

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2019**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/06/2019 RM	COMPARATIVE QUARTER ENDED 30/06/2018 RM	CURRENT PERIOD ENDED 30/06/2019 RM	COMPARATIVE PERIOD ENDED 30/06/2018 RM
Revenue	119,766,930	93,193,810	237,525,778	157,751,480
Cost of sales	<u>(102,176,818)</u>	<u>(84,671,800)</u>	<u>(204,164,651)</u>	<u>(144,226,623)</u>
Gross profit	17,590,112	8,522,010	33,361,127	13,524,857
Selling and distribution expenses	(206,246)	(254,530)	(575,265)	(400,285)
Administrative expenses	<u>(7,297,708)</u>	<u>(5,737,019)</u>	<u>(15,674,731)</u>	<u>(10,983,944)</u>
Operating profit	10,086,158	2,530,461	17,111,131	2,140,628
Finance costs	(948,131)	(98,829)	(2,213,542)	(181,011)
Finance income	131,060	170,537	311,346	298,391
Other expenses	(577,426)	(610,904)	(1,111,080)	(967,941)
Other income	1,741,012	1,295,692	3,662,564	4,644,561
Share of results of associates	60,458	7,540	112,592	(218,425)
Profit before tax	10,493,131	3,294,497	17,873,011	5,716,203
Income tax expense	<u>(2,818,565)</u>	<u>(697,610)</u>	<u>(5,092,783)</u>	<u>(1,748,338)</u>
Profit for the period	7,674,566	2,596,887	12,780,228	3,967,865
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	7,674,566	2,596,887	12,780,228	3,967,865
Profit for the period attributable to:				
Equity holders of the parent	5,549,602	1,759,523	8,709,852	3,104,677
Non-controlling interests	<u>2,124,964</u>	<u>837,364</u>	<u>4,070,376</u>	<u>863,188</u>
	<u>7,674,566</u>	<u>2,596,887</u>	<u>12,780,228</u>	<u>3,967,865</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	5,549,602	1,759,523	8,709,852	3,104,677
Non-controlling interests	<u>2,124,964</u>	<u>837,364</u>	<u>4,070,376</u>	<u>863,188</u>
	<u>7,674,566</u>	<u>2,596,887</u>	<u>12,780,228</u>	<u>3,967,865</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>2.15</u>	<u>0.68</u>	<u>3.38</u>	<u>1.20</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 SECOND QUARTER ENDED 30 JUNE 2019**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 30/06/2019 RM	AS AT 31/12/2018 RM
ASSETS		
Non-current assets		
Property, plant & equipment	143,239,888	135,906,751
Investment in associate	1,659,878	1,492,286
Goodwill	1,632,667	1,632,667
Deferred tax assets	2,027,666	2,027,666
	<u>148,560,099</u>	<u>141,059,370</u>
Current assets		
Inventories	47,379,991	36,224,216
Trade and other receivables	132,735,084	76,551,540
Contract assets	89,194,843	104,901,883
Other current assets	2,428,948	4,047,881
Short term funds	63,098,431	72,419,095
Cash and short-term deposits	24,658,754	74,120,425
	<u>359,496,051</u>	<u>368,265,040</u>
TOTAL ASSETS	<u>508,056,150</u>	<u>509,324,410</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	128,896,000	128,896,000
Retained earnings	168,858,394	170,460,222
Equity attributable to equity holders of the parent	<u>297,754,394</u>	<u>299,356,222</u>
Non-controlling interests	<u>23,509,401</u>	<u>19,775,900</u>
Total equity	<u>321,263,795</u>	<u>319,132,122</u>
Non-current liabilities		
Interest-bearing loans and borrowings	580,565	603,686
Trade and other payables	6,032,529	3,285,960
Deferred tax liabilities	1,305,146	1,160,875
	<u>7,918,240</u>	<u>5,050,521</u>
Current liabilities		
Trade and other payables	166,198,472	183,389,102
Interest-bearing loans and borrowings	10,128,767	827,200
Income tax payable	2,546,876	925,465
	<u>178,874,115</u>	<u>185,141,767</u>
Total liabilities	<u>186,792,355</u>	<u>190,192,288</u>
TOTAL EQUITY AND LIABILITIES	<u>508,056,150</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 SECOND QUARTER ENDED 30 JUNE 2019**Unaudited Condensed Consolidated Statements of Changes in Equity**

	<- Attributable to equity holders of the parent ->				
	Issued Capital RM	Retained Earnings RM	Total RM	Non-controlling Interests RM	Total 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	-	8,709,852	8,709,852	4,070,376	12,780,228
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	8,709,852	8,709,852	4,070,376	12,780,228
Dividend paid to non-controlling interests	-	-	-	(336,875)	(336,875)
First and final dividend for FYE 31 December 2018	-	(10,311,680)	(10,311,680)	-	(10,311,680)
At 30 June 2019	<u>128,896,000</u>	<u>168,858,394</u>	<u>297,754,394</u>	<u>23,509,401</u>	<u>321,263,795</u>
At 1 January 2018	128,896,000	157,972,495	286,868,495	11,775,166	298,643,661
Profit for the period	-	3,104,677	3,104,677	863,188	3,967,865
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	3,104,677	3,104,677	863,188	3,967,865
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 30 June 2018	<u>128,896,000</u>	<u>155,921,332</u>	<u>284,817,332</u>	<u>16,751,891</u>	<u>301,569,223</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 SECOND QUARTER ENDED 30 JUNE 2019**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 6 MONTHS ENDED 30/06/2019 RM	CUMULATIVE 6 MONTHS ENDED 30/06/2018 RM
Profit before taxation	17,873,011	5,716,203
Adjustments for:		
Depreciation of property, plant and equipment	4,506,174	6,281,533
Finance costs	2,213,542	181,011
Property, plant and equipment written-off	1	428
Gain on disposal of property, plant & equipment	(18,999)	(1,000)
Gain on remeasurement of investment in former associate	-	(1,932,456)
Impairment loss on trade receivables	-	4,551
Dividend income	(1,683,234)	(880,588)
Fair value changes in short term funds	196,747	(733,420)
Unrealised foreign exchange gain	(2,461)	(2,576)
Interest income from financial liabilities	-	(143,614)
Interest income from financial assets	(311,346)	(154,777)
Share of results of associates	(112,592)	218,425
Total adjustments	<u>4,787,832</u>	<u>2,837,517</u>
Operating cash flows before changes in working capital	22,660,843	8,553,720
Changes in working capital		
(Increase)/decrease in inventories	(11,155,775)	5,735,296
Increase in receivables	(56,119,403)	(9,092,616)
Decrease/(increase) in contract assets	15,707,040	(20,934,872)
(Decrease)/increase in payables	(14,505,741)	22,844,679
Increase other current assets	(77,475)	(3,231)
Cash flows (used in)/from operations	<u>(43,490,511)</u>	<u>7,102,976</u>
Interest paid	(2,213,542)	(181,011)
Taxation paid, net of refund	(1,630,693)	(1,826,890)
Net cash flows (used in)/from operating activities	<u>(47,334,746)</u>	<u>5,095,075</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	19,000	1,000
Purchase of property, plant and equipment	(11,839,314)	(2,174,175)
Net cash inflow from acquisition of a subsidiary	-	2,276,314
Investment in short term funds	(21,501,850)	(25,500,972)
Redemption of short term funds	32,309,001	19,296,042
Interest received	311,346	150,159
Net cash flows used in investing activities	<u>(701,817)</u>	<u>(5,951,632)</u>
Financing activities		
Dividend paid	(10,703,555)	(5,155,840)
Net proceeds from bankers' acceptances	9,632,000	-
Repayment of lease instalments	(353,553)	(1,968,239)
Net cash flows used in financing activities	<u>(1,425,108)</u>	<u>(7,124,079)</u>
Net decrease in cash and cash equivalents	(49,461,671)	(7,980,636)
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>24,658,754</u></u>	<u><u>9,599,137</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

On 24 June 2019, the Company paid a first and final single tier dividend of 4.0 sen per ordinary share, in respect of the financial year ended 31 December 2018.

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 JUNE 2019

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	14,065,340	223,460,438	-	237,525,778
Inter-segment revenue	18,256,754	19,916,414	(38,173,168)	-
Total revenue	32,322,094	243,376,852	(38,173,168)	237,525,778
Results	1,210,649	18,763,312	-	19,973,961
Finance costs	(132,530)	(2,081,012)	-	(2,213,542)
Share of results of associates	114,813	(2,221)	-	112,592
Profit before tax	1,192,932	16,680,079	-	17,873,011
Income tax expense	(942,796)	(4,149,987)	-	(5,092,783)
Profit after tax	250,136	12,530,092	-	12,780,228
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OTHER DISCLOSURES

Finance income	66,783	244,563	-	311,346
Depreciation	529,752	3,976,422	-	4,506,174
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RESULTS FOR PERIOD-TO-DATE ENDED 30 JUNE 2018

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	23,269,505	134,481,975	-	157,751,480
Inter-segment revenue	7,885,466	6,246,776	(14,132,242)	-
Total revenue	31,154,971	140,728,751	(14,132,242)	157,751,480
Results	2,404,686	3,710,953	-	6,115,639
Finance costs	(5,794)	(175,217)	-	(181,011)
Share of results of associates	30,896	(249,321)	-	(218,425)
Profit before tax	2,429,788	3,286,415	-	5,716,203
Income tax expense	(844,443)	(903,895)	-	(1,748,338)
Profit after tax	1,585,345	2,382,520	-	3,967,865
	=====	=====	=====	=====

OTHER INFORMATION

Finance income	36,872	261,519	-	298,391
Depreciation	546,292	5,735,241	-	6,281,533
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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.

	30/06/2019		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	1,077,332	1,082,319	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 lease payables 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	30/06/2019	63,098,431	-	-	63,098,431
	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 30 June 2019

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

13. Capital Commitments

	As At 30/06/2019 RM	As At 30/06/2018 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	8,733,158	5,877,079
- Approved but not contracted for	15,433,528	-
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	24,166,686	5,877,079
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 6 Months Ended	
	Current Quarter Ended 30/06/2019 RM	Comparative Quarter Ended 30/06/2018 RM	Current Period Ended 30/06/2019 RM	Comparative Period Ended 30/06/2018 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	-	483	1,194	1,081
- Provision of miscellaneous services such as machineries, equipments and labour etc	261,883	8,401	517,403	16,354
- Rental income	6,000	6,000	12,000	12,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	13,478	16,114	17,699	16,114
Transactions with an associate, OceanMight Sdn. Bhd. (from 1 January 2018 to 23 January 2018)				
- Rental income	-	-	-	16,857
- Sales of fabricated/galvanised steel products, structural steel works and other related products	-	-	-	36,603
- Purchase of miscellaneous services such as machineries/equipment, labour etc	-	-	-	297
Transactions with subsidiary of an investor, Cahya Mata Sarawak Bhd.				
- Sales of steel pipes and pipe fittings to CMS Infra Trading Sdn. Bhd.	-	5,232,098	4,490,543	14,844,974
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	35,700	35,700
- KKB Realty Sdn. Bhd.	8,500	2,200	19,000	19,600
- Sepang Kaya Sdn. Bhd.	32,708	30,857	65,416	61,714
Rental expense paid to a director, Dato Kho Kak Beng	19,200	19,200	38,400	35,432
Expenses paid to a person connected with certain directors of the Company				
Rental expense				
- Kho Siew Lan	4,800	4,800	9,600	9,600
Professional services				
- Sekhar Savin & Partners	-	-	15,900	-
	364,419	5,338,003	5,222,855	15,106,326

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 6 months		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period	
	30/06/19	30/06/18		30/06/19	30/06/18	
	RM'000	RM'000		RM'000	RM'000	
Revenue	119,767	93,194	28.5%	237,526	157,751	50.6%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	13,712	6,540	109.7%	24,593	12,179	101.9%
Profit before interest and tax	11,441	3,393	237.2%	20,087	5,897	240.6%
Profit before tax	10,493	3,294	218.5%	17,873	5,716	212.7%
Profit after tax	7,675	2,597	195.5%	12,780	3,968	222.1%
Profit attributable to ordinary equity holders of the parent	5,550	1,760	215.3%	8,710	3,105	180.5%

The Group recorded a 28.5% increase in its current quarter's revenue of RM119.8 million, as compared to RM93.2 million recorded in the preceding year corresponding quarter. The prime mover for the increased revenue in the current quarter comes from the Group's Engineering Sector, in particular, its Civil Construction and Steel Fabrication divisions.

Concurrently, the Group's pre-tax profit rose to RM10.5 million, an increase of 218.5% compared to RM3.3 million recorded in the preceding year corresponding quarter, bringing its year to date pre-tax profit to RM17.9 million (1H18: RM5.7 million) on the back of higher revenue and improved profit margin recognized from the Engineering sector.

Apart from the on-going major Steel Fabrication jobs i.e the D18 Phase 2 Project for the Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for Petronas Carigali Sdn Bhd and the Provision of Procurement & Construction of Wellhead Deck, Piles and Conductors for the Pegaga Development Project, the commencement of the two new pipe laying projects secured in February 2019 from Jabatan Bekalan Air Luar Bandar Sarawak (Package SR1 & Package 1C) implemented under the Sarawak Water Supply Grid Program has started to contribute positively to the Group's revenue and earnings.

Engineering Sector

The Engineering sector has grown significantly and contributed 96% (2Q18: 89%) to the Group's total revenue. The sector's revenue improved by 37.3% to reach RM114.4 million compared to RM83.3 million recorded in 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.

Revenue for the Construction's division increased to RM70.7 million in the current quarter compared to RM48.6 million recorded in the preceding year corresponding quarter. Revenue for the quarter was derived from the on-going Pan Borneo Highway project (Phase 1 Works Package Contract – WPC-09) undertaken by the subsidiary Company i.e KKBWCT Joint Venture Sdn Bhd and the two newly secured projects in February 2019 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) implemented under the Sarawak Water Supply Grid Programme undertaken by the Company.

The Group's Steel Fabrication division recorded revenue of RM43.3 million (2Q18: RM33.8 million), improved by 28.1% as compared to the preceding year corresponding quarter. Current quarter's revenue was 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, Structural Steel works for the Balingian Coal Stockyard and supply and fabrication of Low & High Tension Steel Poles.

For Hot Dip Galvanising division, revenue of RM383K for the current quarter remained low, as compared to RM971K recorded in the preceding year corresponding quarter. Revenue was mainly contributed from the supply of galvanized Low and High Tension Steel Poles to Syarikat Sesco Berhad and walk in customers.

Manufacturing Sector

Revenue for the quarter of RM5.3 million was 46.5% lower as compared to RM9.9 million recorded in the preceding year corresponding quarter, due to lower revenue recorded from both the LPG Cylinders and Steel Pipes manufacturing divisions.

The LPG Cylinders manufacturing division experienced a 25.6% drop in current quarter's revenue, from RM3.9 million in the preceding year corresponding quarter to RM2.9 million in the current quarter, as a result of slower off take of LPG cylinders by Petroleum Companies.

Revenue from the Group's Steel Pipes manufacturing business under subsidiary companies, Harum Bidang Sdn Bhd ("HBSB") and KKB Industries (Sabah) Sdn Bhd, registered an aggregate revenue of RM2.4 million (2Q18: RM5.9 million). HBSB current quarter's revenue was mostly from inter-company sales for the supply of Mild Steel Cement-Lined ("MSCL") Pipes to KKB Engineering Berhad for its ongoing pipeline project works. The Steel Pipes plant in Kota Kinabalu, Sabah contributed revenue of RM1.2 million for sales of MSCL Pipes to external parties.

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 (%)
	30/06/19	31/03/19	
	RM'000	RM'000	
Revenue	119,767	117,759	1.7%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	13,712	10,881	26.0%
Profit before interest and tax	11,441	8,645	32.3%
Profit before tax	10,493	7,380	42.2%
Profit after tax	7,675	5,106	50.3%
Profit attributable to ordinary equity holders of the parent	5,550	3,160	75.6%

Current quarter saw an increase in both revenue and pre-tax profit. Revenue increased to RM119.8 million (1Q19: RM117.8 million) whilst pre-tax profit of RM10.5 million, increased by 42.2% compared to RM7.4 million in the preceding quarter.

Improved margin from the Engineering sector in particular the Civil Construction division has contributed to the Group's overall improved bottom line on the back of higher revenue.

17. Prospects

Supported by the existing contracts in hand for the on-going construction works and Major Onshore fabrication jobs for the Oil & Gas facilities, the Board remains optimistic that the Group's performance will remain favourable for the remaining 2H2019.

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 Program – Stressed Areas, performance for both the Civil Construction and Steel Pipes Manufacturing divisions is expected to improve further in the remaining period of 2019.

The demand for steel water pipes is expected to rise, buoyed by ongoing and upcoming water related infrastructure projects planned under the Sarawak Water Supply Grid Program. 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 scheduled to be implemented under the Sarawak State Water Grid Project.

OceanMight Sdn Bhd (KKB's subsidiary), has been awarded the PETRONAS Frame Agreement for the Provision of Engineering, Procurement and Construction (EPC) of Fixed Offshore Structure works by Petroliam Nasional Bhd. The Frame Agreement open up more opportunities to OceanMight, being one of the few PETRONAS Licensed Yards in Malaysia to bid for contract works involving the (EPC) of Fixed Offshore Structure works by Petroliam Nasional Bhd.

OceanMight is currently completing the D18 Phase 2 Project for the Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for Petronas Carigali Sdn Bhd, the Provision of Procurement & Construction of Wellhead Deck, Piles and Conductors for the Pegaga Development project for Sapura Fabrication Sdn Bhd and the newly awarded job by MISC Offshore Floating Terminals Dua (L) Limited for the Provision of Engineering, Procurement, Construction and Commissioning of New ESP Module for Upgrading and Modification on MAMPU-1 and AJK Platform for Vestigo Petroleum Sdn Bhd

The Group is actively participating in new business opportunities in the Major Onshore Fabrication to increase its revenue base and earnings, be it domestic or international, in collaboration with OceanMight Sdn Bhd and other strategic partner(s).

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 6 Months Ended	
	Current Quarter Ended 30/06/2019 RM	Comparative Quarter Ended 30/06/2018 RM	Current Period Ended 30/06/2019 RM	Comparative Period Ended 30/06/2018 RM
Malaysian taxation - Current year	2,807,343	736,421	4,948,513	1,658,009
Deferred tax	11,222	(38,811)	144,270	90,329
	-----	-----	-----	-----
	2,818,565	697,610	5,092,783	1,748,338
	=====	=====	=====	=====

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 30 June 2019 were as follows: -

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM	Unsecured RM
<u>Current</u>		
Lease payables	496,767	-
Bankers' acceptances	-	9,632,000
	-----	-----
<u>Non-Current</u>		
Lease payables	580,565	-
	-----	-----
Total borrowings	1,077,332	9,632,000
	=====	=====

Total Group's loans and borrowings as at 30 June 2018 were as follows: -

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Lease payables	1,942,869

<u>Non-Current</u>	
Lease payables	842,232

Total borrowings	2,785,101
	=====

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 June 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.

Subsequent to the Court's dismissal of Global Upline Sdn Bhd's ("GUSB") application to set aside the Arbitral Tribunal's Final Award in favour of KKB Builders Sdn Bhd ("KKBB"), KKBB and GUSB have reached an amicable settlement with the following terms and conditions:-

- i) That KKBB is agreeable to accept a sum of RM4,000,000.00 inclusive of interest and costs in settlement of the said Arbitration Award dated 31 July 2018 ("the Final Award")
- ii) The said sum of RM4,000,000.00 is to be paid by two (2) equal monthly instalments in the form of two (2) post-dated cheques as follows:-
 - a) The first instalment of RM2,000,000.00 is to be paid on or before 31 July 2019; and
 - b) The second instalment of RM2,000,000.00 is to be paid on or before 30 August 2019.
- iii) That GUSB withdraws immediately all Appeals relating to the above matter, with no order as to costs.
- iv) That in default of any one payment and the withdrawal of all appeals, the original sum or balance thereof under the Final Award inclusive of interest and costs of all court proceedings shall immediately become due and payable without demand and KKBB shall be at liberty to proceed with appropriate action to recover the same.

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 6 Months Ended	
	Current Quarter Ended 30/06/2019	Comparative Quarter Ended 30/06/2018	Current Period Ended 30/06/2019	Comparative Period Ended 30/06/2018
Net profit attributable to equity holders of the parent (RM)	<u>5,549,602</u>	<u>1,759,523</u>	<u>8,709,852</u>	<u>3,104,677</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>2.15</u>	<u>0.68</u>	<u>3.38</u>	<u>1.20</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 6 Months Ended	
	Current	Comparative	Current	Comparative
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM	RM	RM	RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(131,060)	(56,410)	(311,346)	(154,777)
Interest income from financial liabilities	-	(114,127)	-	(143,614)
Realised foreign exchange (gain)/loss	(114,787)	5,335	(163,940)	(124,480)
Unrealised foreign exchange gain	-	-	(2,461)	(2,576)
Rental income	(11,724)	(10,500)	(22,724)	(37,857)
Gain on disposal of property, plant and equipment	(18,999)	(1,000)	(18,999)	(1,000)
Gain on remeasurement of investment in former associate	-	-	-	(1,932,456)
Depreciation of property, plant and equipment	2,270,741	3,146,213	4,506,174	6,281,533
Finance costs	948,131	98,829	2,213,542	181,011
Impairment loss on trade receivables	-	2,275	-	4,551
Property, plant and equipment written off	-	4	1	428

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 30 June 2019.