

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

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

	3 MONTHS ENDED		CUMULATIVE 9 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/09/2020 RM	COMPARATIVE QUARTER ENDED 30/09/2019 RM	CURRENT PERIOD ENDED 30/09/2020 RM	COMPARATIVE PERIOD ENDED 30/09/2019 RM
Revenue from contracts with customers	117,753,380	165,478,455	315,135,364	403,004,233
Cost of sales	(93,234,524)	(134,605,290)	(252,433,062)	(338,769,941)
Gross profit	<u>24,518,856</u>	<u>30,873,165</u>	<u>62,702,302</u>	<u>64,234,292</u>
Selling and distribution expenses	(233,052)	(387,689)	(449,642)	(962,954)
Administrative expenses	(7,326,019)	(7,768,932)	(23,328,328)	(23,443,663)
Operating profit	<u>16,959,785</u>	<u>22,716,544</u>	<u>38,924,332</u>	<u>39,827,675</u>
Finance costs	(960,254)	(1,089,938)	(2,856,455)	(3,303,480)
Finance income	188,905	310,071	757,103	621,417
Other expenses	(454,642)	(499,337)	(1,662,967)	(1,610,417)
Other income	779,962	7,232,641	2,784,556	10,895,205
Share of results of associates	330,008	133,780	1,200,960	246,372
Profit before tax	<u>16,843,764</u>	<u>28,803,761</u>	<u>39,147,529</u>	<u>46,676,772</u>
Income tax expense	(3,407,956)	(5,395,569)	(9,692,824)	(10,488,352)
Profit for the period	<u>13,435,808</u>	<u>23,408,192</u>	<u>29,454,705</u>	<u>36,188,420</u>
Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income for the period	<u>13,435,808</u>	<u>23,408,192</u>	<u>29,454,705</u>	<u>36,188,420</u>
Profit for the period attributable to:				
Equity holders of the parent	11,036,103	19,334,683	22,219,175	28,044,535
Non-controlling interests	2,399,705	4,073,509	7,235,530	8,143,885
	<u>13,435,808</u>	<u>23,408,192</u>	<u>29,454,705</u>	<u>36,188,420</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	11,036,103	19,334,683	22,219,175	28,044,535
Non-controlling interests	2,399,705	4,073,509	7,235,530	8,143,885
	<u>13,435,808</u>	<u>23,408,192</u>	<u>29,454,705</u>	<u>36,188,420</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>4.28</u>	<u>7.50</u>	<u>8.62</u>	<u>10.88</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 THIRD QUARTER ENDED 30 SEPTEMBER 2020**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 30/09/2020 RM	AS AT 31/12/2019 RM
ASSETS		
Non-current assets		
Property, plant & equipment	148,872,916	149,469,437
Investment in associates	4,974,831	3,773,871
Goodwill	1,632,667	1,632,667
Deferred tax assets	1,859,214	1,859,214
	<u>157,339,628</u>	<u>156,735,189</u>
Current assets		
Inventories	57,170,274	69,821,571
Trade and other receivables	95,284,348	67,809,580
Contract assets	109,873,183	141,163,814
Other current assets	1,423,099	908,661
Short term funds	75,952,488	38,079,135
Cash and short-term deposits	58,860,664	73,367,576
	<u>398,564,056</u>	<u>391,150,337</u>
TOTAL ASSETS	<u>555,903,684</u>	<u>547,885,526</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	128,896,000	128,896,000
Retained earnings	214,586,678	207,835,023
Equity attributable to equity holders of the parent	<u>343,482,678</u>	<u>336,731,023</u>
Non-controlling interests	<u>40,410,783</u>	<u>33,175,253</u>
Total equity	<u>383,893,461</u>	<u>369,906,276</u>
Non-current liabilities		
Interest-bearing loans and borrowings	131,923	547,648
Trade and other payables	4,351,364	8,809,101
Deferred tax liabilities	1,171,187	1,107,183
	<u>5,654,474</u>	<u>10,463,932</u>
Current liabilities		
Trade and other payables	157,082,597	151,580,622
Interest-bearing loans and borrowings	4,756,554	10,484,838
Income tax payable	4,516,598	5,449,858
	<u>166,355,749</u>	<u>167,515,318</u>
Total liabilities	<u>172,010,223</u>	<u>177,979,250</u>
TOTAL EQUITY AND LIABILITIES	<u>555,903,684</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

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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	-	22,219,175	22,219,175	7,235,530	29,454,705
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	22,219,175	22,219,175	7,235,530	29,454,705
First and final dividend for FYE 31 December 2019	-	(15,467,520)	(15,467,520)	-	(15,467,520)
At 30 September 2020	<u>128,896,000</u>	<u>214,586,678</u>	<u>343,482,678</u>	<u>40,410,783</u>	<u>383,893,461</u>
At 1 January 2019	128,896,000	170,460,222	299,356,222	19,775,900	319,132,122
Profit for the period	-	28,044,535	28,044,535	8,143,885	36,188,420
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	28,044,535	28,044,535	8,143,885	36,188,420
Dividend paid to non-controlling interests	-	-	-	(391,875)	(391,875)
First and final dividend for FYE 31 December 2018	-	(10,311,680)	(10,311,680)	-	(10,311,680)
At 30 September 2019	<u>128,896,000</u>	<u>188,193,077</u>	<u>317,089,077</u>	<u>27,527,910</u>	<u>344,616,987</u>

(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 THIRD QUARTER ENDED 30 SEPTEMBER 2020**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 9 MONTHS ENDED 30/09/2020 RM	CUMULATIVE 9 MONTHS ENDED 30/09/2019 RM
Profit before taxation	39,147,529	46,676,772
Adjustments for:		
Depreciation of property, plant and equipment	7,353,884	6,763,035
Finance costs	2,856,455	3,303,480
Property, plant and equipment written off	3,068	2,994
Gain on disposal of property, plant & equipment	(19,999)	(22,122)
Dividend income	(1,291,162)	(2,068,737)
Fair value changes in short term funds	13,464	138,521
Net unrealised foreign exchange gain	(437,931)	(2,461)
Interest income from financial assets	(757,103)	(621,417)
Share of results of associates	(1,200,960)	(246,372)
Total adjustments	6,519,716	7,246,921
Operating cash flows before changes in working capital	45,667,245	53,923,693
Changes in working capital		
Decrease/(increase) in inventories	12,651,297	(29,724,682)
Increase in receivables	(27,180,045)	(76,449,314)
Decrease in contract assets	31,290,631	22,242,953
Increase in payables	1,187,445	5,462,907
Decrease/(increase) in other current assets	67,494	(103,627)
Cash flows from/(used in) operations	63,684,067	(24,648,070)
Interest paid	(2,856,455)	(3,303,480)
Taxation paid, net of refund	(11,144,010)	(4,598,711)
Net cash flows from/(used in) operating activities	49,683,602	(32,550,261)
Investing activities		
Proceeds from disposal of property, plant & equipment	20,000	25,721
Purchase of property, plant and equipment	(6,447,326)	(14,344,503)
Investment in short term funds	(49,001,155)	(26,501,850)
Redemption of short term funds	12,405,500	50,613,359
Interest received	757,103	621,417
Net cash flows (used in)/from investing activities	(42,265,878)	10,414,144
Financing activities		
Dividend paid	(15,467,520)	(10,703,555)
Net (payment of)/proceeds from bankers' acceptances	(5,773,350)	26,362,000
Repayment of principal lease liabilities	(683,766)	(786,715)
Net cash flows (used in)/from financing activities	(21,924,636)	14,871,730
Net decrease in cash and cash equivalents	(14,506,912)	(7,264,387)
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	58,860,664	66,856,038

(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

On 15 September 2020, the Company paid 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.

8. Segmental Reporting

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

RESULTS FOR PERIOD-TO-DATE ENDED 30 SEPTEMBER 2020

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	62,713,838	252,421,526	-	315,135,364
Inter-segment revenue	53,132,217	13,580,604	(66,712,821)	-
Total revenue	115,846,055	266,002,130	(66,712,821)	315,135,364
Results	19,204,290	21,598,734	-	40,803,024
Finance costs	(118,434)	(2,738,021)	-	(2,856,455)
Share of results of associates	367,604	833,356	-	1,200,960
Profit before tax	19,453,460	19,694,069	-	39,147,529
Income tax expense	(3,567,774)	(6,125,050)	-	(9,692,824)
Profit after tax	15,885,686	13,569,019	-	29,454,705

OTHER DISCLOSURES

Finance income	127,781	629,322	-	757,103
Depreciation of property, plant and equipment	881,043	6,472,841	-	7,353,884

RESULTS FOR PERIOD-TO-DATE ENDED 30 SEPTEMBER 2019

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

OTHER DISCLOSURES

Finance income	102,683	518,734	-	621,417
Depreciation	797,431	5,965,604	-	6,763,035
	-----	-----	-----	-----

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	30/09/2020	75,952,488	-	-	75,952,488
	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 September 2020

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

13. Capital Commitments

	As At 30/09/2020 RM	As At 30/09/2019 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	10,962,012	7,960,671
- Approved but not contracted for	8,426,567	14,061,665
	-----	-----
	19,388,579	22,022,336
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 9 Months Ended	
	Current Quarter Ended 30/09/2020 RM	Comparative Quarter Ended 30/09/2019 RM	Current Period Ended 30/09/2020 RM	Comparative Period Ended 30/09/2019 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	7,200	6,650	27,850	7,844
- Provision of miscellaneous services such as machineries, equipments and labour etc	583,167	180,519	1,173,847	697,922
- Rental income	6,000	6,000	18,000	18,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	55,766	13,710	97,710	31,409
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.	-	-	1,999	-
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	53,550	53,550
- KKB Realty Sdn. Bhd.	10,500	10,500	31,500	29,500
- Sepang Kaya Sdn. Bhd.	30,857	32,708	93,804	98,124
Short term lease expense paid to a director, Dato Kho Kak Beng	19,200	19,200	57,600	57,600

Expense paid to a person connected with certain directors of the Company				
Short term lease expense				
- Kho Siew Lan	4,800	4,800	14,400	14,400
Professional services				
- Sekhar Savin & Partners	-	-	-	15,900
	-----	-----	-----	-----
	735,340	291,937	1,570,260	5,514,792
	-----	-----	-----	-----

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

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

15. Review Of Performance

Financial review for current quarter and financial year to date

	Quarter		Changes (%)	Cumulative 9 months		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period	
	30/09/20 RM'000	30/09/19 RM'000		30/09/20 RM'000	30/09/19 RM'000	
Revenue	117,753	165,478	-28.8%	315,135	403,004	-21.8%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	20,327	32,416	-37.3%	49,358	56,743	-13.0%
Profit before interest and tax	17,804	29,894	-40.4%	42,004	49,980	-16.0%
Profit before tax	16,844	28,804	-41.5%	39,148	46,677	-16.1%
Profit after tax	13,436	23,408	-42.6%	29,455	36,188	-18.6%
Profit attributable to equity holders of the parent	11,036	19,335	-42.9%	22,219	28,045	-20.8%

The Group recorded revenue of RM117.8 million in the current quarter compared to RM165.5 million in the preceding year corresponding quarter, and year to date revenue of RM315.1 million (9 months 2019: RM403.0 million). The Engineering sector contributed 79% (RM92.8 million) towards the Group's current quarter revenue whilst 21% (RM25.0 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 and Steel Fabrication divisions although offset by higher revenue from the Steel Pipes manufacturing division.

Similarly, the Group recorded a lower pre-tax profit of RM16.8 million (3Q19: RM28.8 million) and RM39.1 million (9 months 2019: RM46.7 million), respectively for the current quarter and year to date on the back of lower revenue.

The Group's results were seen to be affected by the slower pace of site work activities of the on-going projects induced by the stringent Covid-19 standard operating procedures imposed by the Authorities

in compliance with the Movement Control Order ("MCO"), Conditional MCO and Recovery MCO to curb the spread of Covid-19.

Engineering Sector

The sector's revenue of RM92.8 million decreased by 37.9% compared to the preceding year corresponding quarter of RM149.4 million. Although works were allowed to gradually restart following the easing of movement restrictions in early May 2020, site work activities of the on-going projects are still at a slower pace due to stringent health and safety control measures imposed by the Authorities and supply chain were impacted which affected the efficient ramping up of works.

Group's revenue for the Construction division decreased to RM50.0 million in the current quarter compared to RM76.7 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 RM26.2 million in the current quarter compared to RM52.6 million recorded in the preceding year corresponding quarter. The other three 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 contributed a combined revenue of RM17.1 million in the current quarter. 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 awarded by Kuching Water Board in May 2020 under the Sarawak Water Supply Grid Programme contributed revenue of RM6.5 million in the current quarter.

The Group's Steel Fabrication division recorded revenue of RM41.9 million (3Q19: RM72.0 million), decreased by 41.8%. Current quarter's revenue was mostly derived from the Engineering, Procurement, Construction, Installation and Commissioning 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 and Engineering, Procurement, Construction and Commissioning of PEMANIS Satellite Topside under PTTEP Sarawak Oil Limited.

Hot Dip Galvanising division recorded revenue of RM869K, improved by 37.3% compared to RM633K in the preceding year corresponding quarter. Revenue mainly contributed from the supply of galvanized Low and High Tension Steel Poles to Syarikat Sesco Berhad and walk in customers.

Manufacturing Sector

The Group's Steel Pipes manufacturing division recorded higher revenue of RM22.2 million in the current quarter as compared to RM13.1 million registered in the preceding year corresponding quarter. Revenue increased by about 69.5% as production ramps up to meet Customers order for Mild Steel Pipes required under the Sarawak Water Supply Grid Programme. The Steel Pipes plant in Kota Kinabalu, Sabah contributed revenue of RM3.7 million in 3Q20 for sales of Mild Steel Cement Lined Pipes to external parties.

LP Gas Cylinders manufacturing division recorded revenue of RM2.8 million (3Q19: RM3.0 million), decreased by 6.7%. Revenue for the quarter was from the supply of New and Reconditioning/Requalification of LP Gas 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 (%)
	30/09/20	30/06/20	
	RM'000	RM'000	
Revenue	117,753	89,201	32.0%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	20,327	13,381	51.9%
Profit before interest and tax	17,804	10,964	62.4%
Profit before tax	16,844	9,951	69.3%
Profit after tax	13,436	6,770	98.5%
Profit attributable to equity holders of the parent	11,036	4,364	152.9%

Current quarter shows an increase in the Group's revenue to RM117.8 million, from RM89.2 million recorded in the preceding quarter. Similarly, the Group's pre-tax profit of RM16.8 million recorded an increase of about 69.3% compared to RM10.0 million in the preceding quarter, on the back of higher revenue registered by both the Engineering and Manufacturing sectors, in particular from the Civil Construction and Steel Pipes manufacturing divisions. Construction works at all on-going projects gradually picked up pace following the easing of movement restrictions in early May 2020.

17. Prospects

The operating business environment remains challenging brought forth by the unprecedented Covid-19 pandemic, low crude oil prices and uncertainty in domestic and global economic condition.

Notwithstanding, the Group expects to achieve commendable results for the financial year ending 31 December 2020, barring any unforeseen circumstances.

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 ("RMCO") from 10 June 2020 to 31 August 2020 (extended to 31 December 2020) to curb the spread of Covid-19.

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.

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 under this challenging and volatile business environment.

In August 2020, OceanMight Sdn Bhd (KKB's subsidiary) was awarded a contract from Unincorporated Joint Venture of Malaysia Marine and Heavy Engineering Sdn Bhd and Technip Geoproduction (M) Sdn Bhd for Provision of Engineering, Procurement and Construction (EPC) of Flare Platform for Kasawari Gas Development Project.

Currently OceanMight is working on the Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") of Wellhead Platforms – BAKAU Non-Associated Gas Development Project under Petronas Carigali Sdn Bhd and Engineering, Procurement, Construction and Commissioning of PEMANIS Satellite Topside awarded by PTTEP Sarawak Oil Limited.

Moving forward, the Group's resilience is underpinned by its 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, which will see it through the next two (2) years.

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 9 Months Ended	
	Current Quarter Ended 30/09/2020 RM	Comparative Quarter Ended 30/09/2019 RM	Current Period Ended 30/09/2020 RM	Comparative Period Ended 30/09/2019 RM
Malaysian taxation				
- Current year	3,440,484	5,253,155	9,674,081	10,201,668
- Prior year	(45,260)	55,643	(45,260)	55,643
Deferred tax	12,732	86,771	64,003	231,041
	-----	-----	-----	-----
	3,407,956	5,395,569	9,692,824	10,488,352
	=====	=====	=====	=====

The higher effective tax expense for the current 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 September 2020 were as follows: -

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)

	Secured RM	Unsecured RM
<u>Current</u>		
Lease liabilities	799,904	-
Bankers' acceptances	-	3,956,650
	-----	-----
<u>Non-Current</u>		
Lease liabilities	131,923	-
	-----	-----
Total borrowings	931,827	3,956,650
	=====	=====

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

Interest-bearing Loans and Borrowings (denominated in Ringgit Malaysia)

	Secured RM	Unsecured RM
<u>Current</u>		
Lease liabilities	443,143	-
Bankers' acceptances	-	26,362,000
	-----	-----
<u>Non-Current</u>		
Lease liabilities	465,822	-
	-----	-----
Total borrowings	908,965	26,362,000
	=====	=====

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 September 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

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

29. Earnings per share

	3 Months Ended		Cumulative 9 Months Ended	
	Current Quarter Ended 30/09/2020	Comparative Quarter Ended 30/09/2019	Current Period Ended 30/09/2020	Comparative Period Ended 30/09/2019
Net profit attributable to equity holders of the parent (RM)	<u>11,036,103</u>	<u>19,334,683</u>	<u>22,219,175</u>	<u>28,044,535</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>4.28</u>	<u>7.50</u>	<u>8.62</u>	<u>10.88</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 9 Months Ended	
	Current Quarter Ended 30/09/2020 RM	Comparative Quarter Ended 30/09/2019 RM	Current Period Ended 30/09/2020 RM	Comparative Period Ended 30/09/2019 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(188,905)	(310,071)	(757,103)	(621,417)
Realised foreign exchange (gain)/loss	(73,178)	154,669	(60,290)	(9,271)
Unrealised foreign exchange gain	(81,450)	-	(437,931)	(2,461)
Rental income	(12,000)	(12,600)	(36,000)	(35,324)
Gain on disposal of property, plant and equipment	(19,999)	(3,123)	(19,999)	(22,122)
Award arising from settlement of Arbitration	-	(4,000,000)	-	(4,000,000)
Depreciation of property, plant and equipment	2,522,600	2,256,861	7,353,884	6,763,035
Finance costs	960,254	1,089,938	2,856,455	3,303,480
Property, plant and equipment written off	2,131	2,993	3,068	2,994

Other than the above items which have been included in the statement of profit or loss and other comprehensive income, there were no provision for and write off of receivables, gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items for the current quarter and period ended 30 September 2020.