

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 6 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/06/2021 RM	COMPARATIVE QUARTER ENDED 30/06/2020 RM	CURRENT PERIOD ENDED 30/06/2021 RM	COMPARATIVE PERIOD ENDED 30/06/2020 RM
Revenue from contracts with customers	81,045,418	89,201,481	180,768,649	197,381,984
Cost of sales	(67,020,276)	(71,099,096)	(145,185,762)	(159,198,538)
Gross profit	<u>14,025,142</u>	<u>18,102,385</u>	<u>35,582,887</u>	<u>38,183,446</u>
Selling and distribution expenses	(229,699)	(166,773)	(342,643)	(216,590)
Administrative expenses	(9,162,856)	(8,057,521)	(17,551,999)	(16,002,309)
Operating profit	<u>4,632,587</u>	<u>9,878,091</u>	<u>17,688,245</u>	<u>21,964,547</u>
Finance costs	(806,673)	(1,012,677)	(1,691,873)	(1,896,201)
Finance income	140,137	230,195	316,883	568,198
Other expenses	(583,070)	(649,948)	(1,461,009)	(1,208,325)
Other income	962,151	1,151,801	2,059,739	2,004,594
Share of results of associates	292,586	353,830	878,804	870,952
Profit before tax	<u>4,637,718</u>	<u>9,951,292</u>	<u>17,790,789</u>	<u>22,303,765</u>
Income tax expense	(1,093,794)	(3,181,524)	(2,497,516)	(6,284,868)
Profit for the period	<u>3,543,924</u>	<u>6,769,768</u>	<u>15,293,273</u>	<u>16,018,897</u>
Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income for the period	<u>3,543,924</u>	<u>6,769,768</u>	<u>15,293,273</u>	<u>16,018,897</u>
Profit for the period attributable to:				
Equity holders of the parent	2,472,083	4,363,654	11,994,613	11,183,072
Non-controlling interests	1,071,841	2,406,114	3,298,660	4,835,825
	<u>3,543,924</u>	<u>6,769,768</u>	<u>15,293,273</u>	<u>16,018,897</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	2,472,083	4,363,654	11,994,613	11,183,072
Non-controlling interests	1,071,841	2,406,114	3,298,660	4,835,825
	<u>3,543,924</u>	<u>6,769,768</u>	<u>15,293,273</u>	<u>16,018,897</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>0.96</u>	<u>1.69</u>	<u>4.65</u>	<u>4.34</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 SECOND QUARTER ENDED 30 JUNE 2021**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 30/06/2021 RM	AS AT 31/12/2020 RM
ASSETS		
Non-current assets		
Property, plant & equipment	153,336,803	158,595,767
Investment in associates	6,329,205	5,450,400
Goodwill	1,632,667	1,632,667
Deferred tax assets	1,439,139	1,179,935
	<u>162,737,814</u>	<u>166,858,769</u>
Current assets		
Inventories	37,118,778	44,979,272
Trade and other receivables	114,079,279	124,393,380
Contract assets	71,189,924	88,526,963
Other current assets	4,989,943	2,064,196
Short term funds	120,748,730	89,819,221
Cash and short-term deposits	31,529,242	38,292,236
	<u>379,655,896</u>	<u>388,075,268</u>
TOTAL ASSETS	<u>542,393,710</u>	<u>554,934,037</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	128,896,000	128,896,000
Retained earnings	222,052,765	210,058,152
Equity attributable to equity holders of the parent	<u>350,948,765</u>	<u>338,954,152</u>
Non-controlling interests	<u>39,184,673</u>	<u>37,277,888</u>
Total equity	<u>390,133,438</u>	<u>376,232,040</u>
Non-current liabilities		
Interest-bearing loans and borrowings	87,585	179,046
Trade and other payables	9,066,075	8,936,144
Deferred tax liabilities	149,087	1,280,172
	<u>9,302,747</u>	<u>10,395,362</u>
Current liabilities		
Trade and other payables	140,658,904	165,812,131
Interest-bearing loans and borrowings	411,341	741,742
Income tax payable	1,887,280	1,752,762
	<u>142,957,525</u>	<u>168,306,635</u>
Total liabilities	<u>152,260,272</u>	<u>178,701,997</u>
TOTAL EQUITY AND LIABILITIES	<u>542,393,710</u>	<u>554,934,037</u>

(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 2021**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 2021	128,896,000	210,058,152	338,954,152	37,277,888	376,232,040
Profit for the period	-	11,994,613	11,994,613	3,298,660	15,293,273
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	11,994,613	11,994,613	3,298,660	15,293,273
Dividend paid to non-controlling interests	-	-	-	(1,391,875)	(1,391,875)
At 30 June 2021	<u>128,896,000</u>	<u>222,052,765</u>	<u>350,948,765</u>	<u>39,184,673</u>	<u>390,133,438</u>
At 1 January 2020	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
At 30 June 2020	<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>

(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

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INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 6 MONTHS ENDED 30/06/2021 RM	CUMULATIVE 6 MONTHS ENDED 30/06/2020 RM
Profit before taxation	17,790,789	22,303,765
Adjustments for:		
Depreciation of property, plant and equipment	5,712,689	4,831,284
Finance costs	1,691,873	1,896,201
Property, plant and equipment written off	20,369	937
Gain on disposal of property, plant & equipment	(66,999)	-
Dividend income	(831,918)	(926,603)
Fair value changes in short term funds	(98,163)	36,617
Net unrealised foreign exchange gain	(194,259)	(356,481)
Interest income from financial assets	(316,883)	(568,198)
Share of results of associates	(878,804)	(870,952)
Total adjustments	<u>5,037,905</u>	<u>4,042,805</u>
Operating cash flows before changes in working capital	22,828,694	26,346,570
Changes in working capital		
Decrease/(increase) in inventories	7,860,494	(698,953)
Decrease/(increase) in receivables	10,487,156	(1,576,757)
Decrease in contract assets	17,337,039	14,834,550
Decrease in payables	(25,002,092)	(16,587,281)
Decrease in other current assets	108,317	44,516
Cash flows from operations	<u>33,619,608</u>	<u>22,362,645</u>
Interest paid	(1,691,873)	(1,896,201)
Taxation paid, net of refund	<u>(6,787,352)</u>	<u>(7,890,159)</u>
Net cash flows from operating activities	<u>25,140,383</u>	<u>12,576,285</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	67,000	-
Purchase of property, plant and equipment	(474,095)	(5,071,255)
Investment in short term funds	(50,000,428)	(44,500,996)
Redemption of short term funds	20,001,000	7,400,000
Interest received	316,883	568,198
Net cash flows used in investing activities	<u>(30,089,640)</u>	<u>(41,604,053)</u>
Financing activities		
Dividend paid to non-controlling interests	(1,391,875)	-
Net payment of bankers' acceptances	-	(9,730,000)
Repayment of principal lease liabilities	<u>(421,862)</u>	<u>(402,133)</u>
Net cash flows used in financing activities	<u>(1,813,737)</u>	<u>(10,132,133)</u>
Net decrease in cash and cash equivalents	(6,762,994)	(39,159,901)
Cash and cash equivalents at the beginning of the period	38,292,236	73,367,576
Cash and cash equivalents at the end of the period	<u>31,529,242</u>	<u>34,207,675</u>

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

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS

Selected explanatory notes pursuant to Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting

1. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2020. 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 2020.

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 2020 except for the adoption of the following with effect from 1 January 2021:

- ❖ Amendments to MFRS 16: Covid-19-Related Rent Concessions
- ❖ Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

Adoption 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 22 July 2021, the Company paid a first and final single tier dividend of four (4.0) sen per ordinary share, in respect of the financial year ended 31 December 2020.

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 2021

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	16,231,818	164,536,831	-	180,768,649
Inter-segment revenue	5,273,357	27,658,121	(32,931,478)	-
Total revenue	21,505,175	192,194,952	(32,931,478)	180,768,649
Results	(27,383)	18,631,241	-	18,603,858
Finance costs	(6,362)	(1,685,511)	-	(1,691,873)
Share of results of associates	366,713	512,091	-	878,804
Profit before tax	332,968	17,457,821	-	17,790,789
Income tax expense	14,989	(2,512,505)	-	(2,497,516)
Profit after tax	347,957	14,945,316	-	15,293,273

OTHER DISCLOSURES

Finance income	55,297	261,586	-	316,883
Depreciation of property, plant and equipment	606,127	5,106,562	-	5,712,689

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
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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	30/06/2021	120,748,730	-	-	120,748,730
	31/12/2020	89,819,221	-	-	89,819,221
		=====	=====	=====	=====

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

12. Contingent liabilities/Contingent assets as at 30 June 2021

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

13. Capital Commitments

	As At 30/06/2021 RM	As At 30/06/2020 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	49,621	11,285,458
- Approved but not contracted for	-	8,846,569
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	49,621	20,132,027
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 6 Months Ended	
	Current Quarter Ended 30/06/2021 RM	Comparative Quarter Ended 30/06/2020 RM	Current Period Ended 30/06/2021 RM	Comparative Period Ended 30/06/2020 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	7,650	14,000	7,650	20,650
- Provision of miscellaneous services such as machineries, equipments and labour etc	233,552	311,144	702,917	590,680
- Rental income	6,000	6,000	12,000	12,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	60,595	31,822	119,021	41,944
Transactions with subsidiary of an investor, Cahya Mata Sarawak Bhd.				
- Sales of fabricated/galvanised steel products and structural steel works to CMS Concrete Products Sdn. Bhd.	-	1,362	3,246	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.	15,300	10,500	25,800	21,000
- Sepang Kaya Sdn. Bhd.	30,856	30,856	61,713	62,947
Short term lease expense paid to a director, Dato Kho Kak Beng	19,200	19,200	38,400	38,400
Transactions with a person connected with certain directors of the Company				
Sales of fabricated/structural steel works				
- AHE Ceilings Sdn Bhd	-	-	175,501	-

Short term lease expense				
- Kho Siew Lan	4,800	4,800	9,600	9,600
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	395,803	447,534	1,191,548	834,920
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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	
	30/06/21	30/06/20		30/06/21	30/06/20	
	RM'000	RM'000		RM'000	RM'000	
Revenue	81,045	89,201	-9.1%	180,769	197,382	-8.4%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	8,291	13,381	-38.0%	25,195	29,031	-13.2%
Profit before interest and tax	5,444	10,964	-50.3%	19,483	24,200	-19.5%
Profit before tax	4,638	9,951	-53.4%	17,791	22,304	-20.2%
Profit after tax	3,544	6,770	-47.7%	15,293	16,019	-4.5%
Profit attributable to equity holders of the parent	2,472	4,364	-43.4%	11,995	11,183	7.3%

The Group recorded revenue of RM81.0 million in the current quarter as compared to RM89.2 million registered in the preceding year corresponding quarter. The Engineering sector contributed 92% towards the Group's total revenue in the current quarter and 8% 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 from the Group's Steel Pipes manufacturing division.

Similarly, the Group recorded a lower pre-tax profit ("PBT") of RM4.6 million in the current quarter as compared to RM10.0 million registered in the preceding year corresponding quarter, and year-to-date PBT of RM17.8 million (1H20: RM22.3 million), mainly due to lower margin of the Group's Steel Pipes manufacturing division on the back of lower revenue.

Engineering Sector

Revenue contribution from the Engineering sector of RM74.6 million in the current quarter remain more or less consistent with that achieved in the preceding year corresponding quarter of RM74.6 million.

The Group's Steel Fabrication division recorded revenue of RM44.2 million (2Q20: RM41.6 million), an increase of 6.3% over the preceding year corresponding quarter. Current quarter's revenue was mostly derived from the Engineering, Procurement, Construction, Installation and Commissioning of

Wellhead Platforms – BAKAU Non-Associated Gas Development Project under Petronas Carigali Sdn Bhd, Engineering, Procurement, Construction and Commissioning of PEMANIS Satellite Topside under PTTEP Sarawak Oil Limited, Provision of Engineering, Procurement and Construction of Flare Platform for Kasawari Gas Development project and other miscellaneous fabrication works for the supply and fabrication of Low & High Tension Steel Poles.

Group's revenue for the Construction's division decreased by 10.7% to RM29.3 million in the current quarter compared to RM32.8 million recorded in the preceding year corresponding quarter. The few on-going water related construction projects secured from Jabatan Bekalan Air Luar Bandar Sarawak and Kuching Water Board implemented under the Sarawak Water Supply Grid Programme contributed a combined revenue of RM9.3 million in the current quarter compared to RM13.1 million in the preceding year corresponding quarter. Meanwhile, 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 contributed revenue of RM18.7 million in the current quarter, more or less consistent with that achieved in the preceding year corresponding quarter (2Q20: RM18.7 million). The Group's Construction division were seen to be affected by the slower pace of site work activities caused by the Movement Control Order ("MCO") to curb the spread of Covid-19.

Hot Dip Galvanising division recorded a revenue of RM1.1 million compared to RM253K 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 other walk in customers.

Manufacturing Sector

The Manufacturing sector revenue for the quarter of RM6.5 million was 55.5% lower as compared to RM14.6 million recorded in the preceding year corresponding quarter, mainly attributed to lower revenue from the Steel Pipes manufacturing division.

The Group's Steel Pipes manufacturing division recorded a lower revenue of RM4.1 million in the current quarter as compared to RM12.7 million registered in the preceding year corresponding quarter. Revenue decreased by about 67.7% as most of its orders for supply of Mild Steel Pipes required under the Sarawak Water Supply Grid Programme has been fulfilled.

LP Gas Cylinders manufacturing division recorded a revenue of RM2.4 million (2Q20: RM1.9 million), increased by 26.3%. 64% of current quarter's revenue was from the supply of new LPG cylinders and the remaining 36% from the Reconditioning/Requalification of LPG Cylinders for Petronas Dagangan Berhad. The Company also recorded sales of RM241K to Petrosniaga Sdn Bhd in 2Q21.

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 (%)
	30/06/21	31/03/21	
	RM'000	RM'000	
Revenue	81,045	99,723	-18.7%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	8,291	16,904	-51.0%
Profit before interest and tax	5,444	14,038	-61.2%
Profit before tax	4,638	13,153	-64.7%
Profit after tax	3,544	11,749	-69.8%
Profit attributable to equity holders of the parent	2,472	9,523	-74.0%

Group's revenue for the current quarter of RM81.0 million decreased by 18.7%, compared to the immediate preceding quarter of RM99.7 million. Similarly, Group's pre-tax profit reduced to RM4.6 million in the current quarter compared to RM13.2 million in the immediate preceding quarter, on the

back of 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 RM73.5 million (1Q21: RM88.8 million) whilst revenue from the Steel Pipes division decreased to RM4.1 million in the current quarter (1Q21: RM6.3 million).

17. Prospects

The COVID-19 pandemic posed the biggest challenges to the international and domestic economy and remains a threat, as outbreaks continue in many economies amid new virus variants.

The Group expects these prolonged challenges will continue to evolve with an extensive level of uncertainty on the domestic and global economy, which will undoubtedly impact our operations. The recent imposition of MCO 3.0 followed by the full lockdown MCO 3.0 (FMCO) in Malaysia has disrupted the work progress of the on-going Construction activities at sites. The effect is felt globally and caused disruptions to the supply chain and logistics which impacted the supply of materials, equipments and resources for the execution of the Group's on-going projects in hand. We continue to witness cost pressures arising from supply disruptions due to COVID-19.

Notwithstanding, we remain hopeful that an accelerated rollout of the National COVID-19 Immunisation Programme would help to achieve herd immunity and to facilitate business recovery in a sustainable manner in months to come.

The Group continues to intensify its efforts to seek for new opportunities and strengthen its performance prospectively, to remain competitive in its core business segments. The Group continues to focus on optimising its costs whilst improving project delivery and execution to sustain and improve margins for both its Engineering and Manufacturing sectors in the current harsh, competitive and volatile business environment.

Recently the Company has secured another new water related construction project from LAKU Management Sdn Bhd for the New 800mm diameter mild steel pipeline along Jalan Saberkas and Jalan Taman Negara Similajau in Bintulu, Sarawak. Other on-going water related construction projects secured from Jabatan Bekalan Air Luar Bandar Sarawak and Kuching Water Board implemented under the Sarawak Water Supply Grid Programme are now scheduled to be completed in year 2022.

The Group's diversified operations coupled with its healthy financial position will continue to bolster the Group's development in bracing the adverse impact under the challenging business environment. With the current orders in hand and the on-going construction works for Water related projects under the Sarawak Water Supply Grid Programme, on-going major Onshore fabrication jobs for the Oil & Gas facilities and the Sarawak Pan Borneo Highway project (Phase 1 Works Package Contract – WPC-09), the Board and Management anticipates that the Group's performance for the financial year ending 2021 will remain satisfactory, barring worsening COVID-19 and any other unforeseen circumstances.

The Group endeavors to manage the risk and challenges of uncertainties in the global economic environment. The adverse impacts posed by the COVID-19 outbreak, manpower limitations or movements, escalation of costs due to inflationary pressure, volatility of global raw material steel prices and fluctuation of exchange rates are amongst major 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 Quarter Ended 30/06/2021 RM	Comparative Quarter Ended 30/06/2020 RM	Current Period Ended 30/06/2021 RM	Comparative Period Ended 30/06/2020 RM
Malaysian taxation - Current year	1,453,292	3,268,495	3,887,805	6,233,597
Deferred tax	(359,498)	(86,971)	(1,390,289)	51,271
	-----	-----	-----	-----
	1,093,794	3,181,524	2,497,516	6,284,868
	=====	=====	=====	=====

The lower effective tax expense for the financial year to date was primarily due to utilization of unabsorbed capital allowance for which deferred tax assets were not recognized.

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 2021 were as follows: -

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

	Secured RM	Unsecured RM
<u>Current</u> Lease liabilities	291,537	119,804
	-----	-----
<u>Non-Current</u> Lease liabilities	86,439	1,146
	-----	-----
Total borrowings	377,976	120,950
	=====	=====

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	Unsecured RM
<u>Current</u>		
Lease liabilities	580,512	110,926
	-----	-----
<u>Non-Current</u>		
Lease liabilities	233,211	31,006
	-----	-----
Total borrowings	813,723	141,932
	=====	=====

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 2021.

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 6 Months Ended	
	Current Quarter Ended 30/06/2021	Comparative Quarter Ended 30/06/2020	Current Period Ended 30/06/2021	Comparative Period Ended 30/06/2020
Net profit attributable to equity holders of the parent (RM)	<u>2,472,083</u>	<u>4,363,654</u>	<u>11,994,613</u>	<u>11,183,072</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>0.96</u>	<u>1.69</u>	<u>4.65</u>	<u>4.34</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 2020 was not qualified.

31. Additional Disclosures on Profit for the period

	3 Months Ended		Cumulative 6 Months Ended	
	Current	Comparative	Current	Comparative
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM	RM	RM	RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(140,137)	(230,195)	(316,883)	(568,198)
Realised foreign exchange (gain)/loss	(404)	(1,535)	3,207	12,888
Unrealised foreign exchange gain	-	-	(194,259)	(356,481)
Rental income	(40,500)	(12,000)	(70,500)	(24,000)
Gain on disposal of property, plant and equipment	(1,999)	-	(66,999)	-
Depreciation of property, plant and equipment	2,846,560	2,417,003	5,712,689	4,831,284
Finance costs	806,673	1,012,677	1,691,873	1,896,201
Property, plant and equipment written off	12,410	-	20,369	937

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 2021.