

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 3 MONTHS ENDED	
	CURRENT QUARTER ENDED 31/03/2019 RM	COMPARATIVE QUARTER ENDED 31/03/2018 RM	CURRENT PERIOD ENDED 31/03/2019 RM	COMPARATIVE PERIOD ENDED 31/03/2018 RM
Revenue	117,758,848	64,557,670	117,758,848	64,557,670
Cost of sales	<u>(101,987,833)</u>	<u>(59,554,823)</u>	<u>(101,987,833)</u>	<u>(59,554,823)</u>
Gross profit	15,771,015	5,002,847	15,771,015	5,002,847
Selling and distribution expenses	(369,019)	(145,755)	(369,019)	(145,755)
Administrative expenses	<u>(8,377,023)</u>	<u>(5,246,925)</u>	<u>(8,377,023)</u>	<u>(5,246,925)</u>
Operating profit/(loss)	7,024,973	(389,833)	7,024,973	(389,833)
Finance costs	(1,265,411)	(82,182)	(1,265,411)	(82,182)
Finance income	180,286	127,854	180,286	127,854
Other expenses	(533,654)	(357,037)	(533,654)	(357,037)
Other income	1,921,552	3,348,869	1,921,552	3,348,869
Share of results of associates	52,134	(225,965)	52,134	(225,965)
Profit before tax	7,379,880	2,421,706	7,379,880	2,421,706
Income tax expense	<u>(2,274,218)</u>	<u>(1,050,728)</u>	<u>(2,274,218)</u>	<u>(1,050,728)</u>
Profit for the period	5,105,662	1,370,978	5,105,662	1,370,978
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	<u>5,105,662</u>	<u>1,370,978</u>	<u>5,105,662</u>	<u>1,370,978</u>
Profit for the period attributable to:				
Equity holders of the parent	3,160,250	1,345,154	3,160,250	1,345,154
Non-controlling interests	<u>1,945,412</u>	<u>25,824</u>	<u>1,945,412</u>	<u>25,824</u>
	<u>5,105,662</u>	<u>1,370,978</u>	<u>5,105,662</u>	<u>1,370,978</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	3,160,250	1,345,154	3,160,250	1,345,154
Non-controlling interests	<u>1,945,412</u>	<u>25,824</u>	<u>1,945,412</u>	<u>25,824</u>
	<u>5,105,662</u>	<u>1,370,978</u>	<u>5,105,662</u>	<u>1,370,978</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>1.23</u>	<u>0.52</u>	<u>1.23</u>	<u>0.52</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

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INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 31/03/2019 RM	AS AT 31/12/2018 RM
ASSETS		
Non-current assets		
Property, plant & equipment	139,625,779	135,906,751
Investment in associate	1,544,420	1,492,286
Goodwill	1,632,667	1,632,667
Deferred tax assets	2,027,666	2,027,666
	<u>144,830,532</u>	<u>141,059,370</u>
Current assets		
Inventories	38,913,842	36,224,216
Trade and other receivables	98,469,675	76,551,540
Contract assets	107,798,914	104,901,883
Other current assets	2,746,703	4,047,881
Short term funds	94,690,781	72,419,095
Cash and short-term deposits	16,132,392	74,120,425
	<u>358,752,307</u>	<u>368,265,040</u>
TOTAL ASSETS	<u>503,582,839</u>	<u>509,324,410</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	128,896,000	128,896,000
Retained earnings	173,620,472	170,460,222
Equity attributable to equity holders of the parent	<u>302,516,472</u>	<u>299,356,222</u>
Non-controlling interests	<u>21,721,312</u>	<u>19,775,900</u>
Total equity	<u>324,237,784</u>	<u>319,132,122</u>
Non-current liabilities		
Interest-bearing loans and borrowings	512,290	603,686
Trade and other payables	4,372,681	3,285,960
Deferred tax liabilities	1,293,923	1,160,875
	<u>6,178,894</u>	<u>5,050,521</u>
Current liabilities		
Trade and other payables	171,058,721	183,389,102
Interest-bearing loans and borrowings	591,799	827,200
Income tax payable	1,515,641	925,465
	<u>173,166,161</u>	<u>185,141,767</u>
Total liabilities	<u>179,345,055</u>	<u>190,192,288</u>
TOTAL EQUITY AND LIABILITIES	<u>503,582,839</u>	<u>509,324,410</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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INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019**Unaudited Condensed Consolidated Statements of Changes in Equity**

	<- Attributable to equity holders of the parent ->			Non-controlling	Total
	Issued Capital RM	Retained Earnings RM	Total RM	Interests RM	Equity RM
At 1 January 2019	128,896,000	170,460,222	299,356,222	19,775,900	319,132,122
Profit for the period	-	3,160,250	3,160,250	1,945,412	5,105,662
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	3,160,250	3,160,250	1,945,412	5,105,662
At 31 March 2019	<u>128,896,000</u>	<u>173,620,472</u>	<u>302,516,472</u>	<u>21,721,312</u>	<u>324,237,784</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	-	-	-	4,113,537	4,113,537
At 31 March 2018	<u>128,896,000</u>	<u>159,317,649</u>	<u>288,213,649</u>	<u>15,914,527</u>	<u>304,128,176</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

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INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 3 MONTHS ENDED 31/03/2019 RM	CUMULATIVE 3 MONTHS ENDED 31/03/2018 RM
Profit before taxation	7,379,880	2,421,706
Adjustments for:		
Depreciation of property, plant and equipment	2,235,433	3,135,320
Finance costs	1,265,411	82,182
Property, plant and equipment written-off	1	424
Gain on remeasurement of investment in former associate	-	(1,932,456)
Impairment loss on trade receivables	-	2,276
Dividend income	(1,108,724)	(284,969)
Fair value changes in short term funds	338,888	(499,203)
Unrealised foreign exchange gain	(2,461)	(2,576)
Interest income from financial liabilities	-	(29,487)
Interest income from financial assets	(180,286)	(98,367)
Share of results of associates	(52,134)	225,965
Total adjustments	<u>2,496,128</u>	<u>599,109</u>
Operating cash flows before changes in working capital	9,876,008	3,020,815
Changes in working capital		
Increase in inventories	(2,689,626)	(3,811,245)
(Increase)/decrease in receivables	(21,853,994)	16,970,918
Increase in contract assets	(2,897,031)	(17,208,356)
Decrease in payables	(11,305,340)	(1,270,065)
(Increase)/decrease in other current assets	<u>(7,535)</u>	<u>1,630</u>
Cash flows used in operations	<u>(28,877,518)</u>	<u>(2,296,303)</u>
Interest paid	(1,265,411)	(82,182)
Taxation paid, net of refund	<u>(242,281)</u>	<u>(1,160,841)</u>
Net cash flows used in operating activities	<u>(30,385,210)</u>	<u>(3,539,326)</u>
Investing activities		
Purchase of property, plant and equipment	(5,954,462)	(1,227,703)
Net cash inflow from acquisition of a subsidiary	-	2,276,314
Investment in short term funds	(21,501,850)	(18,000,822)
Redemption of short term funds	-	13,596,042
Interest received	<u>180,286</u>	<u>96,092</u>
Net cash flows used in investing activities	<u>(27,276,026)</u>	<u>(3,260,077)</u>
Financing activities		
Repayment of lease instalments	<u>(326,797)</u>	<u>(977,197)</u>
Net cash flows used in financing activities	<u>(326,797)</u>	<u>(977,197)</u>
Net decrease in cash and cash equivalents	(57,988,033)	(7,776,600)
Cash and cash equivalents at the beginning of the period	74,120,425	17,579,773
Cash and cash equivalents at the end of the period	<u><u>16,132,392</u></u>	<u><u>9,803,173</u></u>

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

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

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

1. Basis of Preparation

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

The interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2018. 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 2018.

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 2018 except for the adoption of the following with effect from 1 January 2019:

- ❖ Amendments to MFRS 9: Prepayment Features with Negative Compensation
- ❖ MFRS 16: Leases
- ❖ Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- ❖ Annual improvements to MFRS Standards 2015-2017 Cycle:
 - Amendments to MFRS 3: Business Combination
 - Amendments to MFRS 11: Joint Arrangements
 - Amendments to MFRS 112: Income Taxes
 - Amendments to MFRS 123: Borrowing Costs
- ❖ IC Interpretation 23: Uncertainty over Income Tax Treatments
- ❖ Amendments to MFRS 119: Plan Amendments, curtailment or settlement

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.

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 2019

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	8,740,244	109,018,604	-	117,758,848
Inter-segment revenue	4,031,290	6,465,345	(10,496,635)	-
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Total revenue	12,771,534	115,483,949	(10,496,635)	117,758,848
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Results	1,420,518	7,172,639	-	8,593,157
Finance costs	(1,159)	(1,264,252)	-	(1,265,411)
Share of results of associates	54,028	(1,894)	-	52,134
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Profit before tax	1,473,387	5,906,493	-	7,379,880
Income tax expense	(365,881)	(1,908,337)	-	(2,274,218)
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Profit after tax	1,107,506	3,998,156	-	5,105,662
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OTHER DISCLOSURES

Finance income	52,874	127,412	-	180,286
Depreciation	269,340	1,966,093	-	2,235,433
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RESULTS FOR PERIOD-TO-DATE ENDED 31 MARCH 2018

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	13,377,343	51,180,327	-	64,557,670
Inter-segment revenue	3,086,590	3,701,627	(6,788,217)	-
Total revenue	16,463,933	54,881,954	(6,788,217)	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

Finance income	24,545	103,309	-	127,854
Depreciation	273,741	2,861,579	-	3,135,320
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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

There were no changes in composition of the Group for the current quarter and financial year to date.

11. Fair Value of Financial Instruments

(a) 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.

	31/03/2019		31/12/2018	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial liabilities:				
Interest-bearing loans and borrowings				
- Obligations under finance leases	1,104,089	1,105,141	1,430,886	1,428,308
	=====	=====	=====	=====

(b) Determination of fair value

The carrying amounts of trade and other receivables, trade and other payables, cash and short-term deposits are reasonable approximation of fair values, due to their short term and interest-bearing nature. In addition to that, trade receivables and trade payables are subject to normal trade credit terms.

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.

(c) 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	Total RM
Assets measured at fair value:					
Short term funds	31/03/2019	94,690,781	-	-	94,690,781
	31/12/2018	72,419,095	-	-	72,419,095
		=====	=====	=====	=====

There have been no transfers between the fair value hierarchy during the period.

12. Contingent liabilities/Contingent assets as at 31 March 2019

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

13. Capital Commitments

	As At 31/03/2019 RM	As At 31/03/2018 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	11,437,505	4,453,026
- Approved but not contracted for	16,255,602	-
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	27,693,107	4,453,026
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2019 RM	Comparative Quarter Ended 31/03/2018 RM	Current Period Ended 31/03/2019 RM	Comparative Period Ended 31/03/2018 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	1,194	598	1,194	598
- Provision of miscellaneous services such as machineries, equipments and labour etc	255,520	7,953	255,520	7,953
- Rental income	6,000	6,000	6,000	6,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	4,221	-	4,221	-
Transactions with an associate, OceanMight Sdn. Bhd. (from 1 January 2018 to 23 January 2018)				
- Rental income	-	16,857	-	16,857
- Sales of fabricated/galvanized steel products, structural steel works and other related products	-	36,603	-	36,603
- Purchase of miscellaneous services such as machineries/equipment, labour etc	-	297	-	297
Transactions with subsidiary of an investor, Cahya Mata Sarawak Bhd.				
- Sales of steel pipes and pipe fittings to CMS Infra Trading Sdn. Bhd.	4,490,543	9,612,876	4,490,543	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.	10,500	17,400	10,500	17,400
- Sepang Kaya Sdn. Bhd.	32,708	30,857	32,708	30,857
Rental expense paid to a director, Dato Kho Kak Beng	19,200	16,232	19,200	16,232
Expenses paid to a person connected with certain directors of the Company				
Rental expense				
- Kho Siew Lan	4,800	4,800	4,800	4,800
Professional services				
- Sekhar Savin & Partners	15,900	-	15,900	-
	4,858,436	9,768,323	4,858,436	9,768,323

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 (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period	
	31/03/19	31/03/18		31/03/19	31/03/18	
	RM'000	RM'000		RM'000	RM'000	
Revenue	117,759	64,558	82.4%	117,759	64,558	82.4%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	10,881	5,639	93.0%	10,881	5,639	93.0%
Profit before interest and tax	8,645	2,504	245.2%	8,645	2,504	245.2%
Profit before tax	7,380	2,422	204.7%	7,380	2,422	204.7%
Profit after tax	5,106	1,371	272.4%	5,106	1,371	272.4%
Profit attributable to ordinary equity holders of the parent	3,160	1,345	134.9%	3,160	1,345	134.9%

Current quarter's consolidated revenue of RM117.8 million rebounded strongly by 82.4% as compared to the preceding year corresponding quarter of RM64.6 million, mainly attributed by the strong performance of the Group's Steel Fabrication and Civil Construction divisions within the Engineering sector although offset by lower revenue from the Steel Pipes manufacturing division.

Similarly, the Group's pre-tax profit increased to RM7.4 million in the current quarter, compared to RM2.4 million recorded in the preceding year corresponding quarter, on the back of higher revenue and improved profit margin. The commencement of work for the Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") of Wellhead Platforms for D18 Phase 2 project for Petronas Carigali Sdn Bhd has started to contribute positively to the Group's earnings.

However, the two newly secured projects in February 2019 from Jabatan Bekalan Air Luar Bandar Sarawak (Proposed Package SR1 & Package 1C) implemented under the Sarawak Water Supply Grid Programme are still at the preliminary stage to have any significant contribution to the Group's revenue and earnings.

Engineering Sector

The sector's revenue of RM109.0 million (1Q18: RM51.2 million) increased significantly compared to the preceding year corresponding quarter, as a result of higher progress billings from on-going projects for both the Civil Construction and Steel Fabrication divisions. The sector's revenue contributed about 93% to the Group's total revenue for the current quarter.

Under the Civil Construction's division, revenue for the quarter of RM62.1 million (1Q18: RM44.7 million) was solely derived from the development and upgrading of the Pan Borneo Highway project in the State of Sarawak (Phase 1 Works Package Contract – WPC-09) undertaken by the subsidiary Company i.e KKBWCT Joint Venture Sdn Bhd which commenced from the 4th Quarter 2016 onwards.

The Group's Steel Fabrication division recorded revenue of RM46.2 million (1Q18: RM5.4 million), improved by 755.6% as compared to the preceding year corresponding quarter. Steel Fabrication Group's revenue for the quarter were mostly derived from the EPCIC of Wellhead Platforms for D18 Phase 2 project for Petronas Carigali Sdn Bhd, 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, supply and fabrication of Mild Steel Pipes and Casing, Low & High Tension Steel Poles and Structural Steel works for the Balingian Coal Stockyard.

Hot Dip Galvanising division recorded revenue of RM788K, lower by 28.4% compared to RM1.1 million achieved in the preceding year corresponding first quarter. Revenue mainly contributed from the supply of galvanized Low and High Tension Steel Poles to Syarikat Sesco Berhad and walk in customers.

Manufacturing Sector

The Sector's revenue of RM8.7 million (1Q18: RM13.4 million) was lower by 35.1% compared to the preceding year corresponding quarter.

LPG Cylinders manufacturing division recorded an increase in revenue of approximately RM600K or 18.8%, resulting from higher off take of LPG cylinders from Petronas Dagangan Berhad as compared to the preceding year corresponding quarter. About 87% of 1Q19 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.

The Group's Steel Pipes manufacturing business recorded lower revenue in the current quarter as compared to the preceding year corresponding quarter, due to slower off-take of pipes from CMS Infra Trading Sdn Bhd. Out of the total revenue of RM4.9 million (1Q18: RM10.2 million) registered in the current quarter, RM4.5 million (1Q18: RM9.6 million) was for the supply of Mild Steel Cement-Lined ("MSCL") Pipes to CMS Infra Trading Sdn Bhd for Jabatan Bekalan Air Luar Bandar Sarawak, and the remaining RM400K for sales of MSCL Pipes to its existing customers in Kota Kinabalu, Sabah.

The newly awarded projects for the supply of MSCL Pipes to Jabatan Bekalan Air Luar Bandar Sarawak implemented under the Sarawak Water Supply Grid Programme are expected to contribute to the group's revenue and earnings in 2Q19 onwards.

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 (%)
	31/03/19	31/12/18	
	RM'000	RM'000	
Revenue	117,759	142,544	-17.4%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	10,881	16,909	-35.6%
Profit before interest and tax	8,645	14,311	-39.6%
Profit before tax	7,380	13,129	-43.8%
Profit after tax	5,106	10,475	-51.3%
Profit attributable to ordinary equity holders of the parent	3,160	7,607	-58.5%

Group's revenue for the current quarter of RM117.8 million recorded a decrease of 17.4% from the preceding quarter of RM142.5 million. Group's pre-tax profit reduced to RM7.4 million in the current quarter compared to RM13.1 million in the preceding quarter, on the back of lower revenue registered by both the Engineering and Manufacturing sectors, in particular the Steel Fabrication and Steel Pipes manufacturing business, which recorded a combined revenue of RM51.1 million in the current quarter (4Q18: RM71.0 million).

17. Prospects

With the recent award of the two contracts from Jabatan Bekalan Air Luar Bandar Sarawak for the Design, Construction, Completion, Testing and Commissioning of Proposed Package SR1 (Southern Region) and the Construction and Completion of 900mm Nominal Diameter MSCL Pipeline and All Associated Works from Summer Mall Junction to Existing Tambirat BPS, Samarahan Division (Package 1C) for Sarawak Water Supply Grid Programme – Stressed Areas, performance for both the Civil Construction and Steel Pipes Manufacturing divisions is expected to improve in the remaining period of 2019.

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 Petrolia Nasional Bhd.

The Group is actively participating in potential business opportunities in the Major Onshore Fabrication to increase its revenue base and earnings in collaboration with OceanMight Sdn Bhd and other strategic partner(s).

The demand for steel water pipes is expected to remain firm, buoyed by ongoing and upcoming projects planned under the Sarawak Water Supply Grid Programme when more water-related infrastructure projects are rolled out. Management continues to participate in new tenders or biddings, in particular infrastructures or construction and steel related works under the planned Sarawak State Water Grid Implementation Project.

Barring any unforeseen circumstances, the Group expects to achieve a favourable performance in year 2019, supported by the existing contracts in hand and the on-going construction works for the development and upgrading of the Pan Borneo Highway project in the State of Sarawak (Phase 1 Works Package Contract – WPC-09) and the on-going major Onshore fabrication jobs for the Oil & Gas facilities.

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 which 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 3 Months Ended	
	Current Quarter Ended 31/03/2019 RM	Comparative Quarter Ended 31/03/2018 RM	Current Period Ended 31/03/2019 RM	Comparative Period Ended 31/03/2018 RM
Malaysian taxation - Current year	2,141,170	921,588	2,141,170	921,588
Deferred tax	133,048	129,140	133,048	129,140
	-----	-----	-----	-----
	2,274,218	1,050,728	2,274,218	1,050,728
	=====	=====	=====	=====

The higher effective tax expense for the current quarter and financial year to date was primarily due to losses at subsidiary level for which no deferred tax assets was provided.

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 2019 were as follows: -

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u> Lease payables	591,799 -----
<u>Non-Current</u> Lease payables	512,290 -----
Total borrowings	1,104,089 =====

Total Group's loans and borrowings as at 31 March 2018 were as follows: -

Interest-bearing 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 =====

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 2019.

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.

The Kuala Lumpur High Court has dismissed the Plaintiff's application to set aside the Arbitral Tribunal's Final Award in favour of the Defendant.

On 18 March 2019, Global Upline Sdn Bhd ("GUSB") filed a Notice of Appeal to the Court of Appeal.

KKB Builders Sdn Bhd will categorically challenge and oppose GUSB's appeal in connection with the Arbitral Tribunal's Final Award made in favour of KKB Builders Sdn Bhd.

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 four (4.0) sen per ordinary share, in respect of the financial year ended 31 December 2018 has been recommended by the Board of Directors on 26 February 2019, payable to shareholders of the Company whose names appear in the Record of Depositors on 11 June 2019.

The payment of this first and final dividend is subject to the shareholders' approval at the forthcoming Forty-Third Annual General Meeting to be held on 22 May 2019, and if approved will be paid on 24 June 2019.

29. Earnings per share

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2019	Comparative Quarter Ended 31/03/2018	Current Period Ended 31/03/2019	Comparative Period Ended 31/03/2018
Net profit attributable to equity holders of the parent (RM)	<u>3,160,250</u>	<u>1,345,154</u>	<u>3,160,250</u>	<u>1,345,154</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 equity holders of the parent (sen)	<u>1.23</u>	<u>0.52</u>	<u>1.23</u>	<u>0.52</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 2018 was not qualified.

31. Additional Disclosures on Profit for the period

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2019 RM	Comparative Quarter Ended 31/03/2018 RM	Current Period Ended 31/03/2019 RM	Comparative Period Ended 31/03/2018 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(180,286)	(98,367)	(180,286)	(98,367)
Interest income from financial liabilities	-	(29,487)	-	(29,487)
Realised foreign exchange gain	(49,153)	(129,815)	(49,153)	(129,815)
Unrealised foreign exchange gain	(2,461)	(2,576)	(2,461)	(2,576)
Rental income	(11,000)	(27,357)	(11,000)	(27,357)
Gain on remeasurement of investment in former associate	-	(1,932,456)	-	(1,932,456)

Depreciation of property, plant and equipment	2,235,433	3,135,320	2,235,433	3,135,320
Finance costs	1,265,411	82,182	1,265,411	82,182
Impairment loss on trade receivables	-	2,276	-	2,276
Property, plant and equipment written off	1	424	1	424

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 fixed assets, 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 2019.