

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 3 MONTHS ENDED	
	CURRENT QUARTER ENDED 31/03/2020 RM	COMPARATIVE QUARTER ENDED 31/03/2019 RM	CURRENT PERIOD ENDED 31/03/2020 RM	COMPARATIVE PERIOD ENDED 31/03/2019 RM
Revenue from contracts with customers	108,180,503	117,758,848	108,180,503	117,758,848
Cost of sales	(88,099,442)	(101,987,833)	(88,099,442)	(101,987,833)
Gross profit	<u>20,081,061</u>	<u>15,771,015</u>	<u>20,081,061</u>	<u>15,771,015</u>
Selling and distribution expenses	(49,817)	(369,019)	(49,817)	(369,019)
Administrative expenses	(7,944,788)	(8,377,023)	(7,944,788)	(8,377,023)
Operating profit	<u>12,086,456</u>	<u>7,024,973</u>	<u>12,086,456</u>	<u>7,024,973</u>
Finance costs	(883,524)	(1,265,411)	(883,524)	(1,265,411)
Finance income	338,003	180,286	338,003	180,286
Other expenses	(558,377)	(533,654)	(558,377)	(533,654)
Other income	852,793	1,921,552	852,793	1,921,552
Share of results of associates	517,122	52,134	517,122	52,134
Profit before tax	<u>12,352,473</u>	<u>7,379,880</u>	<u>12,352,473</u>	<u>7,379,880</u>
Income tax expense	(3,103,344)	(2,274,218)	(3,103,344)	(2,274,218)
Profit for the period	<u>9,249,129</u>	<u>5,105,662</u>	<u>9,249,129</u>	<u>5,105,662</u>
Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income for the period	<u>9,249,129</u>	<u>5,105,662</u>	<u>9,249,129</u>	<u>5,105,662</u>
Profit for the period attributable to:				
Equity holders of the parent	6,819,418	3,160,250	6,819,418	3,160,250
Non-controlling interests	2,429,711	1,945,412	2,429,711	1,945,412
	<u>9,249,129</u>	<u>5,105,662</u>	<u>9,249,129</u>	<u>5,105,662</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	6,819,418	3,160,250	6,819,418	3,160,250
Non-controlling interests	2,429,711	1,945,412	2,429,711	1,945,412
	<u>9,249,129</u>	<u>5,105,662</u>	<u>9,249,129</u>	<u>5,105,662</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>2.65</u>	<u>1.23</u>	<u>2.65</u>	<u>1.23</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.)

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INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 31/03/2020 RM	AS AT 31/12/2019 RM
ASSETS		
Non-current assets		
Property, plant & equipment	151,019,880	149,469,437
Investment in associates	4,290,993	3,773,871
Goodwill	1,632,667	1,632,667
Deferred tax assets	1,859,214	1,859,214
	<u>158,802,754</u>	<u>156,735,189</u>
Current assets		
Inventories	76,826,139	69,821,571
Trade and other receivables	111,464,865	67,809,580
Contract assets	132,736,550	141,163,814
Other current assets	1,467,268	908,661
Short term funds	71,059,354	38,079,135
Cash and short-term deposits	21,740,373	73,367,576
	<u>415,294,549</u>	<u>391,150,337</u>
TOTAL ASSETS	<u>574,097,303</u>	<u>547,885,526</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	128,896,000	128,896,000
Retained earnings	214,654,441	207,835,023
Equity attributable to equity holders of the parent	<u>343,550,441</u>	<u>336,731,023</u>
Non-controlling interests	<u>35,604,964</u>	<u>33,175,253</u>
Total equity	<u>379,155,405</u>	<u>369,906,276</u>
Non-current liabilities		
Interest-bearing loans and borrowings	391,946	547,648
Trade and other payables	9,255,956	8,809,101
Deferred tax liabilities	1,245,425	1,107,183
	<u>10,893,327</u>	<u>10,463,932</u>
Current liabilities		
Trade and other payables	171,097,782	151,580,622
Interest-bearing loans and borrowings	9,394,133	10,484,838
Income tax payable	3,556,656	5,449,858
	<u>184,048,571</u>	<u>167,515,318</u>
Total liabilities	<u>194,941,898</u>	<u>177,979,250</u>
TOTAL EQUITY AND LIABILITIES	<u>574,097,303</u>	<u>547,885,526</u>

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

KKB ENGINEERING BERHAD

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INTERIM FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020**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 2020	128,896,000	207,835,023	336,731,023	33,175,253	369,906,276
Profit for the period	-	6,819,418	6,819,418	2,429,711	9,249,129
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	6,819,418	6,819,418	2,429,711	9,249,129
At 31 March 2020	<u>128,896,000</u>	<u>214,654,441</u>	<u>343,550,441</u>	<u>35,604,964</u>	<u>379,155,405</u>
At 1 January 2019	128,896,000	170,460,222	299,356,222	19,775,900	319,132,122
Profit for the period	-	3,160,250	3,160,250	1,945,412	5,105,662
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	3,160,250	3,160,250	1,945,412	5,105,662
At 31 March 2019	<u>128,896,000</u>	<u>173,620,472</u>	<u>302,516,472</u>	<u>21,721,312</u>	<u>324,237,784</u>

(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 FIRST QUARTER ENDED 31 MARCH 2020**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 3 MONTHS ENDED 31/03/2020 RM	CUMULATIVE 3 MONTHS ENDED 31/03/2019 RM
Profit before taxation	12,352,473	7,379,880
Adjustments for:		
Depreciation of property, plant and equipment	2,414,281	2,235,433
Finance costs	883,524	1,265,411
Property, plant and equipment written off	937	1
Dividend income	(405,606)	(1,108,724)
Fair value changes in short term funds	26,001	338,888
Net unrealised foreign exchange gain	(356,481)	(2,461)
Interest income from financial assets	(338,003)	(180,286)
Share of results of associates	(517,122)	(52,134)
Total adjustments	1,707,531	2,496,128
Operating cash flows before changes in working capital	14,060,004	9,876,008
Changes in working capital		
Increase in inventories	(7,004,568)	(2,689,626)
Increase in receivables	(43,360,562)	(21,853,994)
Decrease/(increase) in contract assets	8,427,264	(2,897,031)
Increase/(decrease) in payables	20,025,772	(11,305,340)
Decrease/(increase) in other current assets	29,084	(7,535)
Cash flows used in operations	(7,823,006)	(28,877,518)
Interest paid	(883,524)	(1,265,411)
Taxation paid, net of refund	(5,445,993)	(242,281)
Net cash flows used in operating activities	(14,152,523)	(30,385,210)
Investing activities		
Purchase of property, plant and equipment	(3,965,662)	(5,954,462)
Investment in short term funds	(36,500,614)	(21,501,850)
Redemption of short term funds	3,900,000	-
Interest received	338,003	180,286
Net cash flows used in investing activities	(36,228,273)	(27,276,026)
Financing activities		
Net payment of bankers' acceptances	(1,044,000)	-
Repayment of principal lease liabilities	(202,407)	(326,797)
Net cash flows used in financing activities	(1,246,407)	(326,797)
Net decrease in cash and cash equivalents	(51,627,203)	(57,988,033)
Cash and cash equivalents at the beginning of the period	73,367,576	74,120,425
Cash and cash equivalents at the end of the period	21,740,373	16,132,392

(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 2019. 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 2019.

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 2019 except for the adoption of the following with effect from 1 January 2020:

- ❖ Amendments to MFRS 3: Definition of a Business
- ❖ Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- ❖ Amendments to MFRS 101 and MFRS 108: Definition of Material
- ❖ Revised Conceptual Framework for Financial Reporting

The initial application of the above is not expected to have any material financial impact on the Group's results.

3. Seasonal or cyclical factors

The business operations of the Group are not significantly affected by any seasonal or cyclical factors in the current quarter and financial year to date.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group in the current quarter and financial year to date.

5. Changes in Estimates

There were no significant changes in estimates of amounts reported in prior financial years which have a material effect in the current quarter and financial year to date.

6. Debt and equity securities

There were no issuances and repayments of debt and equity securities, share buy backs, shares cancellation, shares held as treasury shares and resale of treasury shares in the current quarter and financial year to date.

7. Dividend paid

No dividend was paid in the current quarter and financial year to date.

8. Segmental Reporting

The information for business segments predominantly conducted in Malaysia for the current financial year to date was as follows:

RESULTS FOR PERIOD-TO-DATE ENDED 31 MARCH 2020

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	23,137,755	85,042,748	-	108,180,503
Inter-segment revenue	18,052,593	6,225,866	(24,278,459)	-
Total revenue	41,190,348	91,268,614	(24,278,459)	108,180,503
Results	3,514,839	9,204,036	-	12,718,875
Finance costs	(108,095)	(775,429)	-	(883,524)
Share of results of associates	251,406	265,716	-	517,122
Profit before tax	3,658,150	8,694,323	-	12,352,473
Income tax expense	(1,292,975)	(1,810,369)	-	(3,103,344)
Profit after tax	2,365,175	6,883,954	-	9,249,129

OTHER DISCLOSURES

Finance income	58,040	279,963	-	338,003
Depreciation of property, plant and equipment	293,520	2,120,761	-	2,414,281

RESULTS FOR PERIOD-TO-DATE ENDED 31 MARCH 2019

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

OTHER DISCLOSURES

Finance income	52,874	127,412	-	180,286
Depreciation of property, plant and equipment	269,340	1,966,093	-	2,235,433
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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) Determination of fair value

The carrying amounts of trade and other receivables, trade and other payables, cash and short-term deposits, interest-bearing loans and borrowings 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 while the current portion of loans and borrowings has an insignificant impact of discounting.

Loans and borrowings

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(b) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Quantitative disclosures of the fair value measurement hierarchy were as follows:

	Date of valuation	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Assets measured at fair value:					
Short term funds	31/03/2020	71,059,354	-	-	71,059,354
	31/12/2019	38,079,135	-	-	38,079,135
		=====	=====	=====	=====

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

12. Contingent liabilities/Contingent assets as at 31 March 2020

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

13. Capital Commitments

	As At 31/03/2020 RM	As At 31/03/2019 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	11,319,153	11,437,505
- Approved but not contracted for	9,125,899	16,255,602
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	20,445,052	27,693,107
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2020 RM	Comparative Quarter Ended 31/03/2019 RM	Current Period Ended 31/03/2020 RM	Comparative Period Ended 31/03/2019 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	6,650	1,194	6,650	1,194
- Provision of miscellaneous services such as machineries, equipments and labour etc	279,536	255,520	279,536	255,520
- Rental income	6,000	6,000	6,000	6,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	10,122	4,221	10,122	4,221
Transactions with subsidiary of an investor, Cahya Mata Sarawak Bhd.				
- Sales of steel pipes and pipe fittings to CMS Infra Trading Sdn. Bhd.	-	4,490,543	-	4,490,543
- Sales of fabricated/galvanised steel products and structural steel works to CMS Concrete Products Sdn. Bhd.	637	-	637	-
Short term lease expense paid to companies in which certain directors of the Company have substantial financial interest and/or are also directors				
- KKB Development Sdn. Bhd.	17,850	17,850	17,850	17,850
- KKB Realty Sdn. Bhd.	10,500	10,500	10,500	10,500
- Sepang Kaya Sdn. Bhd.	32,091	32,708	32,091	32,708
Short term lease expense paid to a director, Dato Kho Kak Beng	19,200	19,200	19,200	19,200

Expense paid to a person connected with certain directors of the Company				
Short term lease expense				
- Kho Siew Lan	4,800	4,800	4,800	4,800
Professional services				
- Sekhar Savin & Partners	-	15,900	-	15,900
	387,386	4,858,436	387,386	4,858,436

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

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

15. Review Of Performance

Financial review for current quarter and financial year to date

	Quarter		Changes (%)	Cumulative 3 months		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period	
	31/03/20 RM'000	31/03/19 RM'000		31/03/20 RM'000	31/03/19 RM'000	
Revenue	108,181	117,759	-8.1%	108,181	117,759	-8.1%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	15,650	10,881	43.8%	15,650	10,881	43.8%
Profit before interest and tax	13,236	8,645	53.1%	13,236	8,645	53.1%
Profit before tax	12,352	7,380	67.4%	12,352	7,380	67.4%
Profit after tax	9,249	5,106	81.1%	9,249	5,106	81.1%
Profit attributable to equity holders of the parent	6,819	3,160	115.8%	6,819	3,160	115.8%

Group's current quarter revenue of RM108.2 million (1Q19: RM117.8 million) comprises revenue from the Engineering and Manufacturing sectors of RM85.0 million (1Q19: RM109.0 million) and RM23.1 million (1Q19: RM8.7 million) respectively.

In line with the Movement Control Order ("MCO") imposed by the Malaysian Government starting from 18 March 2020 to curb the spread of Covid-19 outbreak, all operational activities within the Group are maintained at a very minimal scale. Control measures restricting the movement of people and the suspension of business activity except for essential services has resulted in slower progress billings for the on-going contracts and hence, lower revenue recognition from the Group's Civil Construction division within the Engineering sector although offset by higher revenue from the Steel Pipes manufacturing division.

Group's pre-tax profit however increased to RM12.4 million (1Q19: RM7.4 million) despite revenue reduced marginally by 8.1% compared to the preceding year corresponding first quarter, mainly due to improved margin from the Engineering sector, in particular the Group's Civil Construction division.

Engineering Sector

The Engineering's sector revenue of RM85.0 million (1Q19: RM109.0 million) reduced by 22.0% over the preceding year corresponding first quarter. Gross Profit however increased to RM16.1 million (1Q19: RM14.0 million) on the back of improved profit margin from the Civil Construction division. For Construction's Division, revenue for the quarter of RM36.9 million (1Q19: RM62.1 million) reduced by 40.6% compared to the preceding year corresponding first quarter. Lower revenue in the current quarter mainly due to lower progress claims from the Pan Borneo Highway project in the State of Sarawak (Phase 1 Works Package Contract – WPC-09) undertaken by the subsidiary Company i.e KKBWCT Joint Venture Sdn Bhd., which contributed revenue of RM33.1 million in the current quarter compared to RM62.1 million recorded in the preceding year first quarter. The other four water related construction projects secured from Jabatan Bekalan Air Luar Bandar Sarawak for Package SR1 (Southern Region), Package 1C, Package 3A and 3B implemented under the Sarawak Water Supply Grid Programme contributed a combined revenue of RM3.6 million in the current quarter.

The Group's Steel Fabrication division recorded revenue of RM47.6 million (1Q19: RM46.2 million), recorded a marginal improvement of 3.0%. Current quarter's revenue was mostly derived from the Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") of Wellhead Platforms for BKD-A and Host Tie-In Modification at BNCP-B Topsides – BAKAU Non-Associated Gas Development 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, EPCIC of Wellhead Platforms for D18 Phase 2 Project for Petronas Carigali Sdn Bhd, Engineering, Procurement, Construction and Commissioning of PEMANIS Satellite Topside and other miscellaneous fabrication works.

For Hot Dip Galvanising division, revenue of RM507K for the current quarter remained low, as compared to RM788K 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 165.5% to RM23.1 million, compared to RM8.7 million recorded in the preceding year corresponding quarter, mainly attributed to strong performance of the Steel Pipes manufacturing division.

The Group's Steel Pipes manufacturing business under the two subsidiary companies operated in Sarawak and Sabah, recorded higher revenue of RM21.6 million in the current quarter as compared to RM4.9 million registered in the preceding year corresponding first quarter. Revenue increased by about 340.8% due to increase off takes of Steel Pipes required under the Sarawak Water Supply Grid Programme before the MCO imposition in March 2020. The Steel Pipes plant in Kota Kinabalu, Sabah contributed revenue of RM3.2 million in 1Q20 for sales of Mild Steel Cement-Lined Pipes to external parties.

LP Gas Cylinders manufacturing division recorded revenue of RM1.5 million (1Q19: RM3.8 million), decreased by 60.5%, due to lower offtake of LP Gas cylinders from Petroleum Companies in the current quarter. About 43% of 1Q20 revenue was from the Reconditioning/Requalification of LP Gas Cylinders for Petronas and Mygaz Sdn Bhd and 53% from the supply of new LPG cylinders to Petronas Dagangan Berhad. Imposition of the MCO by the Malaysian Government to curb the spread of Covid-19 outbreak starting from 18 March 2020 has resulted in a lower production quantity as operational activities are maintained at a very minimal scale.

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

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/03/20	31/12/19	
	RM'000	RM'000	
Revenue	108,181	156,277	-30.8%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	15,650	34,540	-54.7%
Profit before interest and tax	13,236	32,118	-58.8%
Profit before tax	12,352	31,263	-60.5%
Profit after tax	9,249	25,289	-63.4%
Profit attributable to equity holders of the parent	6,819	19,642	-65.3%

Group's revenue for the current quarter of RM108.2 million recorded a decrease of 30.8% compared to the preceding quarter of RM156.3 million. Similarly, Group's pre-tax profit reduced to RM12.4 million in the current quarter compared to RM31.3 million in the preceding quarter, amidst lower revenue registered by both the Civil Construction and Steel Fabrication divisions which recorded a combined revenue of RM84.5 million in the current quarter compared to RM132.7 million registered in the preceding quarter.

17. Prospects

The Group maintains its cautious outlook on performance of its Engineering sector, particularly the Group's Steel Fabrication division which relates to the major onshore fabrication for the Oil and Gas facilities. Given the volatile oil prices, there is a higher possibility of slower contracts roll out and downward revision in capex spending by Major Oil companies, both domestic and international.

Furthermore, the continuing effects from the unprecedented COVID-19 pandemic which is felt globally may cause disruptions to the global supply chain and logistics which may potentially impact the supply of materials, equipments and resources for the smooth execution of the Group's on-going projects in hand.

The Group continues to focus on optimising its costs whilst improving project delivery and execution in order to improve margins for both its Engineering and Manufacturing sectors in this challenging and volatile business environment.

Given the continuing effects from the COVID-19 pandemic, the Group's outlook for the second quarter is expected to be more challenging and we expect the Group's Revenue and bottom-line results will be affected. Like any other businesses, the Group is also affected by the movement control measures which caused the suspension of business activity except for essential services since 18 March 2020. The management has implemented measures to conserve cash for its working capital, control costs, review capex and streamlined its operations to mitigate the adverse impact on the financial performance of the Group.

Notwithstanding and barring any unforeseen circumstances, the Board and Management are cautiously optimistic that the Group will still be able to achieve satisfactory results for the financial year ending 2020, supported by the current orders in hand and the on-going construction works for the Pan Borneo Highway project in the State of Sarawak (Phase 1 Works Package Contract – WPC-09); Water related Construction projects including the supply, laying and commissioning of water pipes, other related infrastructure works implemented under the Sarawak Water Supply Grid Programme and the on-going major Onshore fabrication jobs for the Oil & Gas facilities, such as the Engineering, Procurement, Construction, Installation and Commissioning of BAKAU and PEMANIS Wellhead Platforms secured in January 2020 from Petronas Carigali Sdn Bhd and PTTEP Sarawak Oil Limited, respectively.

The Group 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 3 Months Ended	
	Current Quarter Ended 31/03/2020 RM	Comparative Quarter Ended 31/03/2019 RM	Current Period Ended 31/03/2020 RM	Comparative Period Ended 31/03/2019 RM
Malaysian taxation - Current year	2,965,102	2,141,170	2,965,102	2,141,170
Deferred tax	138,242	133,048	138,242	133,048
	----- 3,103,344 =====	----- 2,274,218 =====	----- 3,103,344 =====	----- 2,274,218 =====

The higher effective tax expense for the current quarter and financial year to date was primarily due to certain expenses were disallowed for tax deduction.

22. Status of Corporate Proposals

There were no new or outstanding corporate proposals announced which have not been completed as at the date of this announcement.

23. Group's Borrowings and Debt Securities

Total Group's loans and borrowings as at 31 March 2020 were as follows: -

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM	Unsecured RM
<u>Current</u>		
Lease liabilities	708,133	-
Bankers' acceptances	-	8,686,000
	-----	-----
<u>Non-Current</u>		
Lease liabilities	391,946	-
	-----	-----
Total loans and borrowings	1,100,079	8,686,000
	=====	=====

Total Group's loans and borrowings as at 31 March 2019 were as follows: -

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u>	
Lease liabilities	591,799

<u>Non-Current</u>	
Lease liabilities	512,290

Total loans and borrowings	1,104,089
	=====

24. Off Balance Sheet Financial Instruments

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

25. Derivative Financial Instruments

There were no derivative financial instruments entered into by the Group as at 31 March 2020.

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

There were no pending material litigations as at the date of this announcement.

28. Dividend

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 has been recommended by the Board of Directors on 18 February 2020 subject to the shareholders' approval at the forth-coming Forty-Fourth (44th) Annual General Meeting. Dividend entitlement and payment date will be announced at a later date.

29. Earnings per share

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2020	Comparative Quarter Ended 31/03/2019	Current Period Ended 31/03/2020	Comparative Period Ended 31/03/2019
Net profit attributable to equity holders of the parent (RM)	<u>6,819,418</u>	<u>3,160,250</u>	<u>6,819,418</u>	<u>3,160,250</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>2.65</u>	<u>1.23</u>	<u>2.65</u>	<u>1.23</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 2019 was not qualified.

31. Additional Disclosures on Profit for the period

	3 Months Ended		Cumulative 3 Months Ended	
	Current Quarter Ended 31/03/2020 RM	Comparative Quarter Ended 31/03/2019 RM	Current Period Ended 31/03/2020 RM	Comparative Period Ended 31/03/2019 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(338,003)	(180,286)	(338,003)	(180,286)
Realised foreign exchange loss/(gain)	14,423	(49,153)	14,423	(49,153)
Unrealised foreign exchange gain	(356,481)	(2,461)	(356,481)	(2,461)
Rental income	(12,000)	(11,000)	(12,000)	(11,000)
Depreciation of property, plant and equipment	2,414,281	2,235,433	2,414,281	2,235,433
Finance costs	883,524	1,265,411	883,524	1,265,411
Property, plant and equipment written off	937	1	937	1

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 March 2020.