

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

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

	3 MONTHS ENDED		CUMULATIVE 9 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/09/2019 RM	COMPARATIVE QUARTER ENDED 30/09/2018 RM	CURRENT PERIOD ENDED 30/09/2019 RM	COMPARATIVE PERIOD ENDED 30/09/2018 RM
Revenue	165,478,455	112,183,238	403,004,233	269,934,718
Cost of sales	<u>(134,605,290)</u>	<u>(95,191,900)</u>	<u>(338,769,941)</u>	<u>(239,418,523)</u>
Gross profit	30,873,165	16,991,338	64,234,292	30,516,195
Selling and distribution expenses	(387,689)	(285,662)	(962,954)	(685,947)
Administrative expenses	<u>(7,768,932)</u>	<u>(6,738,999)</u>	<u>(23,443,663)</u>	<u>(17,722,943)</u>
Operating profit	22,716,544	9,966,677	39,827,675	12,107,305
Finance costs	(1,089,938)	(139,201)	(3,303,480)	(320,212)
Finance income	310,071	190,759	621,417	489,150
Other expenses	(499,337)	(424,536)	(1,610,417)	(1,392,477)
Other income	7,232,641	1,023,776	10,895,205	5,668,337
Share of results of associates	133,780	25,306	246,372	(193,119)
Profit before tax	28,803,761	10,642,781	46,676,772	16,358,984
Income tax expense	<u>(5,395,569)</u>	<u>(2,055,366)</u>	<u>(10,488,352)</u>	<u>(3,803,704)</u>
Profit for the period	23,408,192	8,587,415	36,188,420	12,555,280
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	23,408,192	8,587,415	36,188,420	12,555,280
Profit for the period attributable to:				
Equity holders of the parent	19,334,683	6,931,563	28,044,535	10,036,240
Non-controlling interests	<u>4,073,509</u>	<u>1,655,852</u>	<u>8,143,885</u>	<u>2,519,040</u>
	<u>23,408,192</u>	<u>8,587,415</u>	<u>36,188,420</u>	<u>12,555,280</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	19,334,683	6,931,563	28,044,535	10,036,240
Non-controlling interests	<u>4,073,509</u>	<u>1,655,852</u>	<u>8,143,885</u>	<u>2,519,040</u>
	<u>23,408,192</u>	<u>8,587,415</u>	<u>36,188,420</u>	<u>12,555,280</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>7.50</u>	<u>2.69</u>	<u>10.88</u>	<u>3.89</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 THIRD QUARTER ENDED 30 SEPTEMBER 2019**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 30/09/2019 RM	AS AT 31/12/2018 RM
ASSETS		
Non-current assets		
Property, plant & equipment	143,750,333	135,906,751
Right-of-use assets	48,402	-
Investment in associate	1,738,658	1,492,286
Goodwill	1,632,667	1,632,667
Deferred tax assets	<u>2,027,666</u>	<u>2,027,666</u>
	<u>149,197,726</u>	<u>141,059,370</u>
Current assets		
Inventories	65,948,898	36,224,216
Trade and other receivables	153,064,995	76,551,540
Contract assets	82,658,930	104,901,883
Other current assets	1,802,081	4,047,881
Short term funds	50,237,802	72,419,095
Cash and short-term deposits	<u>66,856,038</u>	<u>74,120,425</u>
	<u>420,568,744</u>	<u>368,265,040</u>
TOTAL ASSETS	<u>569,766,470</u>	<u>509,324,410</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	128,896,000	128,896,000
Retained earnings	<u>188,193,077</u>	<u>170,460,222</u>
Equity attributable to equity holders of the parent	<u>317,089,077</u>	<u>299,356,222</u>
Non-controlling interests	<u>27,527,910</u>	<u>19,775,900</u>
Total equity	<u>344,616,987</u>	<u>319,132,122</u>
Non-current liabilities		
Interest-bearing loans and borrowings	465,822	603,686
Trade and other payables	7,829,049	3,285,960
Lease liabilities	21,724	-
Deferred tax liabilities	<u>1,391,916</u>	<u>1,160,875</u>
	<u>9,708,511</u>	<u>5,050,521</u>
Current liabilities		
Trade and other payables	184,370,600	183,389,102
Lease liabilities	30,590	-
Interest-bearing loans and borrowings	26,805,143	827,200
Income tax payable	<u>4,234,639</u>	<u>925,465</u>
	<u>215,440,972</u>	<u>185,141,767</u>
Total liabilities	<u>225,149,483</u>	<u>190,192,288</u>
TOTAL EQUITY AND LIABILITIES	<u>569,766,470</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 THIRD QUARTER ENDED 30 SEPTEMBER 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	-	28,044,535	28,044,535	8,143,885	36,188,420
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	28,044,535	28,044,535	8,143,885	36,188,420
Dividend paid to non-controlling interests	-	-	-	(391,875)	(391,875)
First and final dividend for FYE 31 December 2018	-	(10,311,680)	(10,311,680)	-	(10,311,680)
At 30 September 2019	<u>128,896,000</u>	<u>188,193,077</u>	<u>317,089,077</u>	<u>27,527,910</u>	<u>344,616,987</u>
At 1 January 2018	128,896,000	157,972,495	286,868,495	11,775,166	298,643,661
Profit for the period	-	10,036,240	10,036,240	2,519,040	12,555,280
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	10,036,240	10,036,240	2,519,040	12,555,280
First and final dividend for FYE 31 December 2017	-	(5,155,840)	(5,155,840)	-	(5,155,840)
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	4,113,537	4,113,537
At 30 September 2018	<u>128,896,000</u>	<u>162,852,895</u>	<u>291,748,895</u>	<u>18,407,743</u>	<u>310,156,638</u>

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

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INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 9 MONTHS ENDED 30/09/2019 RM	CUMULATIVE 9 MONTHS ENDED 30/09/2018 RM
Profit before taxation	46,676,772	16,358,984
Adjustments for:		
Depreciation of property, plant and equipment	6,750,329	9,097,511
Depreciation of right-of-use assets	12,706	-
Finance costs	3,303,480	320,212
Property, plant and equipment written-off	2,994	428
Gain on disposal of property, plant & equipment	(22,122)	-
Gain on remeasurement of investment in former associate	-	(1,932,456)
Impairment loss on trade receivables	-	6,686
Dividend income	(2,068,737)	(1,619,302)
Fair value changes in short term funds	138,521	(731,919)
Unrealised foreign exchange gain	(2,461)	(2,576)
Interest income from financial liabilities	-	(256,293)
Interest income from financial assets	(621,417)	(232,857)
Share of results of associates	(246,372)	193,119
Total adjustments	<u>7,246,921</u>	<u>4,842,553</u>
Operating cash flows before changes in working capital	53,923,693	21,201,537
Changes in working capital		
Increase in inventories	(29,724,682)	(2,210,483)
Increase in receivables	(76,449,314)	(34,037,812)
Decrease/(increase) in contract assets	22,242,953	(49,505,212)
Increase in payables	5,462,907	78,593,070
Increase other current assets	(103,627)	(1,813)
Cash flows (used in)/from operations	<u>(24,648,070)</u>	<u>14,039,287</u>
Interest paid	(3,303,480)	(320,212)
Taxation paid, net of refund	<u>(4,598,711)</u>	<u>(3,131,056)</u>
Net cash flows (used in)/from operating activities	<u>(32,550,261)</u>	<u>10,588,019</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	25,721	-
Purchase of property, plant and equipment	(14,344,503)	(8,105,762)
Net cash inflow from acquisition of a subsidiary	-	2,276,314
Investment in short term funds	(26,501,850)	(33,500,972)
Redemption of short term funds	50,613,359	36,611,285
Interest received	621,417	226,029
Net cash flows from/(used) in investing activities	<u>10,414,144</u>	<u>(2,493,106)</u>
Financing activities		
Dividend paid	(10,648,555)	(5,155,840)
Payment of principal portion of lease liabilities	(8,794)	-
Net proceeds from bankers' acceptances	26,362,000	-
Repayment of lease instalments	<u>(777,921)</u>	<u>(2,737,422)</u>
Net cash flows from/(used in) financing activities	<u>14,871,730</u>	<u>(7,893,262)</u>
Net (decrease)/increase in cash and cash equivalents	(7,264,387)	201,651
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>66,856,038</u></u>	<u><u>17,781,424</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 SEPTEMBER 2019

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	30,192,350	372,811,883	-	403,004,233
Inter-segment revenue	36,446,380	38,395,898	(74,842,278)	-
Total revenue	66,638,730	411,207,781	(74,842,278)	403,004,233
Results	5,622,364	44,111,516	-	49,733,880
Finance costs	(377,676)	(2,925,804)	-	(3,303,480)
Share of results of associates	248,385	(2,013)	-	246,372
Profit before tax	5,493,073	41,183,699	-	46,676,772
Income tax expense	(1,541,173)	(8,947,179)	-	(10,488,352)
Profit after tax	3,951,900	32,236,520	-	36,188,420
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OTHER DISCLOSURES

Finance income	102,683	518,734	-	621,417
Depreciation	790,776	5,959,553	-	6,750,329
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RESULTS FOR PERIOD-TO-DATE ENDED 30 SEPTEMBER 2018

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

Finance income	47,017	442,133	-	489,150
Depreciation	802,165	8,295,346	-	9,097,511
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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.

	30/09/2019		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	908,965	916,636	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	30/09/2019	50,237,802	-	-	50,237,802
	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 September 2019

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

13. Capital Commitments

	As At 30/09/2019 RM	As At 30/09/2018 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	7,960,671	2,032,358
- Approved but not contracted for	14,061,665	-
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	22,022,336	2,032,358
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 9 Months Ended	
	Current Quarter Ended 30/09/2019 RM	Comparative Quarter Ended 30/09/2018 RM	Current Period Ended 30/09/2019 RM	Comparative Period Ended 30/09/2018 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	6,650	13,400	7,844	14,481
- Provision of miscellaneous services such as machineries, equipments and labour etc	180,519	32,222	697,922	48,576
- Rental income	6,000	6,000	18,000	18,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	13,710	-	31,409	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.	-	8,058,029	4,490,543	22,903,003
Rental expense paid to companies in which certain directors of the Company have substantial financial interest and/or are also directors				
- KKB Development Sdn. Bhd.	17,850	17,850	53,550	53,550
- KKB Realty Sdn. Bhd.	10,500	8,400	29,500	28,000
- Sepang Kaya Sdn. Bhd.	32,708	31,473	98,124	93,187
Rental expense paid to a director, Dato Kho Kak Beng	19,200	19,200	57,600	54,632
Expenses paid to a person connected with certain directors of the Company				
Rental expense				
- Kho Siew Lan	4,800	4,800	14,400	14,400
Professional services				
- Sekhar Savin & Partners	-	-	15,900	-
	291,937	8,191,374	5,514,792	23,297,700

These transactions have been entered into with related parties on terms and conditions that are not more favourable to the related party than those generally available to the public.

Explanatory notes pursuant to Appendix 9B of Main Market Listing Requirements of Bursa Malaysia Securities Berhad

15. Review Of Performance

Financial review for current quarter and financial year to date

	Quarter		Changes (%)	Cumulative 9 months		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period	
	30/09/19	30/09/18		30/09/19	30/09/18	
	RM'000	RM'000		RM'000	RM'000	
Revenue	165,478	112,183	47.5%	403,004	269,935	49.3%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	32,138	13,598	136.3%	56,731	25,777	120.1%
Profit before interest and tax	29,894	10,782	177.3%	49,980	16,679	199.7%
Profit before tax	28,804	10,643	170.6%	46,677	16,359	185.3%
Profit after tax	23,408	8,587	172.6%	36,188	12,555	188.2%
Profit attributable to ordinary equity holders of the parent	19,335	6,932	178.9%	28,045	10,036	179.4%

The Group's current quarter revenue of RM165.5 million (3Q18: RM112.2 million) registered a 47.5% growth as compared to the preceding year corresponding third quarter. For the nine months period ended 30 September 2019, revenue increased to RM403.0 million compared to RM269.9 million recorded in the preceding year corresponding period.

The Group recorded a pre-tax profit of RM28.8 million in the current quarter (3Q18: RM10.6 million), after recognizing the other income amount of RM6.9 million following the amicable settlement reached between KKB Builders Sdn Bhd (a wholly owned subsidiary of KKB Engineering Berhad) and Global Upline Sdn Bhd in settlement of the Arbitration Award dated 31 July 2018. For the nine months period ended 30 September 2019, the Group's pre-tax profit increased by more than two fold to RM46.7 million (9 months 2018: RM16.4 million). Comparatively, the Group's current year nine months pre-tax profit has already surpassed the preceding financial year twelve months pre-tax profit by RM17.2 million or 58.3%. For the financial year ended 31 December 2018, the Group recorded a pre-tax profit of RM29.5 million.

The Group's overall improved performance for the current quarter and year-to-date was mainly driven by the improvement in revenue from its Steel Fabrication and Construction divisions coupled with improved margin for the Engineering sector.

Engineering Sector

Revenue for the Steel Fabrication and Construction divisions has improved over the preceding year corresponding quarter. The Engineering sector's total revenue improved by 49.7% to reach RM149.4 million (3Q18: RM99.8 million), resulting from higher progress billings from on-going projects for both the Civil Construction and Steel Fabrication divisions.

Revenue for the Construction's division increased to RM76.7 million in the current quarter compared to RM59.3 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. The other contribution came from the two projects secured during the year 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.

For Steel Fabrication division, the current quarter's revenue of RM72.0 million (3Q18: RM39.7 million) registered an increase of 81.4% over 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, 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 awarded by MISC Offshore Floating Terminals Dua (L) limited, and other miscellaneous fabrication works.

For Hot Dip Galvanising division, revenue of RM633K for the current quarter remained low, as compared to RM838K 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

The Group's Steel Pipes manufacturing division saw an increase of 47.2% in revenue. The supply of Mild Steel Cement-Lined Pipes to Jabatan Bekalan Air Luar Bandar Sarawak for the Sarawak Water Supply Grid Program and other ad-hoc customers in Kota Kinabalu, Sabah has enabled the Group to register revenue of RM13.1 million in 3Q19 compared to RM8.9 million in the preceding year corresponding quarter.

LPG Cylinders manufacturing division recorded revenue of RM3.0 million (3Q18: RM3.5 million). RM1.4 million was from the supply of new LPG cylinders to Petronas Dagangan Berhad and the remaining from the Reconditioning/Requalification of LPG Cylinders for Petronas 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 (%)
	30/09/19	30/06/19	
	RM'000	RM'000	
Revenue	165,478	119,767	38.2%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	32,138	13,712	134.4%
Profit before interest and tax	29,894	11,441	161.3%
Profit before tax	28,804	10,493	174.5%
Profit after tax	23,408	7,675	205.0%
Profit attributable to ordinary equity holders of the parent	19,335	5,550	248.4%

The Group's revenue and profit before tax of RM165.5 million (2Q19: RM119.8 million) and RM28.8 million (2Q19: RM10.5 million) were 38.2% and 174.5% respectively higher compared to the preceding quarter. The increase in revenue was mainly due to increased sales recorded for the Steel Fabrication and Steel Pipes manufacturing division, which in the previous quarter recorded a contribution of RM43.3 million and RM2.4 million as compared to the current quarter of RM72.0 million and RM13.1 million respectively. Improved margin from both the Manufacturing and Engineering sectors has contributed to the Group's overall improved bottom line on the back of higher revenue.

17. **Prospects**

The Group expects to achieve strong results for the financial year ending 31 December 2019, supported by the existing contracts in hand for the on-going construction works and Major Onshore fabrication jobs for the Oil & Gas facilities.

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 Water Supply Grid Program.

In addition, the Group's entry into the Oil & Gas sector via its subsidiary Company, OceanMight Sdn Bhd the last six (6) years, will continue to tender for new projects related to the Major Onshore Fabrication with continued effort on prudent cost management and operational efficiency to remain robust and competitive.

OceanMight Sdn Bhd 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 effective from 12 December 2018 and continue for a period of six (6) years, unless terminated earlier. 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.

Currently OceanMight is working on the Provision of Procurement & Construction of Wellhead Deck, Piles and Conductors for the Pegaga Development project for Sapura Fabrication Sdn Bhd and 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 awarded by MISC Offshore Floating Terminals Dua (L) Limited.

With the recent award of several contracts for the supply of steel water pipes and water related construction works under the Sarawak Water Supply Grid Program, it is anticipated that performance for both the Engineering and Manufacturing sectors will remain strong in the remaining period of 2019, barring any unforeseen circumstances.

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 9 Months Ended	
	Current Quarter Ended 30/09/2019 RM	Comparative Quarter Ended 30/09/2018 RM	Current Period Ended 30/09/2019 RM	Comparative Period Ended 30/09/2018 RM
Malaysian taxation				
- Current year	5,253,155	2,302,389	10,201,668	3,960,398
- Prior year	55,643	(238,767)	55,643	(238,767)
Deferred tax	86,771	(8,256)	231,041	82,073
	-----	-----	-----	-----
	5,395,569	2,055,366	10,488,352	3,803,704
	=====	=====	=====	=====

The lower effective tax expense for the current quarter and financial year to date was primarily due to utilization of previously unabsorbed capital allowances 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 September 2019 were as follows: -

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM	Unsecured RM
<u>Current</u>		
Obligations under finance leases	443,143	-
Bankers' acceptances	-	26,362,000
	-----	-----
<u>Non-Current</u>		
Obligations under finance leases	465,822	-
Total borrowings	908,965	26,362,000
	=====	=====

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

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Obligations under finance leases	1,321,946

<u>Non-Current</u>	
Obligations under finance leases	693,971

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

24. Off Balance Sheet Financial Instruments

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

25. Derivative Financial Instruments

There were no derivative financial instruments entered into by the Group as at 30 September 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 material litigation between KKB Builders Sdn Bhd (a wholly-owned subsidiary of KKB Engineering Berhad) and Global Upline Sdn. Bhd ("GUSB") has been fully concluded.

GUSB has fully settled the agreed settlement sum of RM4.0 million and fulfilled the terms and conditions of the amicable settlement reached between both parties in settlement of the Arbitration Award dated 31 July 2018.

Save as disclosed above, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position.

28. Dividend

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

29. Earnings per share

	3 Months Ended		Cumulative 9 Months Ended	
	Current	Comparative	Current	Comparative
	Quarter	Quarter	Period	Period
	Ended	Ended	Ended	Ended
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Net profit attributable to equity holders of the parent (RM)	19,334,683	6,931,563	28,044,535	10,036,240
Weighted average number of ordinary shares in issue	257,792,000	257,792,000	257,792,000	257,792,000
Basic earnings per share for the period attributable to equity holders of the parent (sen)	7.50	2.69	10.88	3.89

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 9 Months Ended	
	Current Quarter Ended 30/09/2019 RM	Comparative Quarter Ended 30/09/2018 RM	Current Period Ended 30/09/2019 RM	Comparative Period Ended 30/09/2018 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(310,071)	(78,080)	(621,417)	(232,857)
Interest income from financial liabilities	-	(112,679)	-	(256,293)
Realised foreign exchange loss/(gain)	154,669	(29,231)	(9,271)	(153,711)
Unrealised foreign exchange gain	-	-	(2,461)	(2,576)
Rental income	(12,600)	(10,500)	(35,324)	(48,357)
(Gain)/loss on disposal of property, plant and equipment	(3,123)	1,000	(22,122)	-
Gain on remeasurement of investment in former associate	-	-	-	(1,932,456)
Income arising from settlement of arbitration award	(6,871,588)	-	(6,871,588)	-
Depreciation of property, plant and equipment	2,244,155	2,815,978	6,750,329	9,097,511
Depreciation of right-of-use assets	12,706	-	12,706	-
Finance costs	1,089,938	139,201	3,303,480	320,212
Impairment loss on trade receivables	-	2,135	-	6,686
Property, plant and equipment written off	2,993	-	2,994	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 September 2019.