

UNAUDITED THIRD QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS<sup>(1)</sup>

	3-MONTHS ENDED			YEAR-TO-DATE ENDED		
	30.09.2019 RM'000	30.09.2018 RM'000	CHANGES %	30.09.2019 RM'000	30.09.2018 RM'000	CHANGES %
Revenue	45,682	32,887	38.9%	110,671	104,196	6.20%
Cost of sales	<u>(37,541)</u>	<u>(26,846)</u>	39.8%	<u>(89,662)</u>	<u>(85,138)</u>	5.31%
Gross profit	8,141	6,041	34.8%	21,009	19,058	10.2%
Other income	49	118	-58.5%	190	483	-60.7%
Administrative expenses	(3,685)	(3,363)	9.6%	(10,456)	(8,365)	25.0%
Finance costs	<u>(551)</u>	<u>(370)</u>	48.9%	<u>(996)</u>	<u>(1,001)</u>	-0.50%
Profit before tax	3,954	2,426	63.0%	9,747	10,175	-4.21%
Income tax expense	<u>(1,200)</u>	<u>(924)</u>	29.9%	<u>(2,757)</u>	<u>(3,051)</u>	-9.64%
<b>Profit / Total comprehensive income for the period</b>	<u>2,754</u>	<u>1,502</u>	83.4%	<u>6,990</u>	<u>7,124</u>	-1.88%
<b>Attributable to:</b>						
Owner of the Company	2,755	1,502	83.4%	6,993	7,124	-1.84%
Non-controlling interests ("NCI")	<u>(1)</u>	<u>-</u>	-	<u>(3)</u>	<u>-</u>	-
	<u>2,754</u>	<u>1,502</u>	83.4%	<u>6,990</u>	<u>7,124</u>	-1.88%
Earnings per share attributable to owners of the Company (sen) <sup>(2)</sup> :						
Basic	<u>0.78</u>	<u>0.47</u>		<u>2.09</u>	<u>2.23</u>	
Diluted	<u>0.78</u>	<u>0.47</u>		<u>2.09</u>	<u>2.23</u>	

Notes:

- (1) The basis of preparation of the Unaudited Consolidated Statements of Profit or Loss are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) Earnings per share is calculated based on the Company's weighted average number of ordinary shares at the end of the reporting period.

UNAUDITED THIRD QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME<sup>(1)</sup>

	3-MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Profit After Tax for the period	2,754	1,502	6,990	7,124
Other Comprehensive Expenses				
- Foreign currency translation difference <sup>(2)</sup>	-	-	-	-
Total Comprehensive income for the period	<u>2,754</u>	<u>1,502</u>	<u>6,990</u>	<u>7,124</u>
<b>Attributable to:</b>				
Owner of the Company	2,755	1,502	6,993	7,124
Non-controlling interests ("NCI")	(1)	-	(3)	-
	<u>2,754</u>	<u>1,502</u>	<u>6,990</u>	<u>7,124</u>

**Note:**

- (1) The basis of preparation of the Unaudited Consolidated Statements of Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) Amount less than RM1,000

## UNAUDITED THIRD QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

## PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>(1)</sup>

	Unaudited As at 30.09.2019 RM'000	Audited As at 31.12.2018 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	7,174	7,229
Investment properties	2,811	2,856
Trade receivables	6,147	7,403
	<u>16,132</u>	<u>17,488</u>
<b>Current assets</b>		
Trade receivables	45,068	33,404
Other receivables, deposits and prepayments	5,025	3,501
Contract assets	38,947	27,349
Deposits with licensed banks	12,573	9,194
Cash and bank balances	13,904	10,511
	<u>115,517</u>	<u>83,959</u>
<b>TOTAL ASSETS</b>	<b><u>131,649</u></b>	<b><u>101,447</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	38,800	32,000
Treasury Shares	(241)	-
Retained profits	21,655	16,262
	<u>60,214</u>	<u>48,262</u>
<b>Non-controlling interest</b>	<b>(8)</b>	<b>(5)</b>
<b>Total Equity</b>	<b><u>60,206</u></b>	<b><u>48,257</u></b>
<b>Non-current liabilities</b>		
Finance lease liabilities	692	532
Term loan	5,717	4,750
Deferred tax liabilities	78	78
Trade payables	1,919	2,466
	<u>8,406</u>	<u>7,826</u>
<b>Current liabilities</b>		
Trade payables	41,438	30,831
Other payables and accruals	1,163	2,468
Contract liabilities	9,709	7,058
Finance lease liabilities	352	376
Short-term borrowings	9,678	4,152
Current tax liabilities	697	479
	<u>63,037</u>	<u>45,364</u>
<b>TOTAL LIABILITIES</b>	<b><u>71,443</u></b>	<b><u>53,190</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>131,649</u></b>	<b><u>101,477</u></b>
Net asset per share (RM) <sup>(2)</sup>	<u>0.18</u>	<u>0.15</u>

**Notes:**

- (1) The basis of preparation of the Unaudited Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per share is calculated based on the Company's weighted average number of ordinary shares at the end of the reporting period.

## UNAUDITED THIRD QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

## PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(1)</sup>

	<-Attributable to Owners of the Company->					Total Equity RM'000
	Non-distributable		Distributable		Non- controlling Interest RM'000	
	Share Capital RM'000	Treasury Shares RM'000	Retained Profits RM'000	Total RM'000		
Balance at 01.01.2019	32,000	-	16,262	48,262	(5)	48,257
Total Comprehensive						
Income for the period	-	-	6,993	6,993	(3)	6,990
Issuance of new shares	6,800	-	-	6,800	-	6,800
Shares repurchased	-	(241)	-	(241)	-	(241)
Dividend paid	-	-	(1,600)	(1,600)	-	(1,600)
<b>Balance as at 30.09.2019</b>	<b>38,800</b>	<b>(241)</b>	<b>21,655</b>	<b>60,214</b>	<b>(8)</b>	<b>60,206</b>
Balance at 01.01.2018	32,000	-	10,900	42,900	-	42,900
Total Comprehensive						
Income for the period	-	-	7,124	7,124	-	7,124
Dividend paid	-	-	(1,600)	(1,600)	-	(1,600)
<b>Balance as at 30.09.2018</b>	<b>32,000</b>	<b>-</b>	<b>16,424</b>	<b>48,424</b>	<b>-</b>	<b>48,424</b>

**Note:**

- (1) The basis of preparation of the Consolidated Statement of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

## UNAUDITED THIRD QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

## PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS<sup>(1)</sup>

	YEAR-TO-DATE ENDED	
	30.09.2019 RM'000	30.09.2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,747	10,175
Adjustments for:		
Depreciation	729	648
Fair value discount on receivables	315	-
Interest expense	681	548
Interest income	(100)	(372)
Loss/ (Gain) on disposal of property, plant and equipment	-	(35)
Operating profit before changes in working capital	11,372	10,964
Net decrease in amount owing by contract customers	(8,946)	(9,221)
(Increase) / decrease in trade and other receivables	(12,246)	1,950
Increase / in trade and other payables	8,755	6,969
Cash flows from operations	(1,065)	10,662
Interest paid	(681)	(548)
Interest received	100	372
Tax paid	(2,539)	(3,244)
Net cash from operating activities	(4,185)	7,242
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Net Purchase of property, plant and equipment	(630)	(1,796)
Net cash used in investing activities	(630)	(1,796)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) / Increase in fixed deposits pledged to banks	(3,379)	2,156
Net drawdown / (repayment) in trade finance	2,013	(1,768)
Net drawdown / (repayment) in finance lease obligations	136	(101)
Net drawdown / (repayment) in term loans	1,032	(1,771)
Proceeds from issuance of new shares	6,800	-
Buy-back of shares	(241)	-
Dividend paid	(1,600)	(1,600)
Net cash used in financing activities	4,761	(3,084)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(54)	2,362
Cash and cash equivalents at beginning of the financial period	9,381	9,073
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD</b>	<b>9,327</b>	<b>11,435</b>
<b>Cash and cash equivalents comprise :</b>		
Deposits with licensed banks	12,573	14,088
Cash and bank balances	13,904	12,653
Bank overdrafts	(4,577)	(1,218)
	21,900	25,523
Less: Deposits pledged to licensed banks	(12,573)	(14,088)
	<b>9,327</b>	<b>11,435</b>

**Note:**

- (1) The basis of preparation of the Unaudited Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED THIRD QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

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**A1 Basis of Preparation**

The interim financial statements of the Group are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting and Rule 9.22 of the Listing Requirements.

The interim financial reports should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018.

**A2 Significant Accounting Policies**

In addition to the accounting policies and presentations adopted by the Group for the audited financial statements for the year ended 31 December 2018, the Group has further adopted the following MFRS in this interim financial statement, effective from 1 January 2019:-

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations <sup>(1)</sup>
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements <sup>(1)</sup>
Amendments to MFRS 112	Income Taxes <sup>(1)</sup>
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs <sup>(1)</sup>
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC interpretation 23	Uncertainty Over Income Tax Treatments

**Note:**

(1) Amendments to MFRSs contained in the document entitle Annual Improvements to MFRSs 2015-2017 Cycle.

The Group expect that the adoption of the above Standards, Amendments and IC interpretation are not expected to have any material financial impacts to the current period and prior period financial statement.

**A3 Auditors’ Report**

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2018.

**A4 Seasonal and Cyclical Factors**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

**A5 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There was no unusual item affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter and period under review.

UNAUDITED THIRD QUARTER REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

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**A6 Changes in Estimates**

There was no material change in estimates that have a material effect on the financial quarter and period under review.

**A7 Debt and Equity Securities**

During the financial period ended 30 September 2019, the Company repurchases 250,000 units of its issued ordinary shares from the open market at a price RM0.215 per share. The total consideration paid was RM0.05 million including transaction costs and this was financed by the internal generated funds. The shares repurchased are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

As at 30 September 2019, 1,126,900 units ordinary shares have been repurchased for RM0.24 million including transaction costs.

Save as above, there was no issuance, cancellations, resales and repayment of debt and equity securities for the Group during the current quarter ended 30 September 2019.

**A8 Dividends Paid**

	<u>RM'000</u>
(i) 1 <sup>st</sup> interim single-tier dividend of RM0.005 per share, paid on 4 April 2019	1,600
(ii) 2 <sup>nd</sup> interim single-tier dividend of RM0.005 per share, paid on 7 October 2019	1,764
	<u>3,364</u>

1<sup>st</sup> interim single-tier dividend for the previous year's corresponding period was 0.05 sen per ordinary share, paid on 6 April 2018 and 2<sup>nd</sup> interim single-tier dividend of 0.05 sen per ordinary share, paid on 11 October 2018.

**A9 Segmental Reporting**

The Group is principally involved in the provision of electrical and mechanical engineering services. As such, the revenue of the Group for the current financial quarter under review and the financial period to date is derived entirely from its electrical and mechanical engineering services.

No geographical analysis has been prepared as the Group operates wholly in Malaysia.

**A10 Material Events after the End of the Reporting Period**

Save for what has been disclosed in Note B6 "Status of Corporate Proposals", there were no other material events subsequent to the end of the current financial period.

PART A – EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT

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**A11 Changes in the Composition of the Group**

Econergy Plus Sdn Bhd (“EPSB”) was incorporated on 29 August 2019 under the Companies Act 2016. The entire issued and paid-up share capital is RM1,000.00 comprising of 1,000 ordinary shares.

The Company’s wholly-owned subsidiary, KAB Technology Sdn Bhd is holding 80% or 800 ordinary shares of RM1 each and the balance 20% issued shares allotted to Brad Knowles, being the minority shareholder.

EPSB is principally engaged in Energy Solution and Service provided with using own proprietary internet of things (IoT) based hardware and software utilizing intelligent predictive algorithms to ensure effective and efficient operations of equipment and machinery which will result in energy saving.

**A12 Contingent Liabilities and Contingent Assets**

Contingent liabilities of the Group as at 30 September 2019 comprised of guarantees given to third parties in respect of performance bonds for the Group’s projects amounting to RM19.64 million.

There was no contingent asset as at the date of this interim report.

**A13 Capital Commitments**

	<u>RM’000</u>
Approved and contracted but not provided for:	
- Property, plant and equipment	1,965

**A14 Significant related party transactions**

There was no significant related party transaction in the current financial quarter and financial period under review.

**A15 Financial Liabilities**

The Group has not entered into any derivatives and do not have any financial liabilities.



**B1 Review of Group Performance**

For the current financial quarter under review, the Group posted revenues of RM45.68 million as compared to its preceding year’s corresponding quarter ended 30 September 2018 of RM32.89 million. Along with the increase in revenues, profit before tax (“PBT”) during the current quarter jumped to RM3.95 million, representing an increase of RM1.52 million from its preceding year’s corresponding quarter ended 30 September 2018 of RM2.43 million.

The overall increase in revenue and PBT were mainly attributed to increased activity.

**B2 Comparison with Immediate Preceding Quarter Results**

	< ----- 3-MONTHS ENDED ----- >			
	30.09.2019 RM'000	30.06.2019 RM'000	Changes	
			RM'000	%
Revenue	45,682	33,923	11,759	34.66%
Profit Before Tax	3,954	2,512	1,442	57.40%
Gross Profit	8,141	6,556	1,585	24.18%

The Group recorded a higher gross profit of RM8.14 million for the current quarter as compared to RM6.56 million in the previous quarter ended 30 June 2019 is in line with the increase in revenue of RM45.68 million for current quarter as compared with RM33.92 million in the previous quarter ended 30 June 2019.

The Group’s PBT of RM3.95 million for the current quarter was 57.4% higher than RM2.51 million achieved in the previous quarter ended 30 June 2019. The increase was mainly due to increase in revenues.

**B3 Prospects for the Financial Year**

The Group will continue to focus on the following future plans and business strategies for the future growth and expansion of its business:-

- (i) diversifying its revenue stream by providing maintenance services including upgrading, expansion, refurbishment, retrofitting and renovation projects;
- (ii) expansion beyond Klang Valley; and
- (iii) developing own proprietary IoT-based software utilising intelligent predictive algorithms to ensure effective and efficient operations of equipment and machinery (Electrical System) and chiller optimization solutions (Air-cond) which will reduce operational costs.

As at 30 September 2019, the Group’s order book, contracts secured and tenders are as follows:-

- (i) order book balance is approximately RM305 million;
- (ii) total value of contracts secured is approximately RM13 million; and
- (iii) approximately RM294 million worth of tenders still pending.

Based on the above, the Board of Directors is of the opinion that the Group’s financial performance for the current period to be satisfactory.

**B4 Profit Forecast**

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

**B5 Taxation**

	3-MONTHS ENDED		YEAR-TO-DATE-ENDED	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Income tax	1,200	696	2,743	2,745
Under/ (over)provided in prior year	-	228	14	228
Deferred tax	-	-	-	78
	<u>1,200</u>	<u>924</u>	<u>2,757</u>	<u>3,051</u>
Effective tax rate <sup>(1)</sup>	30.35%	38.09%	28.29%	29.99%

**Note:**

(1) The effective tax rate for the current quarter is higher than the statutory tax rate of 24% mainly due to adjustment for non-deductible expenses.

**B6 Status of Corporate Proposals**

On 10 October 2019, Mercury Securities Sdn Bhd had announced on behalf of the Board of Directors of KAB ("Board") that the Company proposes to undertake a private placement of up to 70,574,600 new ordinary shares in KAB ("Placement Shares") representing up to 20% of the total number of issued shares of KAB, to independent third-party investors to be identified later, at an issue price to be determined later.

The Bursa Securities had on 17 October 2019 approved the listing and quotation of up to 70,574,600 Placement Shares to be issued pursuant to the proposed Private Placement.

The shareholders of the Company had approved the Proposed Private Placement at an extraordinary general meeting ("EGM") of the Company held on 8 November 2019.

On 24 October 2019, the Company has entered into Shares Purchase and Sale Agreement with Mr Chanchai Kitprotpisuth to acquire 24,000 shares in Energy Optimization (Thailand) Co. Ltd (EOT), representing 80% of the total paid up share capital in EOT, for a total cash purchase consideration of THB4,640,000.00 (equivalent to approximately RM642,176.00).

Save as above, there was no corporate proposal announces.

**B7 Utilisation of Proceeds**

The utilisation of the gross proceeds from the Special Issue amounting to RM6.80 million is as follows:

Details of utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Unutilised
Acquisition and/or investment in other complementary business and/or assets <sup>(1)</sup>	6,630	-	6,630	Within 24 months
Estimated expenses for the proposed Special Issue	170	(170)	-	Immediate
<b>Total</b>	<b>6,800</b>	<b>(170)</b>	<b>6,630</b>	

**Notes:**

The utilisation of proceeds as disclosed above should be read in conjunction with the Circular of the Company dated 19 December 2018.

**B8 Group's Borrowings and Debt Securities**

The details of the borrowings of the Group are as follows:-

	As at 30.09.2019 RM'000	As at 30.09.2019 RM'000
<b>Long term:</b>		
Term loans	5,717	4,883
Finance lease liabilities	692	585
	<u>6,409</u>	<u>5,468</u>
<b>Short term:</b>		
Term loans	409	295
Finance lease liabilities	352	377
Bank overdrafts	4,577	1,218
Trade finance	4,692	2,796
	<u>10,030</u>	<u>4,686</u>

All the Group's borrowings are secured and denominated in Ringgit Malaysia.

**B9 Material Litigation**

As at the date of this report, the Group was not engaged in any material litigation.

**B10 Dividends Proposed**

The Board does not recommend any interim dividend for current quarter.

**B11 Derivatives and Fair Value Changes of Financial Liabilities**

- (i) There were no derivatives as at the current quarter under review.
- (ii) The fair value changes arising from discounting future retention sums receivable and retention sums payable to present value for the current quarter under review has been accounted for accordingly. The net fair value loss for the financial period amounted to RM0.32 million.
- (iii) The net fair value loss for the corresponding quarter of previous year amounted to RM0.18 million

**B12 Earnings Per Share**

The basic and diluted earnings per share for the period is computed as follows:-

	3-MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Profit after tax attributable to owners of the Company (RM'000)	2,755	1,502	6,993	7,124
Number of ordinary shares ('000)	352,873	320,000	334,988	320,000
Basic earnings per share (sen) <sup>(1)</sup>	0.78	0.47	2.09	2.23
Diluted earnings per share (sen) <sup>(2)</sup>	0.78	0.47	2.09	2.23

**Notes:**

- (1) The basic earnings per share is computed based on the profit attributable to the equity shareholders of the Company divided by weighted average number of ordinary shares in issue for the period under review.
- (2) Diluted earnings per share is equivalent to the basic earnings per share as the Company does not have convertible securities as at 30 September 2019.

**B13 Notes to the Statement of Comprehensive Income**

Profit before tax is arrived at after (crediting) / charging:

	3-MONTHS ENDED		YEAR-TO-DATE ENDED	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Interest income	(19)	(90)	(100)	(372)
Interest expense	236	129	681	548
Depreciation of property, plant and machinery	229	221	684	607
Depreciation of investment properties	15	15	45	41
Professional fees	372	556	1,168	1,142

**B14 Authorised for issue**

The interim financial statements were authorised by the Board of Directors in accordance with the resolution of the Directors on 18 November 2019.