

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

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

	3 MONTHS ENDED		CUMULATIVE 12 MONTHS ENDED	
	CURRENT QUARTER ENDED 31/12/2019 RM	COMPARATIVE QUARTER ENDED 31/12/2018 RM	CURRENT PERIOD ENDED 31/12/2019 RM	COMPARATIVE PERIOD ENDED 31/12/2018 RM
Revenue	156,026,955	142,543,979	559,031,188	412,478,697
Cost of sales	(113,972,452)	(119,780,047)	(452,742,393)	(359,198,570)
Gross profit	<u>42,054,503</u>	<u>22,763,932</u>	<u>106,288,795</u>	<u>53,280,127</u>
Selling and distribution expenses	(404,653)	(273,591)	(1,367,607)	(959,538)
Administrative expenses	(10,605,699)	(9,077,336)	(34,049,362)	(26,800,279)
Operating profit	<u>31,044,151</u>	<u>13,413,005</u>	<u>70,871,826</u>	<u>25,520,310</u>
Finance costs	(860,781)	(1,181,952)	(4,164,261)	(1,502,164)
Finance income	481,063	359,737	1,102,480	848,887
Other expenses	(2,538,247)	(741,734)	(4,148,664)	(2,134,211)
Other income	851,703	1,304,868	11,746,908	6,973,205
Share of results of associates	2,035,213	(25,192)	2,281,585	(218,311)
Profit before tax	<u>31,013,102</u>	<u>13,128,732</u>	<u>77,689,874</u>	<u>29,487,716</u>
Income tax expense	(5,791,097)	(2,653,248)	(16,279,449)	(6,456,952)
Profit for the period	<u>25,222,005</u>	<u>10,475,484</u>	<u>61,410,425</u>	<u>23,030,764</u>
Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income for the period	<u>25,222,005</u>	<u>10,475,484</u>	<u>61,410,425</u>	<u>23,030,764</u>
Profit for the period attributable to:				
Equity holders of the parent	20,266,445	7,607,327	48,310,980	17,643,567
Non-controlling interests	4,955,560	2,868,157	13,099,445	5,387,197
	<u>25,222,005</u>	<u>10,475,484</u>	<u>61,410,425</u>	<u>23,030,764</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	20,266,445	7,607,327	48,310,980	17,643,567
Non-controlling interests	4,955,560	2,868,157	13,099,445	5,387,197
	<u>25,222,005</u>	<u>10,475,484</u>	<u>61,410,425</u>	<u>23,030,764</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>7.86</u>	<u>2.95</u>	<u>18.74</u>	<u>6.84</u>
Diluted, for profit for the period (sen) - Not Applicable				

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

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

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

	AS AT 31/12/2019 RM	AS AT 31/12/2018 RM
ASSETS		
Non-current assets		
Property, plant & equipment	149,331,434	135,906,751
Right-of-use assets	138,003	-
Investment in associates	3,773,871	1,492,286
Goodwill	1,632,667	1,632,667
Deferred tax assets	<u>1,859,214</u>	<u>2,027,666</u>
	<u>156,735,189</u>	<u>141,059,370</u>
Current assets		
Inventories	69,821,571	36,224,216
Trade and other receivables	95,215,241	76,551,540
Contract assets	113,508,153	104,901,883
Other current assets	1,092,909	4,047,881
Short term funds	38,079,135	72,419,095
Cash and short-term deposits	<u>73,367,576</u>	<u>74,120,425</u>
	<u>391,084,585</u>	<u>368,265,040</u>
TOTAL ASSETS	<u>547,819,774</u>	<u>509,324,410</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	128,896,000	128,896,000
Retained earnings	<u>208,459,522</u>	<u>170,460,222</u>
Equity attributable to equity holders of the parent	<u>337,355,522</u>	<u>299,356,222</u>
Non-controlling interests	<u>32,483,470</u>	<u>19,775,900</u>
Total equity	<u>369,838,992</u>	<u>319,132,122</u>
Non-current liabilities		
Interest-bearing loans and borrowings	510,112	603,686
Trade and other payables	8,809,101	3,285,960
Lease liabilities	37,536	-
Deferred tax liabilities	<u>1,108,715</u>	<u>1,160,875</u>
	<u>10,465,464</u>	<u>5,050,521</u>
Current liabilities		
Trade and other payables	151,580,622	183,389,102
Lease liabilities	123,834	-
Interest-bearing loans and borrowings	10,361,004	827,200
Income tax payable	<u>5,449,858</u>	<u>925,465</u>
	<u>167,515,318</u>	<u>185,141,767</u>
Total liabilities	<u>177,980,782</u>	<u>190,192,288</u>
TOTAL EQUITY AND LIABILITIES	<u>547,819,774</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

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	-	48,310,980	48,310,980	13,099,445	61,410,425
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	48,310,980	48,310,980	13,099,445	61,410,425
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 31 December 2019	<u>128,896,000</u>	<u>208,459,522</u>	<u>337,355,522</u>	<u>32,483,470</u>	<u>369,838,992</u>
At 1 January 2018	128,896,000	157,972,495	286,868,495	11,775,166	298,643,661
Profit for the period	-	17,643,567	17,643,567	5,387,197	23,030,764
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	17,643,567	17,643,567	5,387,197	23,030,764
Dividend paid to non-controlling interests	-	-	-	(1,500,000)	(1,500,000)
First and final dividend for FYE 31 December 2017	-	(5,155,840)	(5,155,840)	-	(5,155,840)
Non-controlling interests arising from acquisition of a subsidiary	-	-	-	4,113,537	4,113,537
At 31 December 2018	<u>128,896,000</u>	<u>170,460,222</u>	<u>299,356,222</u>	<u>19,775,900</u>	<u>319,132,122</u>

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

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

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

	CUMULATIVE 12 MONTHS ENDED 31/12/2019 RM	CUMULATIVE 12 MONTHS ENDED 31/12/2018 RM
Profit before taxation	77,689,874	29,487,716
Adjustments for:		
Depreciation of property, plant and equipment	9,086,752	11,695,357
Depreciation of right-of-use assets	98,971	-
Finance costs	4,164,261	1,502,164
Property, plant and equipment written-off	8,448	429
Gain on disposal of property, plant & equipment	(42,121)	(146)
Gain on remeasurement of investment in former associate	-	(1,932,456)
Written down of slow moving inventories	31,005	188,570
Impairment loss on trade receivables	314,854	6,686
Dividend income	(2,401,619)	(2,307,121)
Fair value changes in short term funds	119,867	(511,692)
Net unrealised foreign exchange loss/(gain)	354,019	(114)
Interest income from financial liabilities	-	(435,947)
Interest income from financial assets	(1,102,480)	(412,940)
Share of results of associates	(2,281,585)	218,311
Total adjustments	<u>8,350,372</u>	<u>8,011,101</u>
Operating cash flows before changes in working capital	86,040,246	37,498,817
Changes in working capital		
Increase in inventories	(33,628,360)	(1,397,781)
Increase in receivables	(19,209,137)	(6,311,662)
Increase in contract assets	(8,606,270)	(75,584,091)
(Decrease)/increase in payables	(26,408,777)	112,563,714
(Increase)/decrease in other current assets	(93,055)	5,886
Cash flows (used in)/from operations	<u>(1,905,353)</u>	<u>66,774,883</u>
Interest paid	(4,164,261)	(1,502,164)
Taxation paid, net of refund	(8,590,737)	(6,284,093)
Net cash flows (used in)/from operating activities	<u>(14,660,351)</u>	<u>58,988,626</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	45,721	146
Purchase of property, plant and equipment	(21,911,483)	(8,831,722)
Net cash inflow from acquisition of a subsidiary	-	2,276,314
Investment in short term funds	(28,501,850)	(94,123,188)
Redemption of short term funds	65,123,562	107,804,812
Interest received	1,102,480	403,958
Net cash flows from investing activities	<u>15,858,430</u>	<u>7,530,320</u>
Financing activities		
Dividend paid	(10,703,555)	(6,655,840)
Payment of principal portion of lease liabilities	(75,603)	-
Net proceeds from bankers' acceptances	9,730,000	-
Repayment of lease instalments	(901,770)	(3,322,454)
Net cash flows used in financing activities	<u>(1,950,928)</u>	<u>(9,978,294)</u>
Net (decrease)/increase in cash and cash equivalents	(752,849)	56,540,652
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>73,367,576</u></u>	<u><u>74,120,425</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 31 DECEMBER 2019

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	52,840,709	506,190,479	-	559,031,188
Inter-segment revenue	55,881,838	62,612,563	(118,494,401)	-
Total revenue	108,722,547	568,803,042	(118,494,401)	559,031,188
Results	8,351,852	71,220,698	-	79,572,550
Finance costs	(436,886)	(3,727,375)	-	(4,164,261)
Share of results of associates	324,160	1,957,425	-	2,281,585
Profit before tax	8,239,126	69,450,748	-	77,689,874
Income tax expense	(2,446,532)	(13,832,917)	-	(16,279,449)
Profit after tax	5,792,594	55,617,831	-	61,410,425
	=====	=====	=====	=====

OTHER DISCLOSURES

Finance income	159,659	942,821	-	1,102,480
Depreciation of property, plant and equipment and right-of-use assets	1,081,625	8,104,098	-	9,185,723
	-----	-----	-----	-----

RESULTS FOR PERIOD-TO-DATE ENDED 31 DECEMBER 2018

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

OTHER INFORMATION

Finance income	81,684	767,203	-	848,887
Depreciation of property, plant and equipment and right-of-use assets	1,072,541	10,622,816	-	11,695,357

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.

	31/12/2019		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	1,141,116	1,132,203	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	31/12/2019	38,079,135	-	-	38,079,135
	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 December 2019

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

13. Capital Commitments

	As At 31/12/2019 RM	As At 31/12/2018 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	14,332,310	7,283,604
- Approved but not contracted for	10,056,137	30,000,000
	-----	-----
	24,388,447	37,283,604
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2019 RM	Comparative Quarter Ended 31/12/2018 RM	Current Period Ended 31/12/2019 RM	Comparative Period Ended 31/12/2018 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	13,300	6,650	21,144	21,131
- Provision of miscellaneous services such as machineries, equipments and labour etc	349,184	340,796	1,047,106	389,372
- Rental income	6,000	6,000	24,000	24,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	13,710	-	45,119	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.	15,032	8,787,952	4,505,575	31,690,955
- Sales of fabricated/galvanised steel products and structural steel works to CMS Concrete Products Sdn. Bhd.	1,346	-	1,346	-
Rental expense paid to companies in which certain directors of the Company have substantial financial interest and/or are also directors				
- KKB Development Sdn. Bhd.	17,850	17,850	71,400	71,400
- KKB Realty Sdn. Bhd.	10,500	18,600	40,000	46,600
- Sepang Kaya Sdn. Bhd.	32,708	32,708	130,832	125,895
Rental expense paid to a director, Dato Kho Kak Beng	19,200	19,200	76,800	73,832
Expenses paid to a person connected with certain directors of the Company				
Rental expense				
- Kho Siew Lan	4,800	4,800	19,200	19,200
Professional services				
- Sekhar Savin & Partners	-	-	15,900	-
	483,630	9,234,556	5,998,422	32,532,256

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

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

15. Review Of Performance

Financial review for current quarter and financial year to date

	Quarter		Changes (%)	Cumulative 12 months		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period	
	31/12/19	31/12/18		31/12/19	31/12/18	
	RM'000	RM'000		RM'000	RM'000	
Revenue	156,027	142,544	9.5%	559,031	412,479	35.5%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	34,210	16,909	102.3%	90,941	42,685	113.1%
Profit before interest and tax	31,874	14,311	122.7%	81,854	30,990	164.1%
Profit before tax	31,013	13,129	136.2%	77,690	29,488	163.5%
Profit after tax	25,222	10,475	140.8%	61,410	23,031	166.6%
Profit attributable to equity holders of the parent	20,266	7,607	166.4%	48,311	17,644	173.8%

The Group's current quarter revenue of RM156.0 million (4Q18: RM142.5 million) increased by 9.5% compared to the preceding year fourth quarter, mainly due to higher revenue recognition from the Civil Construction and Steel Pipes manufacturing divisions within the Engineering and Manufacturing sector.

The Group's year-to-date revenue of RM559.0 million was 35.5% higher compared to RM412.5 million achieved in the preceding year. The growth in revenue was mainly from the Engineering sector, in particular the Steel Fabrication and Civil Construction divisions, alongside higher Steel Pipes revenue within the Manufacturing sector.

Similarly, the Group's pre-tax profit for the quarter rose by more than double to RM31.0 million (4Q18: RM13.1 million), resulting in a strong RM77.7 million Group's year-to-date pre-tax profit as compared to RM29.5 million recorded in the preceding year.

The overall improved margin on the back of higher revenue registered by both the Engineering and Manufacturing sectors has been a driver contributing to the improved results for the current quarter and year-to-date.

Engineering Sector

4Q19 Group revenue for the engineering sector has escalated by 2.9% to RM133.4 million compared to RM129.7 million in the preceding year fourth quarter. Gross Profit also increased by 80.2% from RM21.2 million to RM38.2 million, on the back of higher profit margin from the Steel Fabrication and Civil Construction divisions.

The Civil Construction division registered a growth in revenue of RM8.6 million, representing a 12.9% hike compared to the preceding year corresponding quarter due to higher progress billings from on-going projects. Revenue for the quarter of RM75.5 million (4Q18: RM66.9 million) 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 Construction 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.

Whilst for Steel Fabrication division, group revenue reduced marginally by 7.8% to RM57.0 million, compared to RM61.8 million in the preceding year fourth quarter. Current quarter's revenue was mostly derived from the Engineering, Procurement, Construction, Installation and Commissioning ("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.

The Commissioning of New ESP Module for Upgrading and Modification on MAMPU-1 and AJK Platform for Vestigo Petroleum Sdn Bhd had reached its completion stage.

For Hot Dip Galvanising division, revenue of RM904K for the current quarter remained low, as compared to RM969K 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 other ad-hoc walk in customers.

Manufacturing Sector

Group revenue for the manufacturing sector improved by 76.6% to RM22.6 million, compared to RM12.8 million recorded in the preceding year fourth quarter.

Steel Pipes Manufacturing division under the two subsidiary companies operated in Sarawak and Sabah, has improved tremendously. The supply of Steel 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 RM20.3 million in 4Q19 compared to RM9.2 million in the preceding year corresponding quarter.

Revenue from LPG Cylinders manufacturing division was lower by 36.1%, recorded revenue of RM2.3 million (4Q18: RM3.6 million), mainly due to lower offtake of new LPG cylinders from Petroleum Companies in the current quarter. About 86% of 4Q19 revenue was from the Reconditioning/Requalification of LPG Cylinders for Petronas Dagangan Berhad and Mygaz Sdn Bhd and 14% from the supply of new LPG cylinders to Petronas Dagangan Berhad.

16. Material changes in the quarterly results compared to the results of the preceding quarter

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/12/19	30/09/19	
	RM'000	RM'000	
Revenue	156,027	165,478	-5.7%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	34,210	32,138	6.4%
Profit before interest and tax	31,874	29,894	6.6%
Profit before tax	31,013	28,804	7.7%
Profit after tax	25,222	23,408	7.7%
Profit attributable to equity holders of the parent	20,266	19,335	4.8%

Revenue for the quarter of RM156.0 million (3Q19: RM165.5 million) was marginally lower by 5.7% compared to the preceding quarter, due to lower sales registered by the Steel Fabrication division but offset by higher revenue from the Steel Pipes manufacturing division. Gross profit however increased to RM42.1 million in the current quarter (3Q19: RM30.9 million), with higher gross profit margin of 27.0% as compared to 18.7% reported in the preceding quarter. Despite lower revenue, current quarter's Profit Before Tax of RM31.0 million was 7.6% higher compared to the preceding quarter of RM28.8 million, mainly due to improved margin from the Engineering sector.

17. Prospects

The Group ended with strong earnings results for financial year ended 31 December 2019, supported by the on-going construction works for the development and upgrading of the Pan Borneo Highway project; Water related Construction projects including the supply, laying and commissioning of water pipes and other related infrastructure works implemented under the Sarawak Water Supply Grid Programme and Major Onshore fabrication jobs for the Oil & Gas facilities.

The demand for steel water pipes is expected to remain firm, buoyed by ongoing and upcoming water related infrastructure projects planned under the Sarawak Water Supply Grid Programme.

In addition, the award of the PETRONAS Frame Agreement to OceanMight Sdn Bhd (KKB's subsidiary), will open up more opportunities to OceanMight, being one of the few PETRONAS Licensed Yards in Malaysia to bid for contract works involving the Provision of Engineering, Procurement and Construction ("EPC") of Fixed Offshore Structure works by Petroliam Nasional Bhd. The Frame Agreement is effective from 12 December 2018 and continues for a period of six (6) years, unless terminated earlier.

In January 2020, OceanMight has secured two new contracts; from Petronas Carigali Sdn Bhd and PTTEP Sarawak Oil Limited for the Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms Bakau and the Provision of Engineering, Construction and Commissioning of Pemanis Satellite Topside, respectively.

The Group is actively participating in new business opportunities in the Major Onshore Fabrication, be it domestic or international, in collaboration with OceanMight Sdn Bhd and other strategic partner(s) to increase its revenue base and earnings, with continued effort on prudent cost management and operational efficiency to remain robust and competitive.

With the existing contracts in hand and the Group's diverse portfolio of businesses coupled with the healthy financial position, the Board remains optimistic that both its Engineering and Manufacturing sectors will perform favourably towards a sustainable growth for the financial year ending 2020, barring any unforeseen circumstances.

The Board however continues to manage the challenges of uncertainties in the global economic environment, the on-going COVID-19 outbreak, escalation of costs due to inflationary pressure, volatility of global raw material steel prices and fluctuation of exchange rates are amongst factors that may impact the Group's performance.

18. Variances from financial estimate, forecast or projection, or profit guarantee

Not applicable to the Group as no financial estimate, forecast or projection, or profit guarantee were published.

19. Commentary on the company's progress to achieve the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document and steps taken or proposed to be taken to achieve the financial estimate, forecast, projection or internal targets

Not applicable to the Group as no announcements or disclosures were published in a public document as to the financial estimate, forecast, projection or internal targets as at the date of this announcement.

20. Statement of the Board of Directors' opinion as to whether the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document are likely to be achieved

Not applicable to the Group as no announcements or disclosures were published in a public document as to the financial estimate, forecast, projection or internal targets as at the date of this announcement.

21. Income Tax Expense

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2019 RM	Comparative Quarter Ended 31/12/2018 RM	Current Period Ended 31/12/2019 RM	Comparative Period Ended 31/12/2018 RM
Malaysian taxation				
- Current year	5,865,453	2,739,180	16,067,121	6,699,578
- Prior year	40,393	39,898	96,036	(198,869)
Deferred tax	(114,749)	(125,830)	116,292	(43,757)
	-----	-----	-----	-----
	5,791,097	2,653,248	16,279,449	6,456,952
	=====	=====	=====	=====

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 31 December 2019 were as follows: -

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)		
	Secured RM	Unsecured RM
<u>Current</u>		
Obligations under finance leases	631,004	-
Bankers' acceptances	-	9,730,000
	-----	-----
<u>Non-Current</u>		
Obligations under finance leases	510,112	-
	-----	-----
Total borrowings	1,141,116	9,730,000
	=====	=====

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

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Obligations under finance leases	827,200

<u>Non-Current</u>	
Obligations under finance leases	603,686

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

24. Off Balance Sheet Financial Instruments

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

25. Derivative Financial Instruments

There were no derivative financial instruments entered into by the Group as at 31 December 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

The Board of Directors is pleased to recommend a first and final single tier dividend of six (6.0) sen per ordinary share, in respect of the financial year ended 31 December 2019. The payment of this dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

The date of the Annual General Meeting and the dates of the dividend entitlement and payment will be announced at a later date.

29. Earnings per share

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended	Comparative Quarter Ended	Current Period Ended	Comparative Period Ended
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net profit attributable to equity holders of the parent (RM)	<u>20,266,445</u>	<u>7,607,327</u>	<u>48,310,980</u>	<u>17,643,567</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>7.86</u>	<u>2.95</u>	<u>18.74</u>	<u>6.84</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 12 Months Ended	
	Current Quarter Ended 31/12/2019 RM	Comparative Quarter Ended 31/12/2018 RM	Current Period Ended 31/12/2019 RM	Comparative Period Ended 31/12/2018 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(481,063)	(180,083)	(1,102,480)	(412,940)
Interest income from financial liabilities	-	(179,654)	-	(435,947)
Realised foreign exchange loss/(gain)	1,073,092	(60,310)	1,063,821	(214,021)
Unrealised foreign exchange loss/(gain)	356,480	2,462	354,019	(114)
Rental income	(12,000)	(15,500)	(47,324)	(63,857)
Gain on disposal of property, plant and equipment	(19,999)	(146)	(42,121)	(146)
Gain on remeasurement of investment in former associate	-	-	-	(1,932,456)
Income arising from settlement of arbitration award	-	-	(6,871,588)	-
Written down of slow moving inventories	31,005	188,570	31,005	188,570
Depreciation of property, plant and equipment and right-of-use assets	2,422,688	2,597,846	9,185,723	11,695,357
Finance costs	860,781	1,181,952	4,164,261	1,502,164
Impairment loss on trade receivables	314,854	-	314,854	6,686
Property, plant and equipment written off	5,454	1	8,448	429

Other than the above items which have been included in the statement of profit or loss and other comprehensive income, there were no provision for and write off of receivables, gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items for the current quarter and period ended 31 December 2019.