

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

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

	3 MONTHS ENDED		CUMULATIVE 12 MONTHS ENDED	
	CURRENT QUARTER ENDED 31/12/2018 RM	COMPARATIVE QUARTER ENDED 31/12/2017 RM	CURRENT PERIOD ENDED 31/12/2018 RM	COMPARATIVE PERIOD ENDED 31/12/2017 RM
Revenue	142,543,979	70,196,240	412,478,697	209,297,976
Cost of sales	<u>(119,775,047)</u>	<u>(58,360,396)</u>	<u>(359,193,570)</u>	<u>(196,862,365)</u>
Gross profit	22,768,932	11,835,844	53,285,127	12,435,611
Other income	1,643,373	1,424,332	7,800,860	8,423,715
Distribution costs	(273,591)	(230,980)	(959,538)	(635,940)
Administrative expenses	(9,077,336)	(3,720,888)	(26,800,279)	(14,867,542)
Other expenses	(725,502)	(344,581)	(2,117,979)	(1,191,448)
Finance costs	(1,181,952)	(65,983)	(1,502,164)	(520,115)
Share of results of associates	<u>(25,192)</u>	<u>1,369,299</u>	<u>(218,311)</u>	<u>2,729,464</u>
Profit before tax	13,128,732	10,267,043	29,487,716	6,373,745
Income tax expense	<u>(2,653,248)</u>	<u>(4,101,632)</u>	<u>(6,456,952)</u>	<u>(3,108,517)</u>
Profit for the period	10,475,484	6,165,411	23,030,764	3,265,228
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	10,475,484	6,165,411	23,030,764	3,265,228
Profit for the period attributable to:				
Owners of the parent	7,607,327	5,312,002	17,643,567	1,608,046
Non-controlling interests	<u>2,868,157</u>	<u>853,409</u>	<u>5,387,197</u>	<u>1,657,182</u>
	<u>10,475,484</u>	<u>6,165,411</u>	<u>23,030,764</u>	<u>3,265,228</u>
Total Comprehensive Income for the period attributable to:				
Owners of the parent	7,607,327	5,312,002	17,643,567	1,608,046
Non-controlling interests	<u>2,868,157</u>	<u>853,409</u>	<u>5,387,197</u>	<u>1,657,182</u>
	<u>10,475,484</u>	<u>6,165,411</u>	<u>23,030,764</u>	<u>3,265,228</u>
Earnings per share attributable to owners of the parent:				
Basic, for profit for the period (sen)	<u>2.95</u>	<u>2.06</u>	<u>6.84</u>	<u>0.62</u>
Diluted, for profit 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

(Company No : 26495 - D)

(Incorporated in Malaysia)

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

	AS AT 31/12/2018 RM	AS AT 31/12/2017 RM
ASSETS		
Non-current assets		
Property, plant & equipment	135,906,751	135,177,030
Investment in associates	1,492,286	4,508,141
Goodwill	1,632,667	-
Deferred tax assets	<u>2,027,666</u>	<u>2,027,666</u>
	<u>141,059,370</u>	<u>141,712,837</u>
Current assets		
Inventories	36,224,216	35,015,005
Amount due from customers for contract work	104,901,883	19,986,965
Trade and other receivables	76,551,540	56,936,107
Other current assets	4,047,881	3,979,872
Short term funds	72,419,095	83,281,906
Cash and bank balances	<u>74,120,425</u>	<u>17,579,773</u>
	<u>368,265,040</u>	<u>216,779,628</u>
TOTAL ASSETS	<u>509,324,410</u>	<u>358,492,465</u>
EQUITY AND LIABILITIES		
Current liabilities		
Loans and borrowings	827,200	3,289,817
Trade and other payables	183,389,102	53,481,734
Income tax payable	<u>925,465</u>	<u>642,933</u>
	<u>185,141,767</u>	<u>57,414,484</u>
Net Current assets	<u>183,123,273</u>	<u>159,365,144</u>
Non-current liabilities		
Trade and other payables	3,285,960	274,544
Loans and borrowings	603,686	1,415,677
Deferred tax liabilities	<u>1,160,875</u>	<u>744,099</u>
	<u>5,050,521</u>	<u>2,434,320</u>
Total liabilities	<u>190,192,288</u>	<u>59,848,804</u>
Net assets	<u>319,132,122</u>	<u>298,643,661</u>
Equity attributable to owners of the parent		
Share capital	128,896,000	128,896,000
Retained earnings	<u>170,460,222</u>	<u>157,972,495</u>
	299,356,222	286,868,495
Non-controlling interests	<u>19,775,900</u>	<u>11,775,166</u>
Total equity	<u>319,132,122</u>	<u>298,643,661</u>
TOTAL EQUITY AND LIABILITIES	<u>509,324,410</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

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**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 2017	128,896,000	156,364,449	285,260,449	11,617,984	296,878,433
Profit for the period	-	1,608,046	1,608,046	1,657,182	3,265,228
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	1,608,046	1,608,046	1,657,182	3,265,228
Dividend paid to non-controlling interests	-	-	-	(1,500,000)	(1,500,000)
At 31 December 2017	<u>128,896,000</u>	<u>157,972,495</u>	<u>286,868,495</u>	<u>11,775,166</u>	<u>298,643,661</u>
At 1 January 2018	128,896,000	157,972,495	286,868,495	11,775,166	298,643,661
Profit for the period	-	17,643,567	17,643,567	5,387,197	23,030,764
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	17,643,567	17,643,567	5,387,197	23,030,764
Dividend paid to non-controlling interests	-	-	-	(1,500,000)	(1,500,000)
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	-	-	-	4,113,537	4,113,537
At 31 December 2018	<u>128,896,000</u>	<u>170,460,222</u>	<u>299,356,222</u>	<u>19,775,900</u>	<u>319,132,122</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)

(Incorporated in Malaysia)

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

	CUMULATIVE 12 MONTHS ENDED 31/12/2018 RM	CUMULATIVE 12 MONTHS ENDED 31/12/2017 RM
Profit before taxation	29,487,716	6,373,745
Adjustments for:		
Depreciation of property, plant & equipment	11,695,357	12,544,205
Interest expense	1,502,164	520,115
Property, plant & equipment written off	428	4,107
Gain on disposal of property, plant & equipment	(146)	(162)
Gain on remeasurement of investment in former associate	(1,932,456)	-
Reversal of bad debts written off	-	(115,402)
Provision for slow moving inventories	188,570	-
Impairment loss on trade receivables	6,686	10,075
Dividend income	(2,307,121)	(1,676,772)
Fair value changes in short term funds	(511,692)	(1,736,570)
Unrealised foreign exchange gain	(114)	(5,197)
Interest income from loans and borrowings	(435,947)	(56,366)
Interest income	(412,940)	(3,022,553)
Share of results of associates	218,311	(2,729,464)
Total adjustments	<u>8,011,100</u>	<u>3,736,016</u>
Operating cash flows before changes in working capital	37,498,816	10,109,761
Changes in working capital		
Increase in inventories	(1,397,781)	(7,692,058)
Increase in amount due from customers for contract work	(75,584,091)	(19,986,965)
Decrease in amount due to customers for contract work	-	(1,275,636)
Increase in receivables	(6,250,296)	(39,202,851)
Increase in payables	107,502,350	32,832,060
Decrease/(increase) in other current assets	5,886	(10,238)
Cash flows from/(used in) operations	<u>61,774,884</u>	<u>(25,225,927)</u>
Interest paid	(1,502,164)	(520,115)
Taxation paid, net of refund	(6,284,093)	(2,679,984)
Net cash flows from/(used in) operating activities	<u>53,988,627</u>	<u>(28,426,026)</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	146	1,545
Acquisition of property, plant & equipment	(8,831,721)	(4,541,364)
Net cash inflow from acquisition of a subsidiary	7,276,314	-
Net proceeds from short term funds	13,681,624	21,446,943
Interest received	403,956	2,979,322
Net cash flows from investing activities	<u>12,530,319</u>	<u>19,886,446</u>
Financing activities		
Dividend paid to shareholders of the Company	(5,155,840)	-
Dividend paid to non-controlling interests	(1,500,000)	(1,500,000)
Net repayment of bankers' acceptances	-	(3,400,000)
Repayment of lease instalments	(3,322,454)	(3,775,220)
Net cash flows used in financing activities	<u>(9,978,294)</u>	<u>(8,675,220)</u>
Net increase/(decrease) in cash and cash equivalents	56,540,652	(17,214,800)
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>74,120,425</u>	<u>17,579,773</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 31 DECEMBER 2018

	Manufacturing RM	Engineering RM	Consolidated RM
Total revenue	62,847,608	394,253,956	457,101,564
Less: Inter-segment revenue	(14,376,672)	(30,246,195)	(44,622,867)
External revenue	48,470,936	364,007,761	412,478,697
Results	7,126,564	24,081,627	31,208,191
Finance costs	(9,601)	(1,492,563)	(1,502,164)
Share of results of associates	38,693	(257,004)	(218,311)
Profit before tax	7,155,656	22,332,060	29,487,716
Income tax expense	(2,249,276)	(4,207,676)	(6,456,952)
Profit after tax	4,906,380	18,124,384	23,030,764
	=====	=====	=====

OTHER INFORMATION

Interest income	81,684	767,203	848,887
Depreciation	1,072,541	10,622,816	11,695,357
	-----	-----	-----

RESULTS FOR PERIOD-TO-DATE ENDED 31 DECEMBER 2017

	Manufacturing RM	Engineering RM	Consolidated RM
Total revenue	32,406,773	187,674,798	220,081,571
Less: Inter-segment revenue	(7,783,216)	(3,000,379)	(10,783,595)
External revenue	24,623,557	184,674,419	209,297,976
Results	5,122,730	(958,334)	4,164,396
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	1,295,593	6,373,745
Income tax expense	(1,340,370)	(1,768,147)	(3,108,517)
Profit/(loss) after tax	3,737,782	(472,554)	3,265,228
	=====	=====	=====

OTHER INFORMATION

Interest income	120,763	2,958,156	3,078,919
Depreciation	995,362	11,548,843	12,544,205
	-----	-----	-----

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 (33.6875% of net assets)	(4,113,537)
Goodwill arising on acquisition	1,632,667
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.

	31/12/2018		31/12/2017	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial liabilities:				
Loans and borrowings				
- Obligations under finance leases	603,686	602,430	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	31/12/2018	72,419,095	-	-
	31/12/2017	83,281,906	-	-
		=====	=====	=====
Liabilities for which fair values are disclosed:				
Interest-bearing loans and borrowings				
- Obligations under finance lease	31/12/2018	-	602,430	-
	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 December 2018

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

13. Capital Commitments

	As at 31/12/2018 RM	As At 31/12/2017 RM
Commitments in respect of capital expenditure:		
Approved and contracted for:		
Property, plant and equipment	7,283,604	4,419,570
	-----	-----

14. Related Party Transactions

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2018 RM	Comparative Quarter Ended 31/12/2017 RM	Current Period Ended 31/12/2018 RM	Comparative Period Ended 31/12/2017 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	6,650	8,345	21,131	28,982
- Provision of miscellaneous services such as machineries, equipments and labour etc	340,796	21,158	389,372	90,082
- Rental income	6,000	6,000	24,000	24,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	-	-	16,114	15,734

Transactions with an associate, OceanMight Sdn. Bhd. (from 1 January 2018 to 23 January 2018)				
- Rental income	-	56,200	16,857	298,900
- Sales of fabricated/galvanised steel products, structural steel works and other related products	-	6,537,496	36,603	47,996,353
- 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	297	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.	8,787,952	11,488,520	31,690,955	12,140,316
- Purchase of steel and concrete products from CMS Concrete Products Sdn. Bhd.	-	-	-	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	71,400	71,400
- KKB Realty Sdn. Bhd.	18,600	17,400	46,600	69,600
- Sepang Kaya Sdn. Bhd.	32,708	30,856	125,895	123,426
Rental expense paid to a director, Dato Kho Kak Beng				
	19,200	7,200	73,832	28,800
Rental expense paid to a person connected with certain directors of the Company				
- Kho Siew Lan	4,800	4,800	19,200	19,200
	-----	-----	-----	-----
	9,234,556	18,198,617	32,532,256	61,283,433
	-----	-----	-----	-----

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 (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period	
	31/12/18	31/12/17		31/12/18	31/12/17	
	RM'000	RM'000		RM'000	RM'000	
Revenue	142,544	70,196	103.1%	412,479	209,298	97.1%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	16,909	13,394	26.2%	42,685	19,438	119.6%
Profit before interest and tax	14,311	10,333	38.5%	30,990	6,894	349.5%
Profit before tax	13,129	10,267	27.9%	29,488	6,374	362.6%
Profit after tax	10,475	6,165	69.9%	23,031	3,265	605.4%
Profit attributable to ordinary equity holders of the parent	7,607	5,312	43.2%	17,644	1,608	997.3%

The Group's current quarter revenue of RM142.5 million (4Q17: RM70.2 million) registered a 103.1% growth compared to the preceding year corresponding quarter, bringing its year-to-date revenue to a record high of RM412.5 million (FYE 2017: RM209.3 million). The improved performance of the Group's Civil Construction and Steel Fabrication divisions within the Engineering sector were the main trigger to the increase in revenue in the current quarter.

Accordingly, the Group's pre-tax profit for the quarter of RM13.1 million (4Q17: RM10.3 million) rose 27.9%, resulting in a marked increase in the current year Group's pre-tax profit to RM29.5 million as compared to RM6.4 million recorded in the preceding year.

The improved margin along side the higher revenue registered by the Group's Engineering sector has been a driver contributing to the improved results for the quarter and year-to-date.

Engineering Sector

The Engineering sector has grown significantly and contributed 91% (4Q17: 79%) to the group's total revenue. The sector's consolidated revenue increased to RM129.7 million in the current quarter compared to RM55.4 million registered in the preceding year corresponding quarter. Similarly, the sector's year-to-date revenue increased to RM364.0 million (FYE 2017: RM184.7 million), mainly due to higher revenue recognition from the Group's Civil Construction and Steel Fabrication divisions.

Civil Construction division showed a staggering growth in revenue of 50.0%, recorded revenue of RM66.9 million (4Q17: RM44.6 million), attributed to higher progressive claims from its main project - the development and upgrading of 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.

For Steel Fabrication division, Group revenue increased to RM61.8 million (4Q17: RM9.3 million), registered a significant improvement over the preceding year corresponding quarter. The D28 Phase 1 project for the Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms ("EPCIC"), awarded in March 2018 from Petronas Carigali Sdn Bhd has reached its completion stage and contribute positively to the Group's revenue and earnings.

Steel Fabrication Group's revenue for the quarter were mostly derived from the EPCIC of Wellhead Platforms for D28 Phase 1 project, the two (2) newly commenced jobs i.e the EPCIC of Wellhead Platforms for D18 Phase 2 project for Petronas Carigali Sdn Bhd and the Provision of Procurement and Construction of Wellhead Deck, Piles and Conductors for the Pegaga Development Project (Mubadala Petroleum) in Block SK320, offshore waters of Sarawak awarded by Sapura Fabrication Sdn Bhd, additional work order for the Kinabalu Redevelopment Project (HHP Flowlines), miscellaneous fabrication works such as the fabrication of Mild Steel Casing, steel structures for pipe rack, Low & High tension steel poles and Structural Steel works for the Balingian Coal Stockyard.

HDG Division's revenue of RM969K (4Q17: RM1.5 million) decreased by 35.4%, mostly from the supply of galvanized Low & High Tension Steel poles to Syarikat Sesco Berhad and other ad-hoc work in customers.

Manufacturing Sector

Current quarter's consolidated revenue of RM12.8 million (4Q17: RM14.8 million) made up 9% of the Group's total revenue. Lower revenue recorded in comparison to the preceding year corresponding quarter mainly attributed to lower sales of Mild Steel Pipes to its major customer during the quarter.

The Group's Steel Pipes manufacturing division under subsidiary companies, Harum Bidang Sdn Bhd and KKB Industries (Sabah) Sdn Bhd registered aggregate revenue of RM9.2 million (4Q17: RM11.9 million). 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.

LPG Cylinders manufacturing division recorded revenue of RM3.6 million, an increase of about 24.1% compared to the preceding year corresponding quarter of RM2.9 million. About 89% of 4Q18 revenue was for the supply of LPG cylinders to Petronas Dagangan Berhad and the remaining to Petron Malaysia Refining & Marketing 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 (%)
	31/12/18	30/09/18	
	RM'000	RM'000	
Revenue	142,544	112,183	27.1%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	16,909	13,598	24.3%
Profit before interest and tax	14,311	10,782	32.7%
Profit before tax	13,129	10,643	23.4%
Profit after tax	10,475	8,587	22.0%
Profit attributable to ordinary equity holders of the parent	7,607	6,932	9.7%

Revenue improved further to register an increase of 27.1% to reach RM142.5 million (3Q18: RM112.2 million), while pre-tax profit also moved up 23.4% from RM10.6 million in 3Q18 to RM13.1 million in 4Q18. The improved operating results and revenue activities were mainly driven by the Group's Engineering sector.

17. Prospects

The Group has shown improvement in earnings results supported by the on-going construction works for the development and upgrading of the Proposed Pan Borneo Highway project and the Provision of Engineering, Procurement, Construction and Commissioning of Wellhead Platforms projects for the Oil & Gas facilities. Accordingly, the Board expects the momentum to continue for financial year ending 2019.

With the existing contracts in hand and our diverse portfolio of businesses coupled with the Group's healthy financial position, the Board remains optimistic that both its Engineering and Manufacturing sectors will perform favourably towards a sustainable growth for the financial year ending 2019, barring any unforeseen circumstances.

The new Supplementary Contract worth approximately RM46.7 million from CMS Infra trading Sdn Bhd for the Supply and Delivery of Concrete-Lined Mild Steel Pipes and Mechanical Couplings to JKR Central Unallocated Stores, Tanah Puteh, Kuching, awarded to Harum Bidang Sdn Bhd (KKB's 90% owned-subsiary) will help to strengthen the Group's Steel Pipes Manufacturing business.

The demand for steel water pipes is expected to remain firm, buoyed by ongoing and upcoming projects planned under the Sarawak State Water Grid when more water-related infrastructure projects are rolled out during the implementation.

In addition, the award of the PETRONAS Frame Agreement to OceanMight Sdn Bhd (KKB's subsidiary), will qualify OceanMight as one of PETRONAS Contractors to bid for contract work involving the Provision of Engineering, Procurement and Construction (EPC) of Fixed Offshore Structure works by Petroliam Nasional Bhd .

The Group is continuously pursuing various engineering projects, particularly projects related to the supply, laying and commissioning of water pipes and other related infrastructure works that are planned to be implemented under the Sarawak State Water Grid Project.

The Board however continues to manage the challenges of 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

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2018 RM	Comparative Quarter Ended 31/12/2017 RM	Current Period Ended 31/12/2018 RM	Comparative Period Ended 31/12/2017 RM
Malaysian taxation				
- Current year	2,739,181	2,065,890	6,699,579	2,719,447
- Prior year	39,898	(1,461)	(198,869)	224,984
Deferred tax	(125,831)	2,037,203	(43,758)	164,086
	-----	-----	-----	-----
	2,653,248	4,101,632	6,456,952	3,108,517
	=====	=====	=====	=====

The lower effective tax expense for the current quarter and financial year to date was primarily due to non-taxable income and utilization of unabsorbed losses.

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 2018 were as follows: -

Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Lease payables	827,200

<u>Non-Current</u>	
Lease payables	603,686

Total borrowings	1,430,886
	=====

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
	=====

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 December 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

The Board of Directors is pleased to recommend a first and final single tier dividend of four (4.0) sen per ordinary share, in respect of the financial year ended 31 December 2018.

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.

29. Earnings per share

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended	Comparative Quarter Ended	Current Period Ended	Comparative Period Ended
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net profit attributable to owners of the parent (RM)	<u>7,607,327</u>	<u>5,312,002</u>	<u>17,643,567</u>	<u>1,608,046</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 per share for the period attributable to owners of the parent (sen)	<u>2.95</u>	<u>2.06</u>	<u>6.84</u>	<u>0.62</u>

There is no dilution in its earnings 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 12 Months Ended	
	Current Quarter Ended	Comparative Quarter Ended	Current Period Ended	Comparative Period Ended
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM	RM	RM	RM
Profit for the period is arrived at after charging/(crediting):				
Interest income	76,210	(194,254)	(412,940)	(3,022,553)
Interest income from loans and borrowings	(435,947)	(56,366)	(435,947)	(56,366)
Realised foreign exchange gain	(46,540)	(166,479)	(200,251)	(207,678)
Unrealised foreign exchange loss/(gain)	2,462	2,575	(114)	(5,197)
Rental income	(10,500)	(66,700)	(58,857)	(347,900)
Gain on disposal of property, plant and equipment	(146)	(115)	(146)	(162)
Gain on remeasurement of investment in former associate	-	-	(1,932,456)	-
Provision for slow moving inventories	188,570	-	188,570	-
Reversal of bad debts written off	-	-	-	(115,402)

Depreciation of property, plant and equipment	2,597,846	3,061,354	11,695,357	12,544,205
Interest expense	1,181,952	65,983	1,502,164	520,115
Impairment loss on trade receivables	-	2,390	6,686	10,075
Property, plant and equipment written off	-	49	428	4,107

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, 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 2018.