829,171	7,726,109	12,555,280
	=====	=====	=====

OTHER INFORMATION

Interest income	47,017	442,133	489,150
Depreciation	802,165	8,295,346	9,097,511
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RESULTS FOR PERIOD-TO-DATE ENDED 30 SEPTEMBER 2017

	Manufacturing RM	Engineering RM	Consolidated RM
Total revenue	16,908,073	131,057,229	147,965,302
Less: Inter-segment revenue	(7,086,110)	(1,777,456)	(8,863,566)
External revenue	9,821,963	129,279,773	139,101,736
Results	128,502	(4,927,833)	(4,799,331)
Finance costs	(101,411)	(352,721)	(454,132)
Share of results of associates	49,981	1,310,184	1,360,165
Profit/(loss) before tax	77,072	(3,970,370)	(3,893,298)
Income tax credit	67,858	925,257	993,115
Profit/(loss) after tax	144,930	(3,045,113)	(2,900,183)
	=====	=====	=====

OTHER INFORMATION

Interest income	77,955	2,750,344	2,828,299
Depreciation	739,765	8,743,086	9,482,851
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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.

	30/09/2018		31/12/2017	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial liabilities:				
Loans and borrowings				
- Obligations under finance leases	693,971	692,431	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	30/09/2018	82,522,814	-	-
	31/12/2017	83,281,906	-	-
		=====	=====	=====
Liabilities for which fair values are disclosed:				
Interest-bearing loans and borrowings				
- Obligations under finance lease	30/09/2018	-	692,431	-
	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 30 September 2018

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

13. Capital Commitments

	As at 30/09/2018 RM	As At 30/09/2017 RM
Commitments in respect of capital expenditure:		
Approved and contracted for:		
Property, plant and equipment	2,032,358	136,781
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14. Related Party Transactions

	3 Months Ended		Cumulative 9 Months Ended	
	Current Quarter Ended 30/09/2018 RM	Comparative Quarter Ended 30/09/2017 RM	Current Period Ended 30/09/2018 RM	Comparative Period Ended 30/09/2017 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	13,400	9,435	14,481	20,637
- Provision of miscellaneous services such as machineries, equipments and labour	32,222	26,966	48,576	68,924
- Rental income	6,000	6,000	18,000	18,000
- Purchase of miscellaneous services such as machineries, equipments and labour	-	-	16,114	15,734

Transactions with an associate, OceanMight Sdn. Bhd. (from 1 January 2018 to 23 January 2018)				
- Rental income	-	72,900	16,857	242,700
- Sales of fabricated/galvanised steel products, structural steel works and other related products	-	15,699,359	36,603	41,458,857
- Provision of miscellaneous services such as machineries/equipment/facilities, labour/subcontract works etc	-	-	-	5,974
- Purchase of miscellaneous services such as machineries/equipment, labour etc	-	288,570	297	288,570
Transactions with subsidiaries of an investor, Cahya Mata Sarawak Bhd.				
- Sales of steel pipes and pipe fittings to CMS Infra Trading Sdn. Bhd.	8,058,029	-	22,903,003	651,796
- Purchase of steel and concrete products from CMS Concrete Products Sdn. Bhd.	-	79,304	-	79,304
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	53,550	53,550
- KKB Realty Sdn. Bhd.	8,400	17,400	28,000	52,200
- Sepang Kaya Sdn. Bhd.	31,473	30,856	93,187	92,570
Rental expense paid to a director, Dato Kho Kak Beng				
	19,200	7,200	54,632	21,600
Rental expense paid to a person connected with certain directors of the Company				
- Kho Siew Lan	4,800	4,800	14,400	14,400
	8,191,374	16,260,640	23,297,700	43,084,816

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 9 months		Changes (%)	Year Ended
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period		
	30/09/18	30/09/17		30/09/18	30/09/17		
	RM'000	RM'000		RM'000	RM'000		31/12/17
							RM'000
Revenue	112,183	49,305	127.5%	269,935	139,102	94.1%	209,298
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	13,598	9,993	36.1%	25,777	6,044	326.5%	19,438
Profit/(loss) before interest and tax	10,782	6,912	56.0%	16,679	(3,439)	585.0%	6,894
Profit/(loss) before tax	10,643	6,836	55.7%	16,359	(3,893)	520.2%	6,374
Profit/(loss) after tax	8,587	5,217	64.6%	12,555	(2,900)	532.9%	3,265
Profit/(loss) attributable to ordinary equity holders of the parent	6,932	4,973	39.4%	10,036	(3,704)	371.0%	1,608

The Group's current quarter revenue of RM112.2 million (3Q17: RM49.3 million) comprises revenue from the Engineering and Manufacturing sectors of RM99.8 million (3Q17: RM45.6 million) and RM12.4 million (3Q17: RM3.7 million) respectively. Quarter on quarter, revenue rose by more than double, mainly attributed to higher revenue recognition from the Group's Civil Construction and Steel Fabrication divisions within the Engineering sector coupled with improved revenue of the Group's Steel Pipes manufacturing division.

Similarly, the Group's pre-tax profit soared 55.7% to reach RM10.6 million (3Q17: RM6.8 million). Improved margin from the Manufacturing sector in particular the steel pipes manufacturing division have contributed to the Group's overall improved bottom line on the back of higher revenue achieved by both the Engineering and Manufacturing sectors.

Consolidated revenue and pre-tax profit for the nine months period ended 30 September 2018 of RM269.9 million and RM16.4 million, improved significantly compared to the preceding year corresponding period. Both revenue and pre-tax profit have surpassed the preceding year twelve months revenue and pre-tax profit by about 29% and 156.7% respectively.

Engineering Sector

The Engineering Sector has improved its performance for the 3rd Quarter 2018 with revenue of RM99.8 million as compared to the preceding year 3rd Quarter 2017 of RM45.6 million, bringing its year-to-date revenue to RM234.3 million (9 months 2017: RM129.3 million). The increase is attributed to the revenue recognition mainly from the jobs in hand associated with the Proposed Pan Borneo Highway 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 from the 4th Quarter 2016 onwards.

The Group's Steel Fabrication division saw higher revenue for the quarter and year-to-date of RM39.7 million (3Q17: RM20.0 million) and RM78.8 million (9 months 2017: RM52.6 million), respectively. The D28 Phase 1 project for the Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms, awarded in March 2018 from Petronas

Carigali Sdn Bhd has started to contribute to the Group's earnings. Revenue for the quarter were mostly derived from the EPCIC of Wellhead Platforms for D28 Phase 1 project, additional work order for the Kinabalu Redevelopment Project (HHP Flowlines), fabrication of Mild Steel Casing and other miscellaneous fabrication works .

HDG Division experienced lower sales of less than a million as the Company has fulfilled its order of galvanized Low and High Tension Steel Poles to Syarikat Sesco Berhad. Revenue for the quarter was mostly from ad-hoc and walk-in customers.

Manufacturing Sector

Current quarter's consolidated revenue of RM12.4 million rebounded strongly as compared to the preceding year corresponding quarter of RM3.7 million, mainly attributed to strong performance of the Steel Pipes manufacturing division.

Revenue for LPG Cylinders manufacturing division remained more or less consistent with that achieved in the preceding year corresponding quarter. 3Q18 revenue of RM3.5 million (3Q17: RM3.5 million) was mostly for the supply of LPG cylinders to Petronas Dagangan Berhad, Petron Malaysia Refining & Marketing Berhad and Mygaz Sdn Bhd.

The Group's Steel Pipes manufacturing division under subsidiary companies, Harum Bidang Sdn Bhd and KKB Industries (Sabah) Sdn Bhd registered aggregate revenue of RM8.9 million, a significant increase as compared to the preceding year corresponding quarter of merely RM157K. Revenue for the quarter was mainly for the supply of Mild Steel pipes to Jabatan Bekalan Air Luar Bandar and other ad-hoc customers in Kota Kinabalu, Sabah.

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 (%)
	30/09/18	30/06/18	
	RM'000	RM'000	
Revenue	112,183	93,194	20.4%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	13,598	6,540	107.9%
Profit before interest and tax	10,782	3,393	217.8%
Profit before tax	10,643	3,294	223.1%
Profit after tax	8,587	2,597	230.7%
Profit attributable to ordinary equity holders of the parent	6,932	1,760	293.9%

Current quarter shows an increase in both the Group's revenue and pre-tax profit. Revenue improved by 20.4%, while pre-tax profit rose by 223.1% compared to the preceding quarter. The improvement in pre-tax profit in excess of the group's revenue in percentage term was mainly due to higher gross profit margin registered by the Manufacturing sector, specifically Steel Pipes manufacturing division coupled with improved margin of the Group's Steel Fabrication division within the Engineering sector.

17. Prospects

In July 2018, OceanMight Sdn Bhd (KKB's subsidiary) secured another contract from Petronas Carigali Sdn Bhd for the Provision of Engineering, Procurement, Construction and Commissioning of Wellhead Platforms for D18 Phase 2 Project, in addition to the award from Sapura Fabrication Sdn Bhd for the Provision of Procurement and Construction for Wellhead Deck, Pipes and Conductors for the Pegaga Development Project (Mubadala Petroleum) in Block SK320, offshore waters of Sarawak.

Management continues to participate in new projects, in particular infrastructures or construction and steel related works under the planned Sarawak State Water Grid Implementation Project.

With the existing contracts in hand and 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), KKB Group remained optimistic that both its Engineering and Manufacturing sectors will perform favourably towards a sustainable growth for the financial year ending 2018, barring any unforeseen circumstances.

The Board however continues to face the challenges of uncertainties in the global economic environment, escalation of costs due to inflationary pressure and implementation of sales and services tax, 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 9 Months Ended	
	Current Quarter Ended 30/09/2018 RM	Comparative Quarter Ended 30/09/2017 RM	Current Period Ended 30/09/2018 RM	Comparative Period Ended 30/09/2017 RM
Malaysian taxation				
- Current year	2,302,389	134,856	3,960,398	653,557
- Prior year	(238,767)	226,445	(238,767)	226,445
Deferred tax	(8,256)	1,257,959	82,073	(1,873,117)
	-----	-----	-----	-----
	2,055,366	1,619,260	3,803,704	(993,115)
	=====	=====	=====	=====

The lower effective tax expense for the current quarter and financial year to date was primarily due to utilization of losses and adjustment for over provision of tax in prior year.

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 30 September 2018 were as follows: -

Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Lease payables	1,321,946

<u>Non-Current</u>	
Lease payables	693,971

Total borrowings	2,015,917
	=====

Total Group's loans and borrowings as at 30 September 2017 were as follows: -

Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Lease payables	3,674,406

<u>Non-Current</u>	
Lease payables	1,991,621

Total borrowings	5,666,027
	=====

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 30 September 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 arbitration proceedings between KKB Builders Sdn Bhd (a wholly owned subsidiary of KKB Engineering Berhad) as the Claimant and Global Upline Sdn Bhd as the Respondent have been concluded. The Arbitral Tribunal had made, issued and published its Final Award dated 31 July 2018 and released by the Asian International Arbitration Centre (formerly known as Kuala Lumpur Regional Centre for Arbitration) on 6 August 2018.

The Arbitral Tribunal has made, issued and published its Final Award as follows:

- (i) That the Respondent shall forthwith pay to the Claimant the sum of RM7,153,214.81 (Ringgit Malaysia Seven Million One Hundred Fifty Three Thousand Two Hundred Fourteen And Eighty One Cents).
- (ii) That the Respondent shall pay to the Claimant simple interest on the sum awarded at the rate of judgment rate per annum, from date of this award until the date of payment.
- (iii) That the Respondent shall bear and pay its own costs in this reference and pay to the Claimant the costs of arbitration [to be assessed or taxed by this Tribunal, if not agreed] including the costs of the award [which the Centre will confirm with the Parties] PROVIDED ALWAYS that if, in the first instance, the Claimant has paid any part of the costs of the award, it shall be entitled to an immediate refund of the sum so paid.

On 5 November 2018, KKB Builders Sdn Bhd (as Defendant) has been served an Originating Summons (KUALA LUMPUR HIGH COURT SUIT No. WA-24C(ARB)-41-11/2018) by Global Upline Sdn Bhd (as Plaintiff) for an order that:-

- (i) The Arbitration Award dated 31 July 2018 which favours the Defendant in an arbitration proceeding be set aside under Section 37 of the Arbitration Act 2005 paragraph 37(1)(b)(ii) and 37(2)(b)(ii) or as an alternative under the Court's inherent powers;
- (ii) The execution of the Arbitration Award dated 31 July 2018 be stayed pending disposal of this Originating Summons;
- (iii) The costs of and incidental to this application be borne by the Defendant to the Plaintiff; and
- (iv) Such further and other relief as this Honourable Court deems fit.

KKB Builders Sdn Bhd will categorically challenge and oppose the Originating Summons as it is misconceived and without legal 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

No interim dividend has been recommended for payment in the current quarter and financial year-to-date.

29. Earnings per share

	3 Months Ended		Cumulative 9 Months Ended	
	Current Quarter Ended 30/09/2018	Comparative Quarter Ended 30/09/2017	Current Period Ended 30/09/2018	Comparative Period Ended 30/09/2017
Net profit/(loss) attributable to owners of the parent (RM)	<u>6,931,563</u>	<u>4,973,347</u>	<u>10,036,240</u>	<u>(3,703,956)</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>2.69</u>	<u>1.93</u>	<u>3.89</u>	<u>(1.44)</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 9 Months Ended	
	Current Quarter Ended 30/09/2018 RM	Comparative Quarter Ended 30/09/2017 RM	Current Period Ended 30/09/2018 RM	Comparative Period Ended 30/09/2017 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income	(190,759)	(320,170)	(489,150)	(2,828,299)
Realised foreign exchange gain	(29,231)	(62,007)	(153,711)	(41,199)
Unrealised foreign exchange gain	-	-	(2,576)	(7,772)
Rental income	(10,500)	(84,900)	(48,357)	(281,200)
Loss/(gain) on disposal of property, plant and equipment	1,000	-	-	(47)
Gain on remeasurement of investment in former associate	(270)	-	(1,932,456)	-
Reversal of bad debts written off	-	(115,402)	-	(115,402)
Depreciation of property, plant and equipment	2,815,978	3,239,912	9,097,511	9,482,851
Interest expense	139,201	75,436	320,212	454,132
Impairment loss on trade receivables	2,135	2,304	6,686	7,685
Property, plant and equipment written off	-	-	428	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 30 September 2018.