

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	3 MONTHS ENDED		CUMULATIVE 12 MONTHS ENDED	
	CURRENT QUARTER ENDED 31/12/2021 RM	COMPARATIVE QUARTER ENDED 31/12/2020 RM	CURRENT PERIOD ENDED 31/12/2021 RM	COMPARATIVE PERIOD ENDED 31/12/2020 RM
Revenue from contracts with customers	111,765,443	92,731,768	391,636,135	407,867,132
Cost of sales	(97,688,550)	(88,073,239)	(319,986,374)	(340,506,301)
Gross profit	<u>14,076,893</u>	<u>4,658,529</u>	<u>71,649,761</u>	<u>67,360,831</u>
Selling and distribution expenses	(105,199)	(172,739)	(715,084)	(622,381)
Administrative expenses	(7,164,504)	(8,388,720)	(32,934,143)	(31,717,048)
Operating profit/(loss)	<u>6,807,190</u>	<u>(3,902,930)</u>	<u>38,000,534</u>	<u>35,021,402</u>
Finance costs	(539,239)	(1,010,277)	(3,140,703)	(3,866,732)
Finance income	147,609	186,163	627,229	943,266
Other expenses	(4,636,042)	(824,958)	(6,759,566)	(2,487,925)
Other income	939,184	1,408,119	4,252,729	4,192,675
Share of results of associates	74,546	475,569	1,114,799	1,676,529
Profit/(Loss) before tax	<u>2,793,248</u>	<u>(3,668,314)</u>	<u>34,095,022</u>	<u>35,479,215</u>
Income tax credit/(expense)	950,561	(3,993,107)	(5,184,240)	(13,685,931)
Profit/(Loss) for the period	<u>3,743,809</u>	<u>(7,661,421)</u>	<u>28,910,782</u>	<u>21,793,284</u>
Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income/(Loss) for the period	<u>3,743,809</u>	<u>(7,661,421)</u>	<u>28,910,782</u>	<u>21,793,284</u>
Profit/(Loss) for the period attributable to:				
Equity holders of the parent	4,402,124	(4,528,526)	26,030,946	17,690,649
Non-controlling interests	(658,315)	(3,132,895)	2,879,836	4,102,635
	<u>3,743,809</u>	<u>(7,661,421)</u>	<u>28,910,782</u>	<u>21,793,284</u>
Total Comprehensive Income/(Loss) for the period attributable to:				
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Non-controlling interests	(658,315)	(3,132,895)	2,879,836	4,102,635
	<u>3,743,809</u>	<u>(7,661,421)</u>	<u>28,910,782</u>	<u>21,793,284</u>
Earnings/(Loss) per share attributable to equity holders of the parent:				
Basic, for profit/(loss) for the period (sen)	<u>1.69</u>	<u>(1.76)</u>	<u>10.06</u>	<u>6.86</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 FOURTH QUARTER ENDED 31 DECEMBER 2021**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 31/12/2021 RM	AS AT 31/12/2020 RM
ASSETS		
Non-current assets		
Property, plant & equipment	148,097,542	158,595,767
Investment in associates	6,565,199	5,450,400
Goodwill	1,632,667	1,632,667
Deferred tax assets	1,366,000	1,179,935
	<u>157,661,408</u>	<u>166,858,769</u>
Current assets		
Inventories	45,266,891	44,979,272
Trade and other receivables	60,998,845	124,393,380
Contract assets	55,101,373	88,526,963
Other current assets	7,405,862	2,064,196
Short term funds	157,313,712	89,819,221
Cash and short-term deposits	34,672,880	38,292,236
	<u>360,759,563</u>	<u>388,075,268</u>
TOTAL ASSETS	<u>518,420,971</u>	<u>554,934,037</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	175,254,461	128,896,000
Retained earnings	225,777,418	210,058,152
Equity attributable to equity holders of the parent	<u>401,031,879</u>	<u>338,954,152</u>
Non-controlling interests	<u>38,765,849</u>	<u>37,277,888</u>
Total equity	<u>439,797,728</u>	<u>376,232,040</u>
Non-current liabilities		
Interest-bearing loans and borrowings	52,387	179,046
Trade and other payables	5,701,088	8,936,144
Deferred tax liabilities	63,088	1,280,172
	<u>5,816,563</u>	<u>10,395,362</u>
Current liabilities		
Trade and other payables	71,769,882	165,812,131
Interest-bearing loans and borrowings	116,729	741,742
Income tax payable	920,069	1,752,762
	<u>72,806,680</u>	<u>168,306,635</u>
Total liabilities	<u>78,623,243</u>	<u>178,701,997</u>
TOTAL EQUITY AND LIABILITIES	<u>518,420,971</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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(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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	-	26,030,946	26,030,946	2,879,836	28,910,782
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	26,030,946	26,030,946	2,879,836	28,910,782
Issuance of shares	46,414,934	-	46,414,934	-	46,414,934
Share issue expenses	(56,473)	-	(56,473)	-	(56,473)
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 31 December 2021	<u>175,254,461</u>	<u>225,777,418</u>	<u>401,031,879</u>	<u>38,765,849</u>	<u>439,797,728</u>
At 1 January 2020	128,896,000	207,835,023	336,731,023	33,175,253	369,906,276
Profit for the period	-	17,690,649	17,690,649	4,102,635	21,793,284
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	17,690,649	17,690,649	4,102,635	21,793,284
First and final dividend for FYE 31 December 2019	-	(15,467,520)	(15,467,520)	-	(15,467,520)
At 31 December 2020	<u>128,896,000</u>	<u>210,058,152</u>	<u>338,954,152</u>	<u>37,277,888</u>	<u>376,232,040</u>

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

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INTERIM FINANCIAL STATEMENTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 12 MONTHS ENDED 31/12/2021 RM	CUMULATIVE 12 MONTHS ENDED 31/12/2020 RM
Profit before taxation	34,095,022	35,479,215
Adjustments for:		
Depreciation of property, plant and equipment	11,233,009	10,237,698
Finance costs	3,140,703	3,866,732
Property, plant and equipment written off	20,477	6,075
Gain on disposal of property, plant & equipment	(80,766)	(60,855)
Write down of slow moving inventories	131,918	139,032
Impairment loss on trade receivables	3,944,865	55,208
Dividend income	(1,733,437)	(1,612,432)
Fair value changes in short term funds	(264,966)	(31,432)
Net unrealised foreign exchange gain	(402)	(162,221)
Interest income from financial assets	(627,229)	(943,266)
Share of results of associates	(1,114,799)	(1,676,529)
Total adjustments	<u>14,649,373</u>	<u>9,818,010</u>
Operating cash flows before changes in working capital	48,744,395	45,297,225
Changes in working capital		
(Increase)/decrease in inventories	(419,537)	24,703,267
Decrease/(increase) in receivables	59,517,954	(56,517,340)
Decrease in contract assets	33,425,590	52,636,851
(Decrease)/increase in payables	(97,345,187)	14,399,105
Increase in other current assets	(761,569)	(22,697)
Cash flows from operations	<u>43,161,646</u>	<u>80,496,411</u>
Interest paid	(3,140,703)	(3,866,732)
Taxation paid, net of refund	<u>(12,000,180)</u>	<u>(17,663,597)</u>
Net cash flows from operating activities	<u>28,020,763</u>	<u>58,966,082</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	87,101	59,000
Purchase of property, plant and equipment	(785,184)	(18,853,609)
Investment in short term funds	(120,000,588)	(64,001,722)
Redemption of short term funds	54,504,500	13,905,500
Interest received	627,229	943,266
Net cash flows used in investing activities	<u>(65,566,942)</u>	<u>(67,947,565)</u>
Financing activities		
Proceeds from issue of shares	46,414,934	-
Share issue expenses	(56,473)	-
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	-	(9,730,000)
Proceeds from revolving credit	-	5,000,000
Repayment of revolving credit	-	(5,000,000)
Repayment of principal lease liabilities	(728,083)	(896,337)
Increase in cash and bank balances pledged for bank guarantee	(300,000)	-
Net cash flows from/(used in) financing activities	<u>33,626,823</u>	<u>(26,093,857)</u>
Net decrease in cash and cash equivalents	(3,919,356)	(35,075,340)
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>34,372,880</u>	<u>38,292,236</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

During the current quarter, the Company increased its issued and fully paid-up ordinary share capital by way of issuance of 30,935,040 ordinary shares at RM1.5004 each pursuant to the Private Placement.

Issued and fully paid-up share capital	No. of ordinary share	Amount (RM)
As at 01 October 2021	257,792,000	128,896,000
Issuance of share pursuant to Private Placement	30,935,040	46,414,934
Share issue expenses	-	(56,473)
As at 31 December 2021	288,727,040	175,254,461

Saved as disclosed above, there were no other 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 31 DECEMBER 2021

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	25,055,248	366,580,887	-	391,636,135
Inter-segment revenue	10,510,037	42,862,572	(53,372,609)	-
Total revenue	35,565,285	409,443,459	(53,372,609)	391,636,135
Results	583,768	35,537,158	-	36,120,926
Finance costs	(7,790)	(3,132,913)	-	(3,140,703)
Share of results of associates	657,211	457,588	-	1,114,799
Profit before tax	1,233,189	32,861,833	-	34,095,022
Income tax credit/(expense)	380,514	(5,564,754)	-	(5,184,240)
Profit after tax	1,613,703	27,297,079	-	28,910,782

OTHER DISCLOSURES

Finance income	95,871	531,358	-	627,229
Depreciation of property, plant and equipment	1,166,418	10,066,591	-	11,233,009

RESULTS FOR PERIOD-TO-DATE ENDED 31 DECEMBER 2020

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	77,242,869	330,624,263	-	407,867,132
Inter-segment revenue	69,939,550	25,897,156	(95,836,706)	-
Total revenue	147,182,419	356,521,419	(95,836,706)	407,867,132
Results	20,086,667	17,582,751	-	37,669,418

Finance costs	(118,667)	(3,748,065)	-	(3,866,732)
Share of results of associates	664,999	1,011,530	-	1,676,529
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Profit before tax	20,632,999	14,846,216	-	35,479,215
Income tax expense	(4,606,375)	(9,079,556)	-	(13,685,931)
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Profit after tax	16,026,624	5,766,660	-	21,793,284
	=====	=====	=====	=====

OTHER DISCLOSURES

Finance income	164,976	778,290	-	943,266
Depreciation of property, plant and equipment	1,178,048	9,059,650	-	10,237,698
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9. Material subsequent events

There were no material subsequent events as at the date of this announcement.

10. Changes in composition of the Group

There were no changes in composition of the Group for the current quarter and financial year to date.

11. Fair Value of Financial Instruments

(a) Determination of fair value

The carrying amounts of trade and other receivables, trade and other payables, cash and short-term deposits, interest-bearing loans and borrowings are reasonable approximation of fair values, due to their short-term and interest-bearing nature. In addition to that, trade receivables and trade payables are subject to normal trade credit terms while the current portion of loans and borrowings has an insignificant impact of discounting.

Loans and borrowings

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

(b) Fair value hierarchy

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

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

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

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

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

	Date of valuation	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Assets measured at fair value:					
Short term funds	31/12/2021	157,313,712	-	-	157,313,712
	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 31 December 2021

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

13. Capital Commitments

	As At 31/12/2021 RM	As At 31/12/2020 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	205,102	181,086
- Approved but not contracted for	-	-
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	205,102	181,086
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2021 RM	Comparative Quarter Ended 31/12/2020 RM	Current Period Ended 31/12/2021 RM	Comparative Period Ended 31/12/2020 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Sale of fabricated and galvanized steel products	-	14,400	13,350	42,250
- Provision of miscellaneous services such as machineries, equipments and labour etc	574,073	579,410	1,638,832	1,753,257
- Rental income	6,000	6,000	24,000	24,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	49,747	69,105	225,524	166,815
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.	-	2,224	3,246	4,223
- Purchase of steel and concrete products from CMS Concrete Products Sdn. Bhd.	-	-	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	71,400	71,400
- KKB Realty Sdn. Bhd.	15,300	10,500	56,400	42,000
- Sepang Kaya Sdn. Bhd.	32,708	30,856	127,129	124,660
Short term lease expense paid to a director, Dato Sri Kho Kak Beng	19,200	19,200	76,800	76,800
Transactions with a person connected with certain directors of the Company				
Sales of fabricated/structural steel works				
- AHE Ceilings Sdn Bhd	-	589,503	175,501	589,503
Short term lease expense				
- Kho Siew Lan	4,800	4,800	19,200	19,200
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	719,678	1,343,848	2,434,782	2,914,108
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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 12 months		Changes (%)
	Current Quarter	Preceding Year Corresponding Quarter		Current Period	Preceding Year Corresponding Period	
	31/12/21	31/12/20		31/12/21	31/12/20	
	RM'000	RM'000		RM'000	RM'000	
Revenue	111,765	92,732	20.5%	391,636	407,867	-4.0%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	6,061	226	2581.9%	48,469	49,584	-2.2%
Profit/(loss) before interest and tax	3,332	(2,658)	225.4%	37,236	39,346	-5.4%
Profit/(loss) before tax	2,793	(3,668)	176.1%	34,095	35,479	-3.9%
Profit/(loss) after tax	3,744	(7,661)	148.9%	28,911	21,793	32.7%
Profit/(loss) attributable to equity holders of the parent	4,402	(4,529)	197.2%	26,031	17,691	47.1%

The Group recorded revenue of RM111.8 million in the current quarter compared to RM92.7 million in the preceding year corresponding quarter. The Engineering sector contributed 97% (RM108.5 million) towards the Group's current quarter total revenue and the remaining 3% (RM3.3 million) from the Manufacturing sector.

Quarter on quarter, revenue increased by 20.5% but year to date revenue decreased by 4.0% to RM391.6 million (FY2020: RM407.9 million), mainly attributable to lower revenue recognition from the Group's Steel Pipes manufacturing business.

Despite lower revenue recorded, Group's pre-tax profit ("PBT") rose to RM2.8 million in the current quarter against a pre-tax loss of RM3.7 million in the preceding year corresponding quarter. The year-to-date PBT decreased to RM34.1 million compared to RM35.5 million in the preceding year, due to the impairment loss provision on trade receivables of RM4.0 million but partly offset by the improved margin from the Engineering sector.

The improved gross profit margin along side the higher sales registered by the Civil Construction division within the Engineering sector have been a major factor contributing to the improved bottom line in the current quarter.

Engineering Sector

4Q21 Group revenue for the engineering sector has escalated by 38.7% to RM108.5 million compared to RM78.2 million in the preceding year fourth quarter. Current quarter's Gross Profit also increased by 389.2%, from RM2.8 million in the preceding year fourth quarter to RM13.7 million, on the back of higher profit margin from the Civil Construction division.

The Civil Construction division registered a growth in revenue of RM44.4 million, representing a 137.9% hike compared to the preceding year corresponding quarter due to higher progress billings from on-going projects. Revenue for the quarter of RM76.6 million (4Q20: RM32.2 million) was mostly derived from the on-going Pan Borneo Highway project (Phase 1 Works Package Contract-WPC-09) undertaken by the subsidiary Company i.e KKBWCT Joint Venture Sdn Bhd which contributed revenue of RM66.5 million in the current quarter compared to RM4.5 million recorded in the preceding year corresponding quarter. The other contribution came from 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.

Whilst for Steel Fabrication division, group revenue reduced by 32.0% to RM30.6 million, compared to RM44.8 million in the preceding year fourth quarter. Current quarter's revenue were mostly derived from the Engineering, Procurement and Construction of Flare Platform for Kasawari Gas Development Project under Unincorporated Joint Venture of Malaysia Marine and Heavy Engineering Sdn Bhd and Technip Geoproduction (M) Sdn Bhd; Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for BKD-A and Host Tie-In Modification at BNCP-B Topsides – BAKAU Non-Associated Gas Development Project for Petronas Carigali Sdn Bhd; Engineering, Procurement, Construction and Commissioning of PEMANIS Satellite Topside under PTTEP Sarawak Oil Limited and Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for D18 Phase 2 Project for Petronas Carigali Sdn Bhd.

Revenue from the Hot-Dip Galvanising division of RM1.2 million remained fairly consistent with that registered in the preceding year fourth 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 RM3.3 million (4Q20: RM14.5 million) was 77.2% lower as compared to the preceding year fourth quarter, thereby reducing the sector's contribution to overall group revenue to 3% (4Q20: 16%).

Revenue from LP Gas Cylinders manufacturing division was lower by 28.1%, recorded revenue of RM2.3 million (4Q20: RM3.2 million), mainly due to lower offtake of new LPG cylinders from Petroleum Companies in the current quarter. 4Q21 revenue was predominantly to Petronas Dagangan Berhad for the supply of new LPG cylinders (6%), Reconditioning/Requalification of LPG Cylinders (46%) and supply of LPG Compact Valves (48%).

Revenue from the Group's Steel Pipes manufacturing division for the quarter decreased significantly to a low of RM1.0 million (4Q20: RM11.3 million), as the quarter's sales were mainly for the supply of Mild Steel Pipes & fittings for its ongoing pipeline project works while contracts for supply of Mild Steel Pipes to external parties required under the Sarawak Water Supply Grid Programme had mostly been fulfilled. The Steel Pipes plant in Kota Kinabalu, Sabah contributed revenue of RM263K for sales of Mild Steel Pipes to external parties.

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

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31/12/21	30/09/21	
	RM'000	RM'000	
Revenue	111,765	99,102	12.8%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	6,061	17,212	-64.8%
Profit before interest and tax	3,332	14,421	-76.9%
Profit before tax	2,793	13,511	-79.3%
Profit after tax	3,744	9,874	-62.1%
Profit attributable to equity holders of the parent	4,402	9,634	-54.3%

The Group's current quarter revenue of RM111.8 million increased by 12.8% compared to RM99.1 million in 3Q21. The increase was mainly from the Engineering Sector, in particular the Civil Construction division, which recorded a revenue of RM76.6 million in the current quarter as compared to RM36.4 million in 3Q21.

Group's profit before taxation for the current quarter however was lower by 79.3% to RM2.8 million (3Q21: RM13.5 million), after taking into account the impairment loss provision on trade receivables of RM4.0 million coupled with reduce profit margin of the Steel Fabrication and Steel Pipes Manufacturing divisions within the Engineering and Manufacturing sectors.

17. Prospects

Despite the generally uncertain and volatile economic backdrop, the Group reported a respectable result for the Financial Year ended 31 December 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.

KKB Group, via its subsidiary Company, OceanMight Sdn Bhd shall continue to be a competent and competitive player in the Oil & Gas sectors to the many Productions Sharing Contractors.

In December 2021, KKB issued 30,935,040 new shares to Sarawak Economic Development Corporation by way of Private Placement with the aim of leveraging the competitive strengths of both parties to expand and tap into the vast business opportunities in the State of Sarawak. The Board believes that this Private Placement exercise is deemed timely and necessary to fuel KKB Group growth ambitions amidst the current recovering economic outlook and the rollout of new infrastructure and construction related projects in Sarawak.

The Strategic Investment by the Sarawak Government in the equity of KKB will strengthen the Group's future cooperation with the State Government to meet some of the objectives set by the Post COVID Development strategy 2030 especially in the six (6) economic sectors such as Digital Transformation, Innovation, Basic Infrastructure, Transport, Utilities, Renewal Energy, Education and Human Capital Development.

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

Our diverse portfolio of businesses coupled with the Group's healthy financial position with relatively low gearing will provide us with the resilience to mitigate the adverse effects under the prevailing competitive and challenging business environment.

The Board is cautious that the continued uncertainties in the global economic environment, 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 (Credit)/Expense

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended 31/12/2021 RM	Comparative Quarter Ended 31/12/2020 RM	Current Period Ended 31/12/2021 RM	Comparative Period Ended 31/12/2020 RM
Malaysian taxation				
- Current year	1,487,798	3,197,839	6,194,680	12,871,920
- Prior year	392,708	7,003	392,708	(38,257)
Deferred tax	(2,831,067)	788,265	(1,403,148)	852,268
	-----	-----	-----	-----
	(950,561)	3,993,107	5,184,240	13,685,931
	=====	=====	=====	=====

The lower effective tax expense for the financial year to date was primarily due to the recognition of previously unrecognized deferred tax assets on Reinvestment Allowances.

22. Status of Corporate Proposals

(A) There were no corporate proposals announced which have not been completed as at the date of this announcement.

(B) Status of Utilisation of Proceeds

Pursuant to the Private Placement which was duly completed on 22 December 2021 upon the subscription and listing of the 30,935,040 Placement Shares at RM1.5004 on the Main Market of Bursa Malaysia Securities Berhad, the gross proceeds raised from the Private Placement Exercise was RM46,414,934.

The utilization of the Private Placement as at 22 February 2022 is as set out below:

Purpose	Proposed Utilisation (RM)	Actual Utilisation (RM)	Balance/ (Deviation) (RM)	Intended Timeframe for Utilisation from date of listing of the Placement Shares
Business expansion	10,000,000	-	10,000,000	Within 24 months
Working capital	36,214,934	-	36,214,934	Within 24 months
Estimated expenses for the Private Placement	200,000	(56,473)	143,527	Upon completion of the Private Placement

23. Group's Borrowings and Debt Securities

Total Group's loans and borrowings as at 31 December 2021 were as follows: -

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

	Secured RM	Unsecured RM
<u>Current</u>		
Lease liabilities	97,589	19,140
	-----	-----
<u>Non-Current</u>		
Lease liabilities	52,387	-
	-----	-----
Total borrowings	149,976	19,140
	=====	=====

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

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

	Secured RM	Unsecured RM
<u>Current</u>		
Lease liabilities	544,449	197,293
	-----	-----
<u>Non-Current</u>		
Lease liabilities	149,976	29,070
	-----	-----
Total borrowings	694,425	226,363
	=====	=====

24. Off Balance Sheet Financial Instruments

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

25. Derivative Financial Instruments

There were no derivative financial instruments entered into by the Group as at 31 December 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

The Board of Directors is pleased to recommend a first and final single tier dividend of five (5.0) sen per ordinary share, in respect of the financial year ended 31 December 2021.

The payment of this dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

The date of the Annual General Meeting and the dates of the dividend entitlement and payment will be announced at a later date.

29. Earnings/(Loss) per share

	3 Months Ended		Cumulative 12 Months Ended	
	Current Quarter Ended	Comparative Quarter Ended	Current Period Ended	Comparative Period Ended
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Net profit/(loss) attributable to equity holders of the parent (RM)	<u>4,402,124</u>	<u>(4,528,526)</u>	<u>26,030,946</u>	<u>17,690,649</u>
Weighted average number of ordinary shares in issue	<u>261,154,504</u>	<u>257,792,000</u>	<u>258,639,535</u>	<u>257,792,000</u>
Basic earnings/(loss) per share for the period attributable to equity holders of the parent (sen)	<u>1.69</u>	<u>(1.76)</u>	<u>10.06</u>	<u>6.86</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 12 Months Ended	
	Current Quarter Ended	Comparative Quarter Ended	Current Period Ended	Comparative Period Ended
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM	RM	RM	RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(147,609)	(186,163)	(627,229)	(943,266)

Realised foreign exchange gain	(341,616)	(149,189)	(305,544)	(209,479)
Unrealised foreign exchange loss/(gain)	193,857	275,710	(402)	(162,221)
Rental income	(46,500)	(30,000)	(163,500)	(66,000)
Gain on disposal of property, plant and equipment	(13,767)	(40,856)	(80,766)	(60,855)
Bad debts recovered	-	(34,887)	-	(34,887)
Depreciation of property, plant and equipment	2,728,987	2,883,814	11,233,009	10,237,698
Finance costs	539,239	1,010,277	3,140,703	3,866,732
Impairment loss provision on trade receivables	3,944,865	55,208	3,944,865	55,208
Property, plant and equipment written off	98	3,007	20,477	6,075
Write down of slow moving inventories	131,918	139,032	131,918	139,032

Other than the above items which have been included in the statement of profit or loss and other comprehensive income, there were no gain or loss on disposal of quoted or unquoted investments, gain or loss on derivatives and exceptional items for the current quarter and period ended 31 December 2021.