

**KKB ENGINEERING BERHAD**

(Company No : 26495 - D)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020****Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/06/2020 RM	COMPARATIVE QUARTER ENDED 30/06/2019 RM	CURRENT PERIOD ENDED 30/06/2020 RM	COMPARATIVE PERIOD ENDED 30/06/2019 RM
Revenue from contracts with customers	89,201,481	119,766,930	197,381,984	237,525,778
Cost of sales	(71,099,096)	(102,176,818)	(159,198,538)	(204,164,651)
<b>Gross profit</b>	<u>18,102,385</u>	<u>17,590,112</u>	<u>38,183,446</u>	<u>33,361,127</u>
Selling and distribution expenses	(166,773)	(206,246)	(216,590)	(575,265)
Administrative expenses	(8,057,521)	(7,297,708)	(16,002,309)	(15,674,731)
<b>Operating profit</b>	<u>9,878,091</u>	<u>10,086,158</u>	<u>21,964,547</u>	<u>17,111,131</u>
Finance costs	(1,012,677)	(948,131)	(1,896,201)	(2,213,542)
Finance income	230,195	131,060	568,198	311,346
Other expenses	(649,948)	(577,426)	(1,208,325)	(1,111,080)
Other income	1,151,801	1,741,012	2,004,594	3,662,564
Share of results of associates	353,830	60,458	870,952	112,592
<b>Profit before tax</b>	<u>9,951,292</u>	<u>10,493,131</u>	<u>22,303,765</u>	<u>17,873,011</u>
Income tax expense	(3,181,524)	(2,818,565)	(6,284,868)	(5,092,783)
<b>Profit for the period</b>	<u>6,769,768</u>	<u>7,674,566</u>	<u>16,018,897</u>	<u>12,780,228</u>
<b>Other Comprehensive Income</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Comprehensive Income for the period</b>	<u>6,769,768</u>	<u>7,674,566</u>	<u>16,018,897</u>	<u>12,780,228</u>
Profit for the period attributable to:				
Equity holders of the parent	4,363,654	5,549,602	11,183,072	8,709,852
Non-controlling interests	2,406,114	2,124,964	4,835,825	4,070,376
	<u>6,769,768</u>	<u>7,674,566</u>	<u>16,018,897</u>	<u>12,780,228</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	4,363,654	5,549,602	11,183,072	8,709,852
Non-controlling interests	2,406,114	2,124,964	4,835,825	4,070,376
	<u>6,769,768</u>	<u>7,674,566</u>	<u>16,018,897</u>	<u>12,780,228</u>
<b>Earnings per share attributable to equity holders of the parent:</b>				
Basic, for profit for the period (sen)	<u>1.69</u>	<u>2.15</u>	<u>4.34</u>	<u>3.38</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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(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020****Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 30/06/2020 RM	AS AT 31/12/2019 RM
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant & equipment	149,763,771	149,469,437
Investment in associates	4,644,823	3,773,871
Goodwill	1,632,667	1,632,667
Deferred tax assets	1,859,214	1,859,214
	<u>157,900,475</u>	<u>156,735,189</u>
<b>Current assets</b>		
Inventories	70,520,524	69,821,571
Trade and other receivables	69,681,060	67,809,580
Contract assets	126,329,264	141,163,814
Other current assets	1,451,836	908,661
Short term funds	76,070,117	38,079,135
Cash and short-term deposits	34,207,675	73,367,576
	<u>378,260,476</u>	<u>391,150,337</u>
<b>TOTAL ASSETS</b>	<b><u>536,160,951</u></b>	<b><u>547,885,526</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Issued capital	128,896,000	128,896,000
Retained earnings	219,018,095	207,835,023
<b>Equity attributable to equity holders of the parent</b>	<u>347,914,095</u>	<u>336,731,023</u>
<b>Non-controlling interests</b>	<u>38,011,078</u>	<u>33,175,253</u>
<b>Total equity</b>	<u>385,925,173</u>	<u>369,906,276</u>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	264,217	547,648
Trade and other payables	4,144,512	8,809,101
Deferred tax liabilities	1,158,455	1,107,183
	<u>5,567,184</u>	<u>10,463,932</u>
<b>Current liabilities</b>		
Trade and other payables	139,596,173	151,580,622
Interest-bearing loans and borrowings	691,438	10,484,838
Income tax payable	4,380,983	5,449,858
	<u>144,668,594</u>	<u>167,515,318</u>
<b>Total liabilities</b>	<u>150,235,778</u>	<u>177,979,250</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>536,160,951</u></b>	<b><u>547,885,526</u></b>

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

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**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 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
<b>At 1 January 2020</b>	128,896,000	207,835,023	336,731,023	33,175,253	369,906,276
Profit for the period	-	11,183,072	11,183,072	4,835,825	16,018,897
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	11,183,072	11,183,072	4,835,825	16,018,897
<b>At 30 June 2020</b>	<u>128,896,000</u>	<u>219,018,095</u>	<u>347,914,095</u>	<u>38,011,078</u>	<u>385,925,173</u>
<b>At 1 January 2019</b>	128,896,000	170,460,222	299,356,222	19,775,900	319,132,122
Profit for the period	-	8,709,852	8,709,852	4,070,376	12,780,228
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	8,709,852	8,709,852	4,070,376	12,780,228
Dividend paid to non-controlling interests	-	-	-	(336,875)	(336,875)
First and final dividend for FYE 31 December 2018	-	(10,311,680)	(10,311,680)	-	(10,311,680)
<b>At 30 June 2019</b>	<u>128,896,000</u>	<u>168,858,394</u>	<u>297,754,394</u>	<u>23,509,401</u>	<u>321,263,795</u>

(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)

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**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020****Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 6 MONTHS ENDED 30/06/2020 RM	CUMULATIVE 6 MONTHS ENDED 30/06/2019 RM
Profit before taxation	22,303,765	17,873,011
Adjustments for:		
Depreciation of property, plant and equipment	4,831,284	4,506,174
Finance costs	1,896,201	2,213,542
Property, plant and equipment written off	937	1
Gain on disposal of property, plant & equipment	-	(18,999)
Dividend income	(926,603)	(1,683,234)
Fair value changes in short term funds	36,617	196,747
Net unrealised foreign exchange gain	(356,481)	(2,461)
Interest income from financial assets	(568,198)	(311,346)
Share of results of associates	(870,952)	(112,592)
Total adjustments	4,042,805	4,787,832
Operating cash flows before changes in working capital	26,346,570	22,660,843
Changes in working capital		
Increase in inventories	(698,953)	(11,155,775)
Increase in receivables	(1,576,757)	(56,119,403)
Decrease in contract assets	14,834,550	15,707,040
Decrease in payables	(16,587,281)	(14,505,741)
Decrease/(increase) in other current assets	44,516	(77,475)
Cash flows from/(used in) operations	22,362,645	(43,490,511)
Interest paid	(1,896,201)	(2,213,542)
Taxation paid, net of refund	(7,890,159)	(1,630,693)
Net cash flows from/(used in) operating activities	12,576,285	(47,334,746)
Investing activities		
Proceeds from disposal of property, plant & equipment	-	19,000
Purchase of property, plant and equipment	(5,071,255)	(11,839,314)
Investment in short term funds	(44,500,996)	(21,501,850)
Redemption of short term funds	7,400,000	32,309,001
Interest received	568,198	311,346
Net cash flows used in investing activities	(41,604,053)	(701,817)
Financing activities		
Dividend paid	-	(10,703,555)
Net payment of bankers' acceptances	(9,730,000)	9,632,000
Repayment of principal lease liabilities	(402,133)	(353,553)
Net cash flows used in financing activities	(10,132,133)	(1,425,108)
Net decrease in cash and cash equivalents	(39,159,901)	(49,461,671)
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	34,207,675	24,658,754

(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 30 JUNE 2020

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	37,728,173	159,653,811	-	197,381,984
Inter-segment revenue	32,056,406	9,683,734	(41,740,140)	-
Total revenue	69,784,579	169,337,545	(41,740,140)	197,381,984
Results	10,173,683	13,155,331	-	23,329,014
Finance costs	(109,620)	(1,786,581)	-	(1,896,201)
Share of results of associates	309,207	561,745	-	870,952
Profit before tax	10,373,270	11,930,495	-	22,303,765
Income tax expense	(2,337,957)	(3,946,911)	-	(6,284,868)
Profit after tax	8,035,313	7,983,584	-	16,018,897

### OTHER DISCLOSURES

Finance income	96,380	471,818	-	568,198
Depreciation of property, plant and equipment	588,489	4,242,795	-	4,831,284

### RESULTS FOR PERIOD-TO-DATE ENDED 30 JUNE 2019

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

## **OTHER DISCLOSURES**

Finance income	66,783	244,563	-	311,346
Depreciation of property, plant and equipment	529,752	3,976,422	-	4,506,174
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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
<b>Assets measured at fair value:</b>					
Short term funds	30/06/2020	76,070,117	-	-	76,070,117
	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 30 June 2020**

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

**13. Capital Commitments**

	As At 30/06/2020 RM	As At 30/06/2019 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	11,285,458	8,733,158
- Approved but not contracted for	8,846,569	15,433,528
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	20,132,027	24,166,686
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**14. Related Party Transactions**

	3 Months Ended		Cumulative 6 Months Ended	
	Current Quarter Ended 30/06/2020 RM	Comparative Quarter Ended 30/06/2019 RM	Current Period Ended 30/06/2020 RM	Comparative Period Ended 30/06/2019 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	14,000	-	20,650	1,194
- Provision of miscellaneous services such as machineries, equipments and labour etc	311,144	261,883	590,680	517,403
- Rental income	6,000	6,000	12,000	12,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	31,822	13,478	41,944	17,699
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
- Sales of fabricated/galvanised steel products and structural steel works to CMS Concrete Products Sdn. Bhd.	1,362	-	1,999	-
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	35,700	35,700
- KKB Realty Sdn. Bhd.	10,500	8,500	21,000	19,000
- Sepang Kaya Sdn. Bhd.	30,856	32,708	62,947	65,416
Short term lease expense paid to a director, Dato Kho Kak Beng	19,200	19,200	38,400	38,400



Expense paid to a person connected with certain directors of the Company				
Short term lease expense				
- Kho Siew Lan	4,800	4,800	9,600	9,600
Professional services				
- Sekhar Savin & Partners	-	-	-	15,900
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	447,534	364,419	834,920	5,222,855
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These transactions have been entered into with related parties on terms and conditions that are not more favourable to the related party than those generally available to the public.

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

### 15. Review Of Performance

Financial review for current quarter and financial year to date

	Quarter		Changes (%)	Cumulative 6 months		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period	
	30/06/20 RM'000	30/06/19 RM'000		30/06/20 RM'000	30/06/19 RM'000	
Revenue	89,201	119,767	-25.5%	197,382	237,526	-16.9%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	13,381	13,712	-2.4%	29,031	24,593	18.0%
Profit before interest and tax	10,964	11,441	-4.2%	24,200	20,087	20.5%
Profit before tax	9,951	10,493	-5.2%	22,304	17,873	24.8%
Profit after tax	6,770	7,675	-11.8%	16,019	12,780	25.3%
Profit attributable to equity holders of the parent	4,364	5,550	-21.4%	11,183	8,710	28.4%

The Group recorded revenue of RM89.2 million in the current quarter under review as compared to RM119.8 million registered in the preceding year second quarter. The Engineering sector contributed RM74.6 million (2Q19: RM114.4 million) towards the Group's total revenue in the current quarter and RM14.6 million (2Q19: RM5.3 million) from the Manufacturing sector. Comparatively, consolidated revenue for the quarter and year-to-date is lower than the preceding year comparative period mainly due to lower revenue recognition from the Group's Civil Construction although offset by higher revenue from the Steel Pipes manufacturing division.

The Group recorded a pre-tax profit ("PBT") of RM10.0 million as compared to RM10.5 million registered in the preceding year corresponding quarter, bringing its year to date PBT to RM22.3 million (1H19: RM17.9 million) on the back of improved profit margin.

## Engineering Sector

The sector's results were affected by the Movement Control Order ("MCO") imposed by the Malaysian Government starting from 18 March 2020 to curb the spread of Covid-19. Control measures restricting the movement of people and the suspension of business activity except for essential services have caused significant disruptions to the construction activities and progress, resulted in lower revenue recognition from the Group's Civil Construction division within the Engineering sector.

Revenue for the Group Construction's division decreased to RM32.8 million in the current quarter compared to RM70.7 million recorded in the preceding year corresponding 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 RM18.7 million in the current quarter compared to RM52.8 million recorded in the preceding year corresponding 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 RM13.1 million in the current quarter. The newly secured project in May 2020 from Kuching Water Board for the Construction, Completion and Commissioning of the Proposed 1600mm diameter MSCL Pipes from Jalan Batu Kawa/Matang to and fro Matang Mid-Level Reservoir and Associated Works implemented under the Sarawak Water Supply Grid Programme is still at the early stage to contribute to the Group's revenue and earnings.

The Group's Steel Fabrication division recorded revenue of RM41.6 million (2Q19: RM43.3 million), decreased marginally by 3.9%. 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 BNCPP-B Topsides – BAKAU Non-Associated Gas Development Project for Petronas Carigali Sdn Bhd, Engineering, Procurement, Construction and Commissioning of PEMANIS Satellite Topside under PTTEP Sarawak Oil Limited, Procurement & 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 and EPCIC of Wellhead Platforms for D18 Phase 2 project under Petronas Carigali Sdn Bhd.

For Hot Dip Galvanising division, revenue of RM253K recorded in the current quarter remained low, as compared to RM383K recorded in the preceding year corresponding quarter, mainly from walk in customers.

## Manufacturing Sector

Group revenue for the manufacturing sector recovered strongly by 175.5% to RM14.6 million, compared to RM5.3 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 recorded higher revenue of RM12.7 million in the current quarter as compared to RM2.4 million registered in the preceding year corresponding quarter. Revenue increased by about 429.2% due to increase off takes of Steel Pipes required under the Sarawak Water Supply Grid Programme. The Steel Pipes plant in Kota Kinabalu, Sabah contributed revenue of RM1.1 million in 2Q20 for sales of MSCL Pipes to external parties.

LP Gas Cylinders manufacturing division recorded revenue of RM1.9 million (2Q19: RM2.9 million), decreased by 34.5%. About 53% of 2Q20 revenue was from the Reconditioning/Requalification of LPG Cylinders and 43% from the supply of new cylinders to Petronas Dagangan Berhad. Imposition of the Movement Control Order 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 within the Group are still maintained at a minimal scale in 2Q20.

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

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	30/06/20	31/03/20	
	RM'000	RM'000	
Revenue	89,201	108,181	-17.5%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	13,381	15,650	-14.5%
Profit before interest and tax	10,964	13,236	-17.2%
Profit before tax	9,951	12,352	-19.4%
Profit after tax	6,770	9,249	-26.8%
Profit attributable to equity holders of the parent	4,364	6,819	-36.0%

Group's revenue for the current quarter of RM89.2 million recorded a decrease of 17.5%, compared to the preceding quarter of RM108.2 million. Similarly, Group's pre-tax profit reduced to RM10.0 million in the current quarter compared to RM12.4 million in the preceding quarter, amidst lower revenue registered by both the Engineering and Manufacturing sectors. The Civil Construction and Steel Fabrication divisions within the Engineering sector recorded a combined revenue of RM74.4 million (1Q20: RM84.5 million) whilst revenue from the Steel Pipes division decreased to RM12.7 million in the current quarter (1Q20: RM21.6 million).

## 17. Prospects

The business environment remains challenging in light of the uncertainty in domestic and global economic condition. The Global Covid-19 pandemic and the Movement Control Order imposed by the Government has temporarily affected our operations. The Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to 3 May 2020, Conditional MCO from 4 May 2020 to 9 June 2020 and Recovery MCO from 10 June 2020 to 31 August 2020 to curb the spread of Covid-19 outbreak. The MCOs have halted most of the economic sectors and activities, especially those operating in non-essential services.

As we are now in the Recovery Movement Control Order Phase, our project sites have since resumed work although it will take some lead time for our operations to regain the momentum to return to full normalcy.

As the full extent and impact of the COVID-19 pandemic remains to be seen, the Board and management of the Group will continue to exercise due care and prudence in view of the uncertainties and challenges ahead. 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.

The Group continues to strengthen its business operations to remain competitive in its core business segments and 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.

In May 2020, the Company has secured a water related construction project from Kuching Water Board for the Construction, Completion and Commissioning of the Proposed 1600mm diameter MSCL Pipes from Jalan Batu Kawa/Matang to and fro Matang Mid-Level Reservoir and Associated Works, in addition to the other three on-going water related construction projects secured from Jabatan Bekalan Air Luar Bandar Sarawak for Package SR1 (Southern Region), Package 3A and 3B implemented under the Sarawak Water Supply Grid Programme.

With 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, the Board and Management anticipates that the Group's performance for the financial year ending 2020 will remain satisfactory, barring any unforeseen circumstances.

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 6 Months Ended	
	Current	Comparative	Current	Comparative
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM	RM	RM	RM
Malaysian taxation				
- Current year	3,268,495	2,807,343	6,233,597	4,948,513
Deferred tax	(86,971)	11,222	51,271	144,270
	-----	-----	-----	-----
	3,181,524	2,818,565	6,284,868	5,092,783
	=====	=====	=====	=====

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 30 June 2020 were as follows: -

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)	Secured RM
<u>Current</u> Lease liabilities	691,438
<u>Non-Current</u> Lease liabilities	264,217
Total loans and borrowings	955,655

Total Group's loans and borrowings as at 30 June 2019 were as follows: -

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

### 24. Off Balance Sheet Financial Instruments

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

### 25. Derivative Financial Instruments

There were no derivative financial instruments entered into by the Group as at 30 June 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, payable to shareholders of the Company whose names appear in the Record of Depositors on 27 August 2020.

The payment of this first and final dividend is subject to the shareholders' approval at the forthcoming Forty-Fourth (44<sup>th</sup>) Annual General Meeting to be held on 14 August 2020, and if approved will be paid on 15 September 2020.

**29. Earnings per share**

	3 Months Ended		Cumulative 6 Months Ended	
	Current Quarter Ended 30/06/2020	Comparative Quarter Ended 30/06/2019	Current Period Ended 30/06/2020	Comparative Period Ended 30/06/2019
Net profit attributable to equity holders of the parent (RM)	<u>4,363,654</u>	<u>5,549,602</u>	<u>11,183,072</u>	<u>8,709,852</u>
Weighted average number of ordinary shares in issue	<u>257,792,000</u>	<u>257,792,000</u>	<u>257,792,000</u>	<u>257,792,000</u>
Basic earnings per share for the period attributable to equity holders of the parent (sen)	<u>1.69</u>	<u>2.15</u>	<u>4.34</u>	<u>3.38</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 6 Months Ended	
	Current Quarter Ended 30/06/2020 RM	Comparative Quarter Ended 30/06/2019 RM	Current Period Ended 30/06/2020 RM	Comparative Period Ended 30/06/2019 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(230,195)	(131,060)	(568,198)	(311,346)
Realised foreign exchange (gain)/loss	(1,535)	(114,787)	12,888	(163,940)
Unrealised foreign exchange gain	-	-	(356,481)	(2,461)
Rental income	(12,000)	(11,724)	(24,000)	(22,724)
Gain on disposal of property, plant and equipment	-	(18,999)	-	(18,999)
Depreciation of property, plant and equipment	2,417,003	2,270,741	4,831,284	4,506,174
Finance costs	1,012,677	948,131	1,896,201	2,213,542
Property, plant and equipment written off	-	-	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 30 June 2020.