

KKB ENGINEERING BERHAD

(Company No : 26495 - D)

(Incorporated in Malaysia)

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

	3 MONTHS ENDED		CUMULATIVE 9 MONTHS ENDED	
	CURRENT QUARTER ENDED 30/09/2023 RM	COMPARATIVE QUARTER ENDED 30/09/2022 RM	CURRENT PERIOD ENDED 30/09/2023 RM	COMPARATIVE PERIOD ENDED 30/09/2022 RM
Revenue from contracts with customers	140,053,997	102,003,338	304,914,419	305,102,286
Cost of sales	(116,871,904)	(88,462,471)	(244,082,980)	(269,705,625)
Gross profit	<u>23,182,093</u>	<u>13,540,867</u>	<u>60,831,439</u>	<u>35,396,661</u>
Selling and distribution expenses	(720,313)	(37,928)	(2,023,990)	(173,594)
Administrative expenses	(8,735,449)	(7,821,747)	(27,672,758)	(24,685,657)
Operating profit	<u>13,726,331</u>	<u>5,681,192</u>	<u>31,134,691</u>	<u>10,537,410</u>
Finance costs	(599,031)	(125,685)	(1,315,162)	(204,849)
Finance income	272,512	129,986	651,991	322,136
Other expenses	(471,285)	(2,543,714)	(1,412,716)	(3,709,828)
Other income	2,142,367	974,568	7,071,782	2,841,868
Share of results of associates	364,293	381,259	1,230,514	692,786
Profit before tax	<u>15,435,187</u>	<u>4,497,606</u>	<u>37,361,100</u>	<u>10,479,523</u>
Income tax expense	(3,646,637)	(911,573)	(8,329,754)	(2,413,865)
Profit for the period	<u>11,788,550</u>	<u>3,586,033</u>	<u>29,031,346</u>	<u>8,065,658</u>
Other Comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income for the period	<u>11,788,550</u>	<u>3,586,033</u>	<u>29,031,346</u>	<u>8,065,658</u>
Profit for the period attributable to:				
Equity holders of the parent	9,727,569	1,025,499	23,015,756	5,028,354
Non-controlling interests	2,060,981	2,560,534	6,015,590	3,037,304
	<u>11,788,550</u>	<u>3,586,033</u>	<u>29,031,346</u>	<u>8,065,658</u>
Total Comprehensive Income for the period attributable to:				
Equity holders of the parent	9,727,569	1,025,499	23,015,756	5,028,354
Non-controlling interests	2,060,981	2,560,534	6,015,590	3,037,304
	<u>11,788,550</u>	<u>3,586,033</u>	<u>29,031,346</u>	<u>8,065,658</u>
Earnings per share attributable to equity holders of the parent:				
Basic, for profit for the period (sen)	<u>3.37</u>	<u>0.36</u>	<u>7.97</u>	<u>1.74</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 THIRD QUARTER ENDED 30 SEPTEMBER 2023**Unaudited Condensed Consolidated Statements of Financial Position**

	AS AT 30/09/2023 RM	AS AT 31/12/2022 RM
ASSETS		
Non-current assets		
Property, plant & equipment	135,809,041	135,005,814
Investment in associates	9,260,676	8,030,162
Goodwill	1,632,667	1,632,667
Deferred tax assets	1,112,147	2,620,094
	<u>147,814,531</u>	<u>147,288,737</u>
Current assets		
Inventories	47,879,757	47,655,553
Trade and other receivables	87,110,052	77,510,061
Contract assets	83,844,323	50,022,826
Other current assets	3,675,666	6,892,230
Short term funds	194,678,119	205,331,452
Cash and short-term deposits	44,787,035	16,132,280
	<u>461,974,952</u>	<u>403,544,402</u>
TOTAL ASSETS	<u>609,789,483</u>	<u>550,833,139</u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	175,254,461	175,254,461
Retained earnings	228,738,301	223,046,167
Equity attributable to equity holders of the parent	<u>403,992,762</u>	<u>398,300,628</u>
Non-controlling interests	<u>50,542,953</u>	<u>44,527,363</u>
Total equity	<u>454,535,715</u>	<u>442,827,991</u>
Non-current liabilities		
Lease liabilities	29,340	93,857
Trade and other payables	7,045,014	6,986,596
Deferred tax liabilities	-	285,812
	<u>7,074,354</u>	<u>7,366,265</u>
Current liabilities		
Trade and other payables	146,336,835	100,329,332
Lease liabilities	85,570	140,364
Income tax payable	1,757,009	169,187
	<u>148,179,414</u>	<u>100,638,883</u>
Total liabilities	<u>155,253,768</u>	<u>108,005,148</u>
TOTAL EQUITY AND LIABILITIES	<u>609,789,483</u>	<u>550,833,139</u>

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

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INTERIM FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023**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 2023	175,254,461	223,046,167	398,300,628	44,527,363	442,827,991
Profit for the period	-	23,015,756	23,015,756	6,015,590	29,031,346
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	23,015,756	23,015,756	6,015,590	29,031,346
First and final dividend for FYE 31 December 2022	-	(17,323,622)	(17,323,622)	-	(17,323,622)
At 30 September 2023	<u>175,254,461</u>	<u>228,738,301</u>	<u>403,992,762</u>	<u>50,542,953</u>	<u>454,535,715</u>
At 1 January 2022	175,254,461	225,777,418	401,031,879	38,765,849	439,797,728
Profit for the period	-	5,028,354	5,028,354	3,037,304	8,065,658
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	5,028,354	5,028,354	3,037,304	8,065,658
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)
At 30 September 2022	<u>175,254,461</u>	<u>216,369,420</u>	<u>391,623,881</u>	<u>40,803,153</u>	<u>432,427,034</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 THIRD QUARTER ENDED 30 SEPTEMBER 2023**Unaudited Condensed Consolidated Statements of Cash Flows**

	CUMULATIVE 9 MONTHS ENDED 30/09/2023 RM	CUMULATIVE 9 MONTHS ENDED 30/09/2022 RM
Profit before taxation	37,361,100	10,479,523
Adjustments for:		
Depreciation of property, plant and equipment	7,154,135	8,061,567
Finance costs	1,315,162	204,849
Property, plant and equipment written off	-	413
Loss on disposal of property, plant & equipment	-	6,164
Reversal of impairment on trade receivables	(58,071)	-
Dividend income	(1,345,773)	(1,003,541)
Fair value changes in short term funds	(3,397,230)	(1,125,855)
Net unrealised foreign exchange gain	(331,901)	(193,857)
Interest income from financial assets	(651,991)	(322,136)
Share of results of associates	(1,230,514)	(692,786)
Total adjustments	<u>1,453,817</u>	<u>4,934,818</u>
Operating cash flows before changes in working capital	38,814,917	15,414,341
Changes in working capital		
Increase in inventories	(224,204)	(591,137)
Increase in receivables	(9,443,128)	(25,105,606)
Increase in contract assets	(33,821,497)	(2,620,630)
Increase in payables	46,299,030	35,965,457
(Increase)/decrease in other current assets	(751)	805,267
Cash flows generated from operations	<u>41,624,367</u>	<u>23,867,692</u>
Interest paid	(1,315,162)	(204,849)
Net taxes paid	(2,302,481)	(4,846,754)
Net cash flows generated from operating activities	<u>38,006,724</u>	<u>18,816,089</u>
Investing activities		
Proceeds from disposal of property, plant & equipment	-	8,013
Purchase of property, plant and equipment	(7,957,363)	(389,334)
Investment in short term funds	(53,000,000)	(52,000,000)
Redemption of short term funds	68,396,336	36,716,162
Interest received	651,991	322,136
Net cash flows generated from/(used in) investing activities	<u>8,090,964</u>	<u>(15,343,023)</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	(119,311)	(154,407)
Increase in deposits pledged for bank guarantee	(215,358)	-
Net cash flows used in financing activities	<u>(17,658,291)</u>	<u>(15,590,759)</u>
Net increase/(decrease) in cash and cash equivalents	28,439,397	(12,117,693)
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>44,271,677</u>	<u>22,255,187</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 SEPTEMBER 2023

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	17,856,084	287,058,335	-	304,914,419
Inter-segment revenue	2,633,659	24,743,935	(27,377,594)	-
	-----	-----	-----	-----
Total revenue	20,489,743	311,802,270	(27,377,594)	304,914,419
	-----	-----	-----	-----
Results	2,212,865	35,232,883	-	37,445,748
Finance costs	(25)	(1,315,137)	-	(1,315,162)
Share of results of associates	384,975	845,539	-	1,230,514
	-----	-----	-----	-----
Profit before tax	2,597,815	34,763,285	-	37,361,100
Income tax expense	(718,778)	(7,610,976)	-	(8,329,754)
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Profit after tax	1,879,037	27,152,309	-	29,031,346
	=====	=====	=====	=====

OTHER DISCLOSURES

Finance income	65,962	586,029	-	651,991
Depreciation of property, plant and equipment	742,862	6,411,273	-	7,154,135
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RESULTS FOR PERIOD-TO-DATE ENDED 30 SEPTEMBER 2022

	Manufacturing RM	Engineering RM	Eliminations RM	Consolidated RM
External revenue	8,613,464	296,488,822	-	305,102,286
Inter-segment revenue	4,062,697	26,471,416	(30,534,113)	-
	-----	-----	-----	-----
Total revenue	12,676,161	322,960,238	(30,534,113)	305,102,286
	-----	-----	-----	-----
Results	(1,809,996)	11,801,582	-	9,991,586
Finance costs	-	(204,849)	-	(204,849)
Share of results of associates	333,375	359,411	-	692,786
	-----	-----	-----	-----
(Loss)/Profit before tax	(1,476,621)	11,956,144	-	10,479,523
Income tax expense	(283,821)	(2,130,044)	-	(2,413,865)

(Loss)/Profit after tax	----- (1,760,442) =====	----- 9,826,100 =====	----- - =====	----- 8,065,658 =====
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OTHER DISCLOSURES

Finance income	22,281	299,855	-	322,136
Depreciation of property, plant and equipment	789,559	7,272,008	-	8,061,567
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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

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 RM	Level 2 RM	Level 3 RM	Total RM
Assets measured at fair value:					
Short term funds	30/09/2023	194,678,119	-	-	194,678,119
	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 September 2023

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

13. Capital Commitments

	As At 30/09/2023 RM	As At 30/09/2022 RM
Commitments in respect of capital expenditure:		
Property, plant and equipment		
- Approved and contracted for	1,617,571	13,754
- Approved but not contracted for	8,880,615	-
	-----	-----
	10,498,186	13,754
	=====	=====

14. Related Party Transactions

	3 Months Ended		Cumulative 9 Months Ended	
	Current Quarter Ended 30/09/2023 RM	Comparative Quarter Ended 30/09/2022 RM	Current Period Ended 30/09/2023 RM	Comparative Period Ended 30/09/2022 RM
Transactions with an associate, Edisi Optima Sdn. Bhd.				
- Provision of miscellaneous services such as machineries, equipments and labour etc	375,442	458,023	1,097,787	1,199,224
- Rental income	6,000	6,000	18,000	18,000
- Purchase of miscellaneous services such as machineries, equipments and labour etc	11,824	11,476	35,472	34,428
Transactions with related companies of investors, Cahya Mata Sarawak Bhd. and/or Sarawak Economic Development Corporation				
- Purchase of steel and concrete products from CMS Concrete Products Sdn. Bhd.	-	64,620	-	111,420
- Purchase of aggregates, etc from SEDC Quarries Sdn. Bhd.	-	4,418,811	34,383	4,418,811
- Purchase of cement and other products from CMS Infra Trading Sdn. Bhd.	8,850	74,137	8,850	74,137
- Purchase of quarry sand, etc from				

Borneo Granite Sdn. Bhd.	-	-	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	53,550	53,550
- KKB Realty Sdn. Bhd.	19,800	15,300	50,400	45,900
- Sepang Kaya Sdn. Bhd.	32,708	32,708	98,124	98,124
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				
Short term lease expense				
- Kho Siew Lan	4,800	4,800	14,400	14,400
Short term lease expense				
- House Of Favourites	3,000	3,000	9,000	3,000
	499,474	5,125,925	2,108,657	6,128,594

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	
	30/09/23	30/09/22		30/09/23	30/09/22	
	RM'000	RM'000		RM'000	RM'000	
Revenue	140,054	102,003	37.3%	304,914	305,102	-0.1%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	18,607	7,285	155.4%	45,830	18,746	144.5%
Profit before interest and tax	16,034	4,623	246.8%	38,676	10,684	262.0%
Profit before tax	15,435	4,498	243.2%	37,361	10,480	256.5%
Profit after tax	11,789	3,586	228.8%	29,031	8,066	259.9%
Profit attributable to equity holders of the parent	9,728	1,025	849.1%	23,016	5,028	357.8%

The Group's current quarter revenue of RM140.1 million was 37.3% higher as compared to RM102.0 million achieved in the preceding year corresponding quarter. The prime mover for the increased revenue comes from the Group's Engineering sector, in particular the Steel Fabrication division which recorded an increase of 207.9% in revenue as compared to the preceding year corresponding quarter.

Similarly, Group's pre-tax profit ("PBT") of RM15.4 million improved by more than three times compared to RM4.5 million in the preceding year third quarter and year-to-date PBT rose to RM37.4 million (9 months 2022: RM10.5 million). The overall improved performance was driven by the Group's Steel Fabrication and Civil Construction divisions supported by the improved contribution from the Manufacturing sector.

Engineering Sector

The Engineering sector registered revenue of RM131.5 million as compared to RM97.0 million in the preceding year corresponding third quarter. Revenue contribution from Civil Construction division was lower but the reduction was offset by higher revenue registered by the Steel Fabrication division resulting in an overall higher revenue of 35.6% for the Engineering Sector compared to the preceding year third quarter.

The Group's Steel Fabrication division registered revenue of RM77.9 million in the current quarter (3Q22: RM25.3 million), mainly from the on-going major Onshore fabrication jobs for the Oil & Gas facilities. Current quarter's revenue was mainly from the Engineering, Procurement and Construction ("EPC") of Standard Wellhead Platforms for MLNG FaS (F27, F22, Selasih and F23 Brownfield); Module Fabrication and supply of Steel Structures for the Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu, Sarawak; Structural steel work for the Glove factory in Bintulu and other miscellaneous fabrication works.

The Group's Construction division 3Q23 revenue decreased by 24.4% to RM53.6 million compared to RM70.9 million in the preceding year corresponding quarter, attributed to lower progress claims from the Pan Borneo Highway project (Phase 1 Works Package Contract – WPC-09). Most of the water related construction projects are reaching its tail end. 3Q23 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 remained low due to lower business volume. Revenue was mostly from ad-hoc walk-in customers.

Manufacturing Sector

The Group's Steel Pipes manufacturing division saw an increase of 215.8% in revenue. The export of Mild Steel water pipes to Brunei by the Group's Steel Pipes manufacturing plant in Kota Kinabalu, Sabah has enabled the Group to register revenue of RM6.0 million in 3Q23 compared to RM1.9 million in the preceding year corresponding quarter.

Current quarter's revenue for the LP Gas Cylinders manufacturing division decreased by 19.4% to RM2.5 million compared to RM3.1 million in the preceding year third quarter. About 54% of its current quarter revenue was from the Reconditioning/Requalification of LP Gas Cylinders for Petronas Dagangan Berhad and Mygaz Sdn Bhd and 46% for sales of LPG Compact Valves to Mygas Sdn Bhd and Petrosniaga Sdn Bhd.

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 (%)
	30/09/23	30/06/23	
	RM'000	RM'000	
Revenue	140,054	104,374	34.2%
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)	18,607	19,320	-3.7%
Profit before interest and tax	16,034	16,801	-4.6%
Profit before tax	15,435	16,354	-5.6%
Profit after tax	11,789	12,626	-6.6%
Profit attributable to equity holders of the parent	9,728	9,887	-1.6%

Group's revenue for the current quarter of RM140.1 million (2Q23: RM104.4 million) was 34.2% higher than the preceding quarter ended 30 June 2023, mainly due to higher revenue recorded by the Steel Fabrication and Civil Construction divisions within the Engineering sector.

Group's profit before taxation has however decreased marginally by 5.6% to RM15.4 million, on the back of lower gross profit margin recorded by the Engineering sector as compared with the preceding quarter.

17. Prospects

The Group's year-to-date profit after tax ("PAT") of RM29.0 million had surpassed the preceding year twelve months PAT of RM18.5 million by 56.8%.

The Engineering sector contributes positively to the Group's earnings and anticipated that this sector will continue its path in generating revenue and profit to the Group. Moving forward, management continues to build on existing customer relationships, develop new customers and remains focused on exploring new business opportunities and improving operational efficiency for long-term sustainable growth.

KKB Group remains resolute in its commitment to fortify its core businesses by actively participating in tendering for new projects from both the public and private sectors to replenish its order book.

The Group remains vigilant of the challenges and the continued uncertainties in the global economic environment, escalation of costs due to inflationary pressure, volatility of global raw material steel prices and weakening of the Malaysian Ringgit against major foreign currencies are amongst factors that may impact the Group's performance.

Nonetheless, the Board and Management maintain its positive view that KKB Group will deliver a strong set of results for the financial year ending 31 December 2023, supported by its strong order book in hand and healthy financial position.

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 30/09/2023 RM	Comparative Quarter Ended 30/09/2022 RM	Current Period Ended 30/09/2023 RM	Comparative Period Ended 30/09/2022 RM
Malaysian taxation				
- Current year	2,234,293	707,857	6,561,448	2,869,326
- Prior year	546,172	968,966	546,172	968,966
Deferred tax	866,172	(765,250)	1,222,134	(1,424,427)
	-----	-----	-----	-----
	3,646,637	911,573	8,329,754	2,413,865
	=====	=====	=====	=====

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 23 October 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	(8,251,796)	1,748,204	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 September 2023 were as follows: -

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

	Secured RM	Unsecured RM
<u>Current</u>		
Lease liabilities	-	85,570
	-----	-----
<u>Non-Current</u>		
Lease liabilities	-	29,340
	-----	-----
Total borrowings	-	114,910
	=====	=====

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

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

	Secured RM	Unsecured RM
<u>Current</u>		
Lease liabilities	69,919	88,960
	-----	-----
<u>Non-Current</u>		
Lease liabilities	-	114,910
	-----	-----
Total borrowings	69,919	203,870
	=====	=====

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 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

Save that an announcement was made to Bursa Malaysia Securities Berhad on 15 September 2023 pursuant to the Arbitration Notice issued by OceanMight Sdn Bhd (a subsidiary of KKB Engineering Berhad) against Shapadu Energy Services Sdn Bhd, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position.

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 30/09/2023	Comparative Quarter Ended 30/09/2022	Current Period Ended 30/09/2023	Comparative Period Ended 30/09/2022
Net profit attributable to equity holders of the parent (RM)	<u>9,727,569</u>	<u>1,025,499</u>	<u>23,015,756</u>	<u>5,028,354</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>3.37</u>	<u>0.36</u>	<u>7.97</u>	<u>1.74</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 9 Months Ended	
	Current Quarter Ended 30/09/2023 RM	Comparative Quarter Ended 30/09/2022 RM	Current Period Ended 30/09/2023 RM	Comparative Period Ended 30/09/2022 RM
Profit for the period is arrived at after charging/(crediting):				
Interest income from financial assets	(272,512)	(129,986)	(651,991)	(322,136)
Realised foreign exchange (gain)/loss	(69,424)	(324)	(317,139)	2,710
Unrealised foreign exchange gain	-	-	(331,901)	(193,857)
Rental income	(28,600)	(46,500)	(97,600)	(139,500)
Loss on disposal of property, plant and equipment	-	6,164	-	6,164
Reversal of impairment on trade receivables	(5,000)	-	(58,071)	-
Depreciation of property, plant and equipment	2,572,829	2,661,508	7,154,135	8,061,567
Finance costs	599,031	125,685	1,315,162	204,849
Property, plant and equipment written off	-	-	-	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 September 2023.