

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

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

	3 MONTHS ENDED		CUMULATIVE 9 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/09/2021 RM	COMPARATIVE QUARTER ENDED 30/09/2020 RM	CURRENT PERIOD ENDED 30/09/2021 RM	COMPARATIVE PERIOD ENDED 30/09/2020 RM
Revenue from contracts with customers	99,102,043	117,753,380	279,870,692	315,135,364
Cost of sales	(77,112,062)	(93,234,524)	(222,297,824)	(252,433,062)
Gross profit	<u>21,989,981</u>	<u>24,518,856</u>	<u>57,572,868</u>	<u>62,702,302</u>
Selling and distribution expenses	(267,242)	(233,052)	(609,885)	(449,642)
Administrative expenses	(8,217,640)	(7,326,019)	(25,769,639)	(23,328,328)
Operating profit	<u>13,505,099</u>	<u>16,959,785</u>	<u>31,193,344</u>	<u>38,924,332</u>
Finance costs	(909,591)	(960,254)	(2,601,464)	(2,856,455)
Finance income	162,737	188,905	479,620	757,103
Other expenses	(662,515)	(454,642)	(2,123,524)	(1,662,967)
Other income	1,253,806	779,962	3,313,545	2,784,556
Share of results of associates	161,449	330,008	1,040,253	1,200,960
Profit before tax	<u>13,510,985</u>	<u>16,843,764</u>	<u>31,301,774</u>	<u>39,147,529</u>
Income tax expense	(3,637,285)	(3,407,956)	(6,134,801)	(9,692,824)
Profit for the period	<u>9,873,700</u>	<u>13,435,808</u>	<u>25,166,973</u>	<u>29,454,705</u>
Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income for the period	<u>9,873,700</u>	<u>13,435,808</u>	<u>25,166,973</u>	<u>29,454,705</u>
Profit for the period attributable to:				
Equity holders of the parent	9,634,209	11,036,103	21,628,822	22,219,175
Non-controlling interests	239,491	2,399,705	3,538,151	7,235,530
	<u>9,873,700</u>	<u>13,435,808</u>	<u>25,166,973</u>	<u>29,454,705</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	9,634,209	11,036,103	21,628,822	22,219,175
Non-controlling interests	239,491	2,399,705	3,538,151	7,235,530
	<u>9,873,700</u>	<u>13,435,808</u>	<u>25,166,973</u>	<u>29,454,705</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>3.74</u>	<u>4.28</u>	<u>8.39</u>	<u>8.62</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 2021**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 30/09/2021 RM	AS AT 31/12/2020 RM
ASSETS		
Non-current assets		
Property, plant & equipment	150,681,053	158,595,767
Investment in associates	6,490,653	5,450,400
Goodwill	1,632,667	1,632,667
Deferred tax assets	1,179,935	1,179,935
	<u>159,984,308</u>	<u>166,858,769</u>
Current assets		
Inventories	32,433,378	44,979,272
Trade and other receivables	84,619,878	124,393,380
Contract assets	92,584,609	88,526,963
Other current assets	6,065,337	2,064,196
Short term funds	122,274,270	89,819,221
Cash and short-term deposits	46,097,737	38,292,236
	<u>384,075,209</u>	<u>388,075,268</u>
TOTAL ASSETS	<u>544,059,517</u>	<u>554,934,037</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	128,896,000	128,896,000
Retained earnings	221,375,294	210,058,152
Equity attributable to equity holders of the parent	<u>350,271,294</u>	<u>338,954,152</u>
Non-controlling interests	<u>39,424,164</u>	<u>37,277,888</u>
Total equity	<u>389,695,458</u>	<u>376,232,040</u>
Non-current liabilities		
Interest-bearing loans and borrowings	69,530	179,046
Trade and other payables	5,128,333	8,936,144
Deferred tax liabilities	2,708,091	1,280,172
	<u>7,905,954</u>	<u>10,395,362</u>
Current liabilities		
Trade and other payables	144,337,418	165,812,131
Interest-bearing loans and borrowings	202,809	741,742
Income tax payable	1,917,878	1,752,762
	<u>146,458,105</u>	<u>168,306,635</u>
Total liabilities	<u>154,364,059</u>	<u>178,701,997</u>
TOTAL EQUITY AND LIABILITIES	<u>544,059,517</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.)

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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	-	21,628,822	21,628,822	3,538,151	25,166,973
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	21,628,822	21,628,822	3,538,151	25,166,973
Dividend paid to non-controlling interests	-	-	-	(1,391,875)	(1,391,875)
First and final dividend for FYE 31 December 2020	-	(10,311,680)	(10,311,680)	-	(10,311,680)
At 30 September 2021	<u>128,896,000</u>	<u>221,375,294</u>	<u>350,271,294</u>	<u>39,424,164</u>	<u>389,695,458</u>
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>

(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 2021**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 9 MONTHS ENDED 30/09/2021 RM	CUMULATIVE 9 MONTHS ENDED 30/09/2020 RM
Profit before taxation	31,301,774	39,147,529
Adjustments for:		
Depreciation of property, plant and equipment	8,504,022	7,353,884
Finance costs	2,601,464	2,856,455
Property, plant and equipment written off	20,379	3,068
Gain on disposal of property, plant & equipment	(66,999)	(19,999)
Dividend income	(1,297,563)	(1,291,162)
Fair value changes in short term funds	(158,022)	13,464
Net unrealised foreign exchange gain	(194,259)	(437,931)
Interest income from financial assets	(479,620)	(757,103)
Share of results of associates	(1,040,253)	(1,200,960)
Total adjustments	<u>7,889,149</u>	<u>6,519,716</u>
Operating cash flows before changes in working capital	39,190,923	45,667,245
Changes in working capital		
Decrease in inventories	12,545,894	12,651,297
Decrease/(increase) in receivables	39,946,557	(27,180,045)
(Increase)/decrease in contract assets	(4,057,646)	31,290,631
(Decrease)/increase in payables	(25,261,320)	1,187,445
Decrease in other current assets	114,960	67,494
Cash flows from operations	<u>62,479,368</u>	<u>63,684,067</u>
Interest paid	(2,601,464)	(2,856,455)
Taxation paid, net of refund	(8,657,866)	(11,144,010)
Net cash flows from operating activities	<u>51,220,038</u>	<u>49,683,602</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	67,000	20,000
Purchase of property, plant and equipment	(633,278)	(6,447,326)
Investment in short term funds	(51,000,464)	(49,001,155)
Redemption of short term funds	20,001,000	12,405,500
Interest received	479,620	757,103
Net cash flows used in investing activities	<u>(31,086,122)</u>	<u>(42,265,878)</u>
Financing activities		
Dividend paid to shareholders of the Company	(10,311,680)	(15,467,520)
Dividend paid to non-controlling interests	(1,391,875)	-
Net payment of bankers' acceptances	-	(5,773,350)
Repayment of principal lease liabilities	(624,860)	(683,766)
Net cash flows used in financing activities	<u>(12,328,415)</u>	<u>(21,924,636)</u>
Net increase/(decrease) in cash and cash equivalents	7,805,501	(14,506,912)
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>46,097,737</u>	<u>58,860,664</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 SEPTEMBER 2021

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	21,760,944	258,109,748	-	279,870,692
Inter-segment revenue	10,059,753	29,934,695	(39,994,448)	-
Total revenue	31,820,697	288,044,443	(39,994,448)	279,870,692
Results	716,386	32,146,599	-	32,862,985
Finance costs	(7,550)	(2,593,914)	-	(2,601,464)
Share of results of associates	463,635	576,618	-	1,040,253
Profit before tax	1,172,471	30,129,303	-	31,301,774
Income tax expense	(275,942)	(5,858,859)	-	(6,134,801)
Profit after tax	896,529	24,270,444	-	25,166,973

OTHER DISCLOSURES

Finance income	79,973	399,647	-	479,620
Depreciation of property, plant and equipment	896,788	7,607,234	-	8,504,022

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
	-----	-----	-----	-----

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	30/09/2021	122,274,270	-	-	122,274,270
	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 September 2021

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

13. Capital Commitments

	As At 30/09/2021 RM	As At 30/09/2020 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	132,501	10,962,012
- Approved but not contracted for	-	8,426,567
	-----	-----
	132,501	19,388,579
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 9 Months Ended	
	Current Quarter Ended 30/09/2021 RM	Comparative Quarter Ended 30/09/2020 RM	Current Period Ended 30/09/2021 RM	Comparative Period Ended 30/09/2020 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	5,700	7,200	13,350	27,850
- Provision of miscellaneous services such as machineries, equipments and labour etc	361,842	583,167	1,064,759	1,173,847
- Rental income	6,000	6,000	18,000	18,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	56,756	55,766	175,777	97,710
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.	-	-	3,246	1,999
- Purchase of steel and concrete products from CMS Concrete Products Sdn. Bhd.	3,400	-	3,400	-
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.	15,300	10,500	41,100	31,500
- Sepang Kaya Sdn. Bhd.	32,708	30,857	94,421	93,804
Short term lease expense paid to a director, Dato Sri Kho Kak Beng	19,200	19,200	57,600	57,600

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	14,400	14,400
	-----	-----	-----	-----
	523,556	735,340	1,715,104	1,570,260
	-----	-----	-----	-----

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	
	30/09/21	30/09/20		30/09/21	30/09/20	
	RM'000	RM'000		RM'000	RM'000	
Revenue	99,102	117,753	-15.8%	279,871	315,135	-11.2%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	17,212	20,327	-15.3%	42,407	49,358	-14.1%
Profit before interest and tax	14,421	17,804	-19.0%	33,903	42,004	-19.3%
Profit before tax	13,511	16,844	-19.8%	31,302	39,148	-20.0%
Profit after tax	9,874	13,436	-26.5%	25,167	29,455	-14.6%
Profit attributable to equity holders of the parent	9,634	11,036	-12.7%	21,629	22,219	-2.7%

The Group's current quarter revenue of RM99.1 million was 15.8% lower as compared to RM117.8 million in the preceding year corresponding quarter, made up of revenue from the Engineering and Manufacturing Sectors of RM93.6 million and RM5.5 million, respectively.

The lower overall revenue for the quarter and year-to-date was mainly attributable to lower revenue recognition from the Group's Steel Pipes and Civil Construction divisions although offset by higher revenue from the Group's Steel Fabrication division.

The Group recorded a pre-tax profit ("PBT") of RM13.5 million in the current quarter (3Q20: RM16.8 million) and year-to-date PBT reached RM31.3 million (9 months 2020: RM39.1 million), against a backdrop of lower revenue and lower margin from the Group's Steel Pipes and Civil Construction divisions.

Engineering Sector

On a quarterly comparison, group revenue for the Engineering sector increased marginally to RM93.6 million compared to RM92.8 million in the preceding year third quarter. Work progress of the on-going Construction activities at sites is slower than the normal project execution speed due to the impacts of COVID-19. Travelling and logistical restrictions, strict working standard operating procedures, labour shortage and supply chain disruptions are some of the factors that have caused delays to the projects under construction.

Group's revenue for the Construction division decreased by 27.2% to RM36.4 million in the current quarter compared to RM50.0 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 RM9.0 million in the current quarter compared to RM23.8 million in the preceding year corresponding quarter. The newly commenced water related construction project in Bintulu, Sarawak awarded by LAKU Management Sdn Bhd in July 2021 contributed revenue of RM4.3 million in the current 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 RM23.1 million in the current quarter compared to RM26.2 million in the preceding year corresponding quarter.

The Group's Steel Fabrication division registered a growth of 33.9% in revenue, from RM41.9 million in the preceding year third quarter to RM56.1 million in the current quarter, mainly from the on-going major Onshore fabrication jobs for the Oil & Gas facilities. Current quarter's revenue mostly derived from the Engineering, Procurement and Construction of Flare Platform for Kasawari Gas Development project, Engineering, Procurement, Construction and Commissioning of PEMANIS Satellite Topside and from 2H Offshore (Asia Pacific) Sdn Bhd to execute on fast-track mode for the Procurement, Fabrication & Transportation of Jacket Levelling System and Gripper Cans for the Ilijan Marine Jetty Installation Support.

HDG division recorded revenue of RM1.1 million in the current quarter as compared to RM869K in the preceding year corresponding quarter, mainly 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 current quarter's revenue of RM5.5 million (3Q20: RM25.0 million) was 78% lower as compared to the preceding year corresponding quarter, thereby reducing the sector contribution to overall group revenue to 6% (3Q20: 21%).

The Group's Steel Pipes manufacturing division contributed revenue of RM2.4 million in the current quarter as compared to RM22.2 million registered in the preceding year corresponding quarter. Revenue decreased as most of its orders for supply of Mild Steel Pipes for the Jabatan Bekalan Air Luar Bandar Sarawak and Kuching Water Board Projects required under the Sarawak Water Supply Grid Programme has been fulfilled.

LP Gas (LPG) Cylinders manufacturing division recorded revenue of RM3.1 million (3Q20: RM2.8 million), increased by 10.7%. 3Q21 revenue was predominantly to Petronas Dagangan Berhad for the supply of new LPG cylinders, Reconditioning/Requalification of LPG Cylinders as well as supply of LPG Compact Valves. Included in 3Q21 revenue of RM3.1 million was also sales of 14KG LPG cylinders to Petrosniaga Sdn Bhd amounting to RM77K.

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 (%)
	30/09/21	30/06/21	
	RM'000	RM'000	
Revenue	99,102	81,045	22.3%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	17,212	8,291	107.6%
Profit before interest and tax	14,421	5,444	164.9%
Profit before tax	13,511	4,638	191.3%
Profit after tax	9,874	3,544	178.6%
Profit attributable to equity holders of the parent	9,634	2,472	289.7%

The Group's current quarter revenue of RM99.1 million rose by 22.3% compared to RM81.0 million in 2Q21. The increase was mainly from the Engineering Sector, in particular the Steel Fabrication and Civil Construction divisions, which recorded a combined revenue of RM92.5 million in the current quarter as compared to RM73.5 million in 2Q21.

Correspondingly, Group's profit before tax for the current quarter shows a much more significant improvement from RM4.6 million in 2Q21 to RM13.5 million in the current quarter, mainly due to improved profit margin on projects completed from the Steel Fabrication division.

17. Prospects

The COVID-19 pandemic presents a significant challenge to both the domestic and global economy. KKB Group, just like many other businesses, was impacted by the disruptions and restrictions brought about by different stages of Movement Control Orders ("MCO") imposed by the Malaysian Government since March 2020 as a means of curbing the spread of the virus.

Inevitably, the MCO has intermittently disrupted our operations but there has been no significant impact on the operating results, cash flow and financial condition of the Group.

Despite this generally uncertain and volatile economic backdrop, the Group reported a respectable result for the nine months period ended 30 September 2021. The Group is determined to build on this momentum and continues its effort to monitor and realign its business plans and strategies to remain robust and competitive.

The Group continues to bid for new contracts to replenish its order book and continuously on the lookout for more collaborations with strategic partners and seek new business opportunities to expand the Group's income stream and sustainability of our core businesses.

While there are on-going concerns on the impact of the COVID-19 pandemic, the Board and Management expects the Group to achieve a satisfactory results in the remaining period of 2021, supported by the existing contracts in hand for the on-going construction works for Water related projects under the Sarawak Water Supply Grid Programme, major Onshore fabrication jobs for the Oil & Gas facilities under OceanMight Sdn Bhd and the Sarawak Pan Borneo Highway project (Phase 1 Works Package Contract – WPC-09), barring 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 9 Months Ended	
	Current Quarter Ended 30/09/2021 RM	Comparative Quarter Ended 30/09/2020 RM	Current Period Ended 30/09/2021 RM	Comparative Period Ended 30/09/2020 RM
Malaysian taxation				
- Current year	819,077	3,440,484	4,706,882	9,674,081
- Prior year	-	(45,260)	-	(45,260)
Deferred tax	2,818,208	12,732	1,427,919	64,003
	-----	-----	-----	-----
	3,637,285	3,407,956	6,134,801	9,692,824
	=====	=====	=====	=====

The lower effective tax expense for the financial year to date was primarily due to recognition/utilization of allowances.

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 2021 were as follows: -

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

	Secured RM	Unsecured RM
<u>Current</u>		
Lease liabilities	151,413	51,396
	-----	-----
<u>Non-Current</u>		
Lease liabilities	69,530	-
	-----	-----
Total borrowings	220,943	51,396
	=====	=====

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
	=====	=====

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 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 9 Months Ended	
	Current Quarter Ended 30/09/2021	Comparative Quarter Ended 30/09/2020	Current Period Ended 30/09/2021	Comparative Period Ended 30/09/2020
Net profit attributable to equity holders of the parent (RM)	<u>9,634,209</u>	<u>11,036,103</u>	<u>21,628,822</u>	<u>22,219,175</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>3.74</u>	<u>4.28</u>	<u>8.39</u>	<u>8.62</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 9 Months Ended	
	Current Quarter Ended 30/09/2021 RM	Comparative Quarter Ended 30/09/2020 RM	Current Period Ended 30/09/2021 RM	Comparative Period Ended 30/09/2020 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(162,737)	(188,905)	(479,620)	(757,103)
Realised foreign exchange loss/(gain)	32,865	(73,178)	36,072	(60,290)
Unrealised foreign exchange gain	-	(81,450)	(194,259)	(437,931)
Rental income	(46,500)	(12,000)	(117,000)	(36,000)
Gain on disposal of property, plant and equipment	-	(19,999)	(66,999)	(19,999)
Depreciation of property, plant and equipment	2,791,333	2,522,600	8,504,022	7,353,884
Finance costs	909,591	960,254	2,601,464	2,856,455
Property, plant and equipment written off	10	2,131	20,379	3,068

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 2021.