

**KKB ENGINEERING BERHAD**

(Company No : 26495 - D)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023****Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

|   | 3 MONTHS ENDED                                  |   | CUMULATIVE 6 MONTHS ENDED                      |  |
|---|---|---|--|--|
|   | CURRENT<br>QUARTER<br>ENDED<br>30/06/2023<br>RM | COMPARATIVE<br>QUARTER<br>ENDED<br>30/06/2022<br>RM | CURRENT<br>PERIOD<br>ENDED<br>30/06/2023<br>RM | COMPARATIVE<br>PERIOD<br>ENDED<br>30/06/2022<br>RM |
| Revenue from contracts with customers                                   | 104,373,976                                     | 109,717,737   | 164,860,422                                    | 203,098,948  |
| Cost of sales   | (79,193,537)                                    | (99,135,878)  | (127,211,076)                                  | (181,243,154)                                      |
| <b>Gross profit</b>   | <u>25,180,439</u>                               | <u>10,581,859</u>                                   | <u>37,649,346</u>                              | <u>21,855,794</u>                                  |
| Selling and distribution expenses                                       | (768,546)                                       | (21,457)  | (1,303,677)                                    | (135,666)  |
| Administrative expenses   | (9,737,204)                                     | (8,328,028)   | (18,937,309)                                   | (16,863,910)                                       |
| <b>Operating profit</b>   | <u>14,674,689</u>                               | <u>2,232,374</u>                                    | <u>17,408,360</u>                              | <u>4,856,218</u>                                   |
| Finance costs   | (447,125)                                       | (56,010)  | (716,131)                                      | (79,164)   |
| Finance income  | 228,134   | 101,356   | 379,479  | 192,150  |
| Other expenses  | (443,575)                                       | (580,224)   | (941,431)                                      | (1,166,114)  |
| Other income  | 1,819,902                                       | 831,251   | 4,929,415                                      | 1,867,300  |
| Share of results of associates  | 522,091   | 299,741   | 866,220  | 311,527  |
| <b>Profit before tax</b>  | <u>16,354,116</u>                               | <u>2,828,488</u>                                    | <u>21,925,912</u>                              | <u>5,981,917</u>                                   |
| Income tax expense  | (3,728,102)                                     | (403,315)   | (4,683,117)                                    | (1,502,292)  |
| <b>Profit for the period</b>  | <u>12,626,014</u>                               | <u>2,425,173</u>                                    | <u>17,242,795</u>                              | <u>4,479,625</u>                                   |
| <b>Other Comprehensive Income</b>                                       | <u>-</u>  | <u>-</u>  | <u>-</u>                                       | <u>-</u>   |
| <b>Total Comprehensive Income for the period</b>                        | <u>12,626,014</u>                               | <u>2,425,173</u>                                    | <u>17,242,795</u>                              | <u>4,479,625</u>                                   |
| Profit for the period attributable to:                                  |   |   |  |  |
| Equity holders of the parent  | 9,886,680                                       | 1,613,423   | 13,288,186                                     | 4,002,855  |
| Non-controlling interests   | 2,739,334                                       | 811,750   | 3,954,609                                      | 476,770  |
|   | <u>12,626,014</u>                               | <u>2,425,173</u>                                    | <u>17,242,795</u>                              | <u>4,479,625</u>                                   |
| Total Comprehensive Income for the period attributable to:              |   |   |  |  |
| Equity holders of the parent  | 9,886,680                                       | 1,613,423   | 13,288,186                                     | 4,002,855  |
| Non-controlling interests   | 2,739,334                                       | 811,750   | 3,954,609                                      | 476,770  |
|   | <u>12,626,014</u>                               | <u>2,425,173</u>                                    | <u>17,242,795</u>                              | <u>4,479,625</u>                                   |
| <b>Earnings per share attributable to equity holders of the parent:</b> |   |   |  |  |
| Basic, for profit for the period (sen)                                  | <u>3.42</u>                                     | <u>0.56</u>   | <u>4.60</u>                                    | <u>1.39</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 SECOND QUARTER ENDED 30 JUNE 2023****Unaudited Condensed Consolidated Statements of Financial Position**

|  | AS AT<br>30/06/2023<br>RM | AS AT<br>31/12/2022<br>RM |
|--|---------------------------|---------------------------|
| <b>ASSETS</b>  |                           |                           |
| <b>Non-current assets</b>                                  |                           |                           |
| Property, plant & equipment                                | 131,530,913               | 135,005,814               |
| Investment in associates                                   | 8,896,383                 | 8,030,162                 |
| Goodwill   | 1,632,667                 | 1,632,667                 |
| Deferred tax assets  | 1,978,319                 | 2,620,094                 |
|  | <u>144,038,282</u>        | <u>147,288,737</u>        |
| <b>Current assets</b>                                      |                           |                           |
| Inventories  | 53,071,011                | 47,655,553                |
| Trade and other receivables                                | 68,007,364                | 77,510,061                |
| Contract assets  | 86,870,558                | 50,022,826                |
| Other current assets                                       | 4,377,920                 | 6,892,230                 |
| Short term funds   | 153,776,931               | 205,331,452               |
| Cash and short-term deposits                               | 52,262,945                | 16,132,280                |
|  | <u>418,366,729</u>        | <u>403,544,402</u>        |
| <b>TOTAL ASSETS</b>  | <b><u>562,405,011</u></b> | <b><u>550,833,139</u></b> |
| <b>EQUITY AND LIABILITIES</b>                              |                           |                           |
| <b>Equity</b>  |                           |                           |
| Issued capital   | 175,254,461               | 175,254,461               |
| Retained earnings  | 219,010,731               | 223,046,167               |
| <b>Equity attributable to equity holders of the parent</b> | <u>394,265,192</u>        | <u>398,300,628</u>        |
| <b>Non-controlling interests</b>                           | <u>48,481,972</u>         | <u>44,527,363</u>         |
| <b>Total equity</b>  | <u>442,747,164</u>        | <u>442,827,991</u>        |
| <b>Non-current liabilities</b>                             |                           |                           |
| Lease liabilities  | 51,074                    | 93,857                    |
| Trade and other payables                                   | 7,045,014                 | 6,986,596                 |
| Deferred tax liabilities                                   | -                         | 285,812                   |
|  | <u>7,096,088</u>          | <u>7,366,265</u>          |
| <b>Current liabilities</b>                                 |                           |                           |
| Trade and other payables                                   | 110,434,095               | 100,329,332               |
| Lease liabilities  | 103,759                   | 140,364                   |
| Income tax payable   | 2,023,905                 | 169,187                   |
|  | <u>112,561,759</u>        | <u>100,638,883</u>        |
| <b>Total liabilities</b>                                   | <u>119,657,847</u>        | <u>108,005,148</u>        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                        | <b><u>562,405,011</u></b> | <b><u>550,833,139</u></b> |

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

**KKB ENGINEERING BERHAD**

(Company No : 26495 - D)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2023****Unaudited Condensed Consolidated Statements of Changes in Equity**

|   | <- Attributable to equity holders of the parent -> |                            |                    | Non-controlling   | Total              |
|---|--|----------------------------|--------------------|-------------------|--------------------|
|   | Issued<br>Capital<br>RM                            | Retained<br>Earnings<br>RM | Total<br>RM        | Interests<br>RM   | Equity<br>RM       |
| <b>At 1 January 2023</b>                          | 175,254,461  | 223,046,167                | 398,300,628        | 44,527,363        | 442,827,991        |
| Profit for the period                             | -  | 13,288,186                 | 13,288,186         | 3,954,609         | 17,242,795         |
| Other comprehensive income for the period         | -  | -                          | -                  | -                 | -                  |
| Total comprehensive income for the period         | -  | 13,288,186                 | 13,288,186         | 3,954,609         | 17,242,795         |
| First and final dividend for FYE 31 December 2022 | -  | (17,323,622)               | (17,323,622)       | -                 | (17,323,622)       |
| <b>At 30 June 2023</b>                            | <u>175,254,461</u>                                 | <u>219,010,731</u>         | <u>394,265,192</u> | <u>48,481,972</u> | <u>442,747,164</u> |
| <b>At 1 January 2022</b>                          | 175,254,461  | 225,777,418                | 401,031,879        | 38,765,849        | 439,797,728        |
| Profit for the period                             | -  | 4,002,855                  | 4,002,855          | 476,770           | 4,479,625          |
| Other comprehensive income for the period         | -  | -                          | -                  | -                 | -                  |
| Total comprehensive income for the period         | -  | 4,002,855                  | 4,002,855          | 476,770           | 4,479,625          |
| Dividend paid to non-controlling interests        | -  | -                          | -                  | (1,000,000)       | (1,000,000)        |
| First and final dividend for FYE 31 December 2021 | -  | (14,436,352)               | (14,436,352)       | -                 | (14,436,352)       |
| <b>At 30 June 2022</b>                            | <u>175,254,461</u>                                 | <u>215,343,921</u>         | <u>390,598,382</u> | <u>38,242,619</u> | <u>428,841,001</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 SECOND QUARTER ENDED 30 JUNE 2023****Unaudited Condensed Consolidated Statements of Cash Flows**

|  | CUMULATIVE<br>6 MONTHS ENDED<br>30/06/2023<br>RM | CUMULATIVE<br>6 MONTHS ENDED<br>30/06/2022<br>RM |
|--|--|--|
| Profit before taxation                                   | 21,925,912                                       | 5,981,917  |
| Adjustments for:   |  |  |
| Depreciation of property, plant and equipment            | 4,581,306  | 5,400,059  |
| Finance costs  | 716,131  | 79,164   |
| Property, plant and equipment written off                | -  | 413  |
| Reversal of impairment on trade receivables              | (53,071)   | -  |
| Dividend income  | (880,200)  | (683,773)  |
| Fair value changes in short term funds                   | (2,461,548)                                      | (587,258)  |
| Net unrealised foreign exchange gain                     | (331,901)  | (193,857)  |
| Interest income from financial assets                    | (379,479)  | (192,150)  |
| Share of results of associates                           | (866,220)  | (311,527)  |
| Total adjustments  | <u>325,018</u>                                   | <u>3,511,071</u>                                 |
| Operating cash flows before changes in working capital   | 22,250,930                                       | 9,492,988  |
| Changes in working capital                               |  |  |
| Increase in inventories                                  | (5,415,458)                                      | (2,965,147)                                      |
| Decrease/(increase) in receivables                       | 9,654,560  | (6,497,154)                                      |
| Increase in contract assets                              | (36,847,732)                                     | (30,745,152)                                     |
| Increase in payables                                     | 10,396,290                                       | 30,268,295                                       |
| (Increase)/decrease in other current assets              | (750)  | 514,990  |
| Cash flows generated from operations                     | <u>37,840</u>                                    | <u>68,820</u>                                    |
| Interest paid  | (716,131)  | (79,164)   |
| Net taxes refunded/(paid)                                | 42,624   | (2,957,533)                                      |
| Net cash flows used in operating activities              | <u>(635,667)</u>                                 | <u>(2,967,877)</u>                               |
| Investing activities                                     |  |  |
| Purchase of property, plant and equipment                | (1,106,405)                                      | (336,915)  |
| Investment in short term funds                           | (2,500,000)                                      | (11,000,000)                                     |
| Redemption of short term funds                           | 57,396,269                                       | 20,505,834                                       |
| Interest received  | 379,479  | 192,150  |
| Net cash flows generated from investing activities       | <u>54,169,343</u>                                | <u>9,361,069</u>                                 |
| Financing activities                                     |  |  |
| Dividend paid to shareholders of the Company             | (17,323,622)                                     | (14,436,352)                                     |
| Dividend paid to non-controlling interests               | -  | (1,000,000)                                      |
| Repayment of principal portion of lease liabilities      | (79,389)   | (113,924)  |
| Increase in deposits pledged for bank guarantee          | (211,980)  | -  |
| Net cash flows used in financing activities              | <u>(17,614,991)</u>                              | <u>(15,550,276)</u>                              |
| Net increase/(decrease) in cash and cash equivalents     | 35,918,685                                       | (9,157,084)                                      |
| Cash and cash equivalents at the beginning of the period | 15,832,280                                       | 34,372,880                                       |
| Cash and cash equivalents at the end of the period       | <u><u>51,750,965</u></u>                         | <u><u>25,215,796</u></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 2022. 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 2022.

#### **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 2022 except for the adoption of the following, where applicable, when they become effective:

- ❖ MFRS 17: Insurance Contracts
- ❖ Amendments to MFRS 17: Insurance Contracts (including amendments on Initial Application of MFRS 17 and MFRS 9 - Comparative Information)
- ❖ Amendments to MFRS 101 and Practice Statement 2: Disclosure of Accounting Policies
- ❖ Amendments to MFRS 108: Definition of Accounting Estimates
- ❖ Amendments to MFRS 112: Deferred tax related to Assets and Liabilities arising from a Single Transaction
- ❖ Amendments to MFRS 16: Lease Liability in a Sale and Leaseback
- ❖ Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
- ❖ Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 15 June 2023, the Company paid a first and final single tier dividend of six (6.0) sen per ordinary share, in respect of the financial year ended 31 December 2022.

## 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 2023

|                                | Manufacturing<br>RM | Engineering<br>RM | Eliminations<br>RM | Consolidated<br>RM |
|--------------------------------|---------------------|-------------------|--------------------|--------------------|
| External revenue               | 9,351,517           | 155,508,905       | -                  | 164,860,422        |
| Inter-segment revenue          | 854,988             | 2,904,813         | (3,759,801)        | -                  |
|                                | -----               | -----             | -----              | -----              |
| Total revenue                  | 10,206,505          | 158,413,718       | (3,759,801)        | 164,860,422        |
|                                | -----               | -----             | -----              | -----              |
| Results                        | 368,088             | 21,407,735        | -                  | 21,775,823         |
| Finance costs                  | (34)                | (716,097)         | -                  | (716,131)          |
| Share of results of associates | 299,401             | 566,819           | -                  | 866,220            |
|                                | -----               | -----             | -----              | -----              |
| Profit before tax              | 667,455             | 21,258,457        | -                  | 21,925,912         |
| Income tax expense             | (262,661)           | (4,420,456)       | -                  | (4,683,117)        |
|                                | -----               | -----             | -----              | -----              |
| Profit after tax               | 404,794             | 16,838,001        | -                  | 17,242,795         |
|                                | =====               | =====             | =====              | =====              |

### OTHER DISCLOSURES

|   |         |           |       |           |
|---|---------|-----------|-------|-----------|
| Finance income                                | 40,498  | 338,981   | -     | 379,479   |
| Depreciation of property, plant and equipment | 507,729 | 4,073,577 | -     | 4,581,306 |
|   | -----   | -----     | ----- | -----     |

### RESULTS FOR PERIOD-TO-DATE ENDED 30 JUNE 2022

|                                | Manufacturing<br>RM | Engineering<br>RM | Eliminations<br>RM | Consolidated<br>RM |
|--------------------------------|---------------------|-------------------|--------------------|--------------------|
| External revenue               | 3,611,349           | 199,487,599       | -                  | 203,098,948        |
| Inter-segment revenue          | 543,261             | 17,814,711        | (18,357,972)       | -                  |
|                                | -----               | -----             | -----              | -----              |
| Total revenue                  | 4,154,610           | 217,302,310       | (18,357,972)       | 203,098,948        |
|                                | -----               | -----             | -----              | -----              |
| Results                        | (1,724,649)         | 7,474,203         | -                  | 5,749,554          |
| Finance costs                  | -                   | (79,164)          | -                  | (79,164)           |
| Share of results of associates | 284,655             | 26,872            | -                  | 311,527            |
|                                | -----               | -----             | -----              | -----              |
| (Loss)/Profit before tax       | (1,439,994)         | 7,421,911         | -                  | 5,981,917          |
| Income tax expense             | (69,710)            | (1,432,582)       | -                  | (1,502,292)        |

|                         |                               |                             |                     |                             |
|-------------------------|-------------------------------|-----------------------------|---------------------|-----------------------------|
| (Loss)/Profit after tax | -----<br>(1,509,704)<br>===== | -----<br>5,989,329<br>===== | -----<br>-<br>===== | -----<br>4,479,625<br>===== |
|-------------------------|-------------------------------|-----------------------------|---------------------|-----------------------------|

### **OTHER DISCLOSURES**

|   |         |           |       |           |
|---|---------|-----------|-------|-----------|
| Finance income                                | 15,126  | 177,024   | -     | 192,150   |
| Depreciation of property, plant and equipment | 518,402 | 4,881,657 | -     | 5,400,059 |
|   | -----   | -----     | ----- | -----     |

## **9. Material subsequent events**

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

## **10. Changes in composition of the Group**

On 26 June 2023, KKB Engineering Berhad acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of KKB Energy Sdn. Bhd. ("KKBESB") for a total cash consideration of RM2.00.

The intended principal activities of KKBESB are to undertake construction and manufacturing of utility projects and parts, transportation projects and other related support services relating to renewable energy such as hydrogen electrolyzers assembly and processes; to carry on the business of other engineering and construction services as contractors and sub-contractors for all kinds of constructional, structural, civil engineering, electrical, mechanical works, buildings, roads, bridges, stations, towers and all other activities relating to renewable energy.

Save as disclosed above, there were no other changes affecting the 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, lease liabilities 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.

### **(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<br>RM | Level 2<br>RM | Level 3<br>RM | Total<br>RM |
|---------------------------------------|-------------------|---------------|---------------|---------------|-------------|
| <b>Assets measured at fair value:</b> |                   |               |               |               |             |
| Short term funds                      | 30/06/2023        | 153,776,931   | -             | -             | 153,776,931 |
|                                       | 31/12/2022        | 205,331,452   | -             | -             | 205,331,452 |
|                                       |                   | =====         | =====         | =====         | =====       |

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

## 12. Contingent liabilities/Contingent assets as at 30 June 2023

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

## 13. Capital Commitments

|  | As At<br>30/06/2023<br>RM | As At<br>30/06/2022<br>RM |
|--|---------------------------|---------------------------|
| Commitments in respect of capital expenditure: |                           |                           |
| Property, plant and equipment                  |                           |                           |
| - Approved and contracted for                  | 3,692,782                 | 9,342                     |
| - Approved but not contracted for              | 9,009,524                 | -                         |
|  | -----                     | -----                     |
|  | 12,702,306                | 9,342                     |
|  | =====                     | =====                     |

## 14. Related Party Transactions

|  | 3 Months Ended                               |  | Cumulative 6 Months Ended                   |   |
|--|--|--|---|---|
|  | Current<br>Quarter Ended<br>30/06/2023<br>RM | Comparative<br>Quarter Ended<br>30/06/2022<br>RM | Current<br>Period Ended<br>30/06/2023<br>RM | Comparative<br>Period Ended<br>30/06/2022<br>RM |
| Transactions with an associate,<br>Edisi Optima Sdn. Bhd.  |  |  |   |   |
| - Provision of miscellaneous services<br>such as machineries, equipments<br>and labour etc   | 287,163                                      | 258,453  | 722,345                                     | 741,201   |
| - Rental income  | 6,000  | 6,000  | 12,000                                      | 12,000  |
| - Purchase of miscellaneous services<br>such as machineries, equipments<br>and labour etc  | 11,824                                       | 11,476   | 23,648                                      | 22,952  |
| Transactions with related companies of<br>investors, Cahya Mata Sarawak Bhd.<br>and/or Sarawak Economic Development<br>Corporation |  |  |   |   |
| - Purchase of steel and concrete<br>products from<br>CMS Concrete Products Sdn. Bhd.   | -  | 46,800   | -   | 46,800  |
| - Purchase of aggregates, etc from<br>SEDC Quarries Sdn. Bhd.  | 26,544                                       | -  | 34,383                                      | -   |
| - Purchase of quarry sand, etc from<br>Borneo Granite Sdn. Bhd.  | 208,573                                      | -  | 631,091                                     | -   |



|  |         |         |           |           |
|--|---------|---------|-----------|-----------|
| 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  | 15,300  | 30,600    | 30,600    |
| - Sepang Kaya Sdn. Bhd.  | 32,708  | 32,708  | 65,416    | 65,416    |
| Short term lease expense paid to a director,<br>Dato Sri Kho Kak Beng  | 19,200  | 19,200  | 38,400    | 38,400    |
| Transactions with a person connected with certain directors of the Company   |         |         |           |           |
| Short term lease expense   |         |         |           |           |
| - Kho Siew Lan   | 4,800   | 4,800   | 9,600     | 9,600     |
| Short term lease expense   |         |         |           |           |
| - House Of Favourites  | -       | -       | 6,000     | -         |
|  | -----   | -----   | -----     | -----     |
|  | 629,962 | 412,587 | 1,609,183 | 1,002,669 |
|  | -----   | -----   | -----     | -----     |

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 |             |
|   | 30/06/23        | 30/06/22                             |             | 30/06/23            | 30/06/22                            |             |
|   | RM'000          | RM'000                               |             | RM'000              | RM'000                              |             |
| Revenue   | 104,374         | 109,718                              | -4.9%       | 164,860             | 203,099                             | -18.8%      |
| Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) | 19,320          | 5,581                                | 246.2%      | 27,223              | 11,461                              | 137.5%      |
| Profit before interest and tax  | 16,801          | 2,884                                | 482.6%      | 22,642              | 6,061                               | 273.6%      |
| Profit before tax   | 16,354          | 2,828                                | 478.3%      | 21,926              | 5,982                               | 266.5%      |
| Profit after tax  | 12,626          | 2,425                                | 420.7%      | 17,243              | 4,480                               | 284.9%      |
| Profit attributable to equity holders of the parent                     | 9,887           | 1,613                                | 513.0%      | 13,288              | 4,003                               | 232.0%      |

The Group's current quarter revenue of RM104.4 million (2Q22: RM109.7 million) comprises revenue from the Engineering and Manufacturing sectors of RM96.8 million (2Q22: RM107.5 million) and RM7.5 million (2Q22: RM2.3 million) respectively.

Quarter on quarter, revenue decreased by 4.9% and year to date (1H23) revenue was lower by 18.8% to RM164.9 million (1H22: RM203.1 million), mainly attributed to lower revenue recognition from the Group's Civil Construction division.

Group's pre-tax profit ("PBT") improved significantly by 478.3% to RM16.4 million in the current quarter (2Q22: RM2.8 million) and year-to-date PBT rose to RM21.9 million (1H22: RM6.0 million). The overall improved performance was driven by the Group's Steel Fabrication division supported by the improved contribution from the Manufacturing sector.

### Engineering Sector

Current quarter's revenue for the Engineering sector of RM96.8 million declined by 10.0% as compared with RM107.5 million recorded in the preceding year corresponding quarter. However, Gross Profit for the quarter increased by 117.3% to RM22.6 million (2Q22: RM10.4 million), as a result of improved margin from the Steel Fabrication division.

The Steel Fabrication division's revenue for the quarter of RM57.6 million increased by 60.9% compared to RM35.8 million in the preceding year corresponding quarter. Current quarter's revenue was mainly contributed from the existing works involving the Engineering, Procurement and Construction of Standard Wellhead Platforms for MLNG FaS (F27, F22 and Selasih) for Sarawak Shell Berhad; Piles fabrication for SK408W Jerun A CPP Jacket under Malaysia Marine and Heavy Engineering Sdn Bhd; Engineering, Procurement and Construction of Flare Platform for Kasawari Gas Development Project under Unincorporated Joint Venture of Malaysia Marine and Heavy Engineering Sdn Bhd; Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for BKD-A and Host Tie-In Modification at BNCPP-B Topsides – BAKAU Non-Associated Gas Development Project for Petronas Carigali Sdn Bhd and Structural steel work for the Glove factory in Bintulu. The award of contract from Samsung Engineering (M) Sdn Bhd in April 2023 for the Module Fabrication and supply of Steel Structures for the Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu, Sarawak is still at the early stage to contribute to the Group's revenue and earnings.

Revenue from the Civil Construction's division for the quarter decreased by 45.2% to RM38.9 million compared to RM71.0 million in the preceding year corresponding quarter. Most of the water related construction projects are reaching its tail end. 2Q23 revenue was mostly from progressive claims from the Pan Borneo Highway project (Phase 1 Works Package Contract – WPC-09) and on-going construction works for the Proposed Tiang Bendera Gergasi di sekitar Fort Margherita, Kuching, Sarawak.

Hot Dip Galvanising division's revenue for the quarter of RM416K (2Q22: RM669K) was 37.8% lower as compared to the preceding year corresponding quarter, due to lower business volume. Revenue was mostly from ad-hoc walk-in customers.

### Manufacturing Sector

Current quarter's revenue for the LP Gas Cylinders manufacturing division increased by 107.7% compared to the preceding year second quarter, due to higher off-take of Reconditioning/Requalification LPG Cylinders from Mygaz Sdn Bhd. 2Q23 revenue of RM2.7 million (2Q22: RM1.3 million) was from the Reconditioning/Requalification of LPG Cylinders and sales of LPG Compact Valves to Mygaz Sdn Bhd, Petronas Dagangan Berhad and Petrosniaga Sdn Bhd.

Revenue from the Group's Steel Pipes manufacturing division for the quarter increased to RM4.9 million (2Q22: RM914K), mostly for the supply of Mild Steel water pipes to Brunei by the Group's Steel Pipes manufacturing plant in Kota Kinabalu, Sabah.

## 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 (%) |
|---|-----------------|-----------------------------|-------------|
|   | 30/06/23        | 31/03/23                    |             |
|   | RM'000          | RM'000                      |             |
| Revenue   | 104,374         | 60,486                      | 72.6%       |
| Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) | 19,320          | 7,904                       | 144.4%      |
| Profit before interest and tax  | 16,801          | 5,841                       | 187.6%      |
| Profit before tax   | 16,354          | 5,572                       | 193.5%      |
| Profit after tax  | 12,626          | 4,617                       | 173.5%      |
| Profit attributable to equity holders of the parent                     | 9,887           | 3,402                       | 190.6%      |

Current quarter revenue of RM104.4 million increased by 72.6% compared to RM60.5 million recorded in the preceding quarter, while profit before taxation rose by 193.5% to RM16.4 million compared to RM5.6 million in the preceding quarter. The overall improved performance was mainly driven by the Group's Steel Fabrication and Civil Construction divisions, which contributed a combined revenue of RM96.4 million in the current quarter (1Q23: RM58.2 million) on the back of improved margin.

## 17. Prospects

The Group reported a commendable result for the six months period ended 30 June 2023. The Group is determined to build on this momentum and continues its efforts to monitor and realign its business plans and strategies to remain robust and competitive.

Moving forward, the Group's performance is underpinned by its healthy outstanding order book. 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.

With the existing contracts in hand for the on-going construction works and Major Onshore fabrication jobs for the Oil & Gas facilities supported by the Group's healthy financial position, the Board and Management remain positive that KKB Group will perform favourably for the financial year ending 2023, barring any unforeseen circumstances.

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 foreign exchange rates are amongst factors that may impact the Group's performance.

## 18. Variances from financial estimate, forecast or projection, or profit guarantee

Not applicable to the Group as no financial estimate, forecast or projection, or profit guarantee were published.

## 19. Commentary on the company's progress to achieve the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document and steps taken or proposed to be taken to achieve the financial estimate, forecast, projection or internal targets

Not applicable to the Group as no announcements or disclosures were published in a public document as to the financial estimate, forecast, projection or internal targets as at the date of this announcement.

**20. Statement of the Board of Directors' opinion as to whether the financial estimate, forecast, projection or internal targets in the remaining period to the end of the financial year and the forecast period which was previously announced or disclosed in a public document are likely to be achieved**

Not applicable to the Group as no announcements or disclosures were published in a public document as to the financial estimate, forecast, projection or internal targets as at the date of this announcement.

**21. Income Tax Expense**

|                                      | 3 Months Ended                               |  | Cumulative 6 Months Ended                   |   |
|--------------------------------------|--|--|---|---|
|                                      | Current<br>Quarter Ended<br>30/06/2023<br>RM | Comparative<br>Quarter Ended<br>30/06/2022<br>RM | Current<br>Period Ended<br>30/06/2023<br>RM | Comparative<br>Period Ended<br>30/06/2022<br>RM |
| Malaysian taxation<br>- Current year | 3,286,431                                    | 1,383,370  | 4,327,155                                   | 2,161,469                                       |
| Deferred tax                         | 441,671                                      | (980,055)  | 355,962                                     | (659,177)                                       |
|                                      | -----  | -----  | -----                                       | -----   |
|                                      | 3,728,102                                    | 403,315  | 4,683,117                                   | 1,502,292                                       |
|                                      | =====  | =====  | =====                                       | =====   |

The lower effective tax expense for the financial year to date was primarily due to certain non-taxable income.

**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 utilisation of the Private Placement proceeds as at 17 August 2023 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                | (6,418,149)             | 3,581,851                 | Within 24 months  |
| Working capital                              | 36,214,934                | (36,358,461)            | (143,527)                 | 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 30 June 2023 were as follows: -

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

|   | Secured<br>RM | Unsecured<br>RM |
|---|---------------|-----------------|
| <u>Current</u><br>Lease liabilities     | 17,801        | 85,958          |
|   | -----         | -----           |
| <u>Non-Current</u><br>Lease liabilities | -             | 51,074          |
|   | -----         | -----           |
| Total borrowings                        | 17,801        | 137,032         |
|   | =====         | =====           |

Total Group's loans and borrowings as at 30 June 2022 were as follows: -

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

|   | Secured<br>RM | Unsecured<br>RM |
|---|---------------|-----------------|
| <u>Current</u><br>Lease liabilities     | 69,233        | 82,297          |
|   | -----         | -----           |
| <u>Non-Current</u><br>Lease liabilities | 17,622        | 135,742         |
|   | -----         | -----           |
| Total borrowings                        | 86,855        | 218,039         |
|   | =====         | =====           |

### 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 2023.

### 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<br>Quarter<br>Ended<br>30/06/2023 | Comparative<br>Quarter<br>Ended<br>30/06/2022 | Current<br>Period<br>Ended<br>30/06/2023 | Comparative<br>Period<br>Ended<br>30/06/2022 |
| Net profit attributable to equity holders of the parent (RM)                               | <u>9,886,680</u>                          | <u>1,613,423</u>                              | <u>13,288,186</u>                        | <u>4,002,855</u>                             |
| Weighted average number of ordinary shares in issue  | <u>288,727,040</u>                        | <u>288,727,040</u>                            | <u>288,727,040</u>                       | <u>288,727,040</u>                           |
| Basic earnings per share for the period attributable to equity holders of the parent (sen) | <u>3.42</u>                               | <u>0.56</u>                                   | <u>4.60</u>                              | <u>1.39</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 2022 was not qualified.

**31. Additional Disclosures on Profit for the period**

|   | 3 Months Ended                               |  | Cumulative 6 Months Ended                   |   |
|---|--|--|---|---|
|   | Current<br>Quarter Ended<br>30/06/2023<br>RM | Comparative<br>Quarter Ended<br>30/06/2022<br>RM | Current<br>Period Ended<br>30/06/2023<br>RM | Comparative<br>Period Ended<br>30/06/2022<br>RM |
| Profit for the period is arrived at after charging/(crediting): |  |  |   |   |
| Interest income from financial assets                           | (228,134)                                    | (101,356)  | (379,479)                                   | (192,150)                                       |
| Realised foreign exchange (gain)/loss                           | (268,160)                                    | -  | (247,715)                                   | 3,034   |
| Unrealised foreign exchange gain                                | -  | -  | (331,901)                                   | (193,857)                                       |
| Rental income   | (24,500)                                     | (46,500)   | (69,000)                                    | (93,000)  |
| Reversal of impairment on trade receivables                     | -  | -  | (53,071)                                    | -   |
| Depreciation of property, plant and equipment                   | 2,518,525                                    | 2,696,667  | 4,581,306                                   | 5,400,059                                       |
| Finance costs   | 447,125                                      | 56,010   | 716,131                                     | 79,164  |
| Property, plant and equipment written off                       | -  | 413  | -   | 413   |

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, provision for and write off of inventories, 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 2023.