

KKB ENGINEERING BERHAD
 [Registration No.: 197601000528 (26495-D)]
 (Incorporated in Malaysia)

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE FORTY-FIFTH (45TH) ANNUAL GENERAL MEETING (“AGM”) OF KKB ENGINEERING BERHAD (“KKB” OR “THE COMPANY”) CONDUCTED ENTIRELY THROUGH LIVE STREAMING FROM THE BROADCAST VENUE AT KKB ENGINEERING BERHAD, LOT 865, SECTION 66, JALAN KILANG, BINTAWA INDUSTRIAL ESTATE, 93450 KUCHING, SARAWAK VIA ONLINE MEETING PLATFORM AT [HTTPS://SSHSB.NET.MY/](https://sshsb.net.my/) PROVIDED BY SS E SOLUTIONS SDN. BHD. IN MALAYSIA ON MONDAY, 28 JUNE 2021 AT 10.00 A.M.

The queries raised by the Minority Shareholder Watch Group (“MSWG”) and the responses from KKB were presented at the AGM, details as outlined in Appendix 1, a copy as attached herewith.

There were questions raised by the members at the AGM and the responses from KKB are as follows:

Queries raised by shareholders	Responses from KKB
1. In the Annual Report 2020, KKB Group revenue was RM407.9 million (FY2019: RM559.3 million). How much was from the Oil and Gas (“O&G”) in 2020?	OceanMight Sdn. Bhd. (“OMSB”), the subsidiary and O&G unit, contributed approximately 42% or RM170.0 million to the group revenue. It important to highlight that OMSB was licensed by PETRONAS only in 2013. In a short span of eight (8) years, OMSB has successfully tendered for and awarded a total of 11 contracts since 2014 with an estimated combined value of RM915.0 million. The scope of work complexities ranges from Procurement and Construction (PC) to Engineering, Procurement and Construction (EPC) to Engineering, Procurement, Construction and Commissioning (EPCC), Engineering, Procurement, Construction, Installations and Commissioning (EPCIC). Until 2021, it has completed eight (8) contracts safely, on time and within budget, with three (3) remaining contracts to be handed over to clients by 2022. Health, Safety and Environment (HSE) record in the industry registered Zero LTI (Lost Time Injury) and it has clocked approximately 5.2 million manhours to date.
2. Will there be any Dividend for financial year ending 2021?	KKB was first public listed in 1994. Since then, the Board of Directors has consistently fulfilled one of the missions, which is “To have consistent – Fair & Equitable Return of Investment – for Shareholders”. For the last three (3) financial years from 2018 to 2020, dividends of between four (4) sen to six (6) sen were approved at annual general meeting and paid to shareholders. The Board hopes to do the same or better in years to come, subject to Company’s financial position and profitability.
3. The 2020 Covid-19 pandemic and the ongoing pandemic has disrupted global economy and human lives, will KKB Group be affected in 2021 and beyond?	KKB Group has no exception to the pandemic and as reflected in our financial results for year ending December 2020, the reduced activities affected both sales and margins. However, human safety and health remained as our main priority. The challenges faced such as Movement Control Order(s) be it weeks or months enforced by the Government and thus a dramatic reduction of business capacity, lower output and productivity The Company foresees this situation will continue to affect the Group’s performance in 2021. In sectors of manufacturing, engineering, construction and O&G, most contracts are delayed for three (3) to six (6) months. As such, contractors are being mitigated with continuous applications for extension of time as an example, ongoing contract review on prices is another.



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**KKB
ENGINEERING BERHAD**

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APPENDIX 1

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CERT. NO. 0049886-001, 002, 003, 004, 005

Date: 12 May 2021

Minority Shareholder Watchdog Group
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No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-20709090 Fax: 03-20709107

Via Email & Courier

Attn: Mr Devanesan Evanson

Dear Sir,

Re: Forty-Fifth (45th) Annual General Meeting ("AGM") of KKB Engineering Berhad ("KKB" or "the Company") to be held on Thursday, 20 May 2021

We refer to your letter dated 10th May 2021 pertaining to the abovementioned matter. We append below our reply to the points raised by MSWG:

OPERATIONAL & FINANCIAL MATTERS

Question 1

Since the commencement of OceanMight Sdn Bhd's (OMSB) operation in 2013, it has secured 11 projects related to the Oil and Gas sectors. As of to-date, OMSB has successfully completed 8 out of the 11 offshore structure fabrication projects.

(a) What is the outstanding order book of the 3 existing projects that have yet to be completed?

Answer

As at end of March 2021, OMSB's outstanding order book for the 3 existing projects is approximately RM138 million.

(b) What is the total value of offshore structure fabrication projects that the Company is currently bidding for? What is the probability of being awarded new projects in FY2021?

Answer

As at end of March 2021, bidded for approximately RM230 million and barring any unforeseen circumstances, we are optimistic of securing new works in FY2021.

Question 2

The overall results of KKB Group in FY2020 was pulled down by the performance of its subsidiary, KKBWCT Joint Venture Sdn Bhd, which undertakes the Pan Borneo Highway project in Sarawak (Phase 1 Works Package Contract – WPC-09) due to the impact of the MCO affecting physical progress and increased cost under the challenging operating environment. Although works were allowed to gradually resume following the easing of movement restrictions in early May 2020, work activities of the on-going projects were at a slower pace due to stringent health and safety control measures to curb the

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spread of COVID19. Supply chain were also impacted which affected the efficient ramping up of works and increased the cost of raw material.

- (a) Has the Group estimated the increase in costs? With these costs pressure, are projects that were secured prior to COVID-19 still profitable? What are the avenues, if any, for the Group to pass on increases in costs?

Answer

With COVID-19, the impact has been felt across all industries. Costs increases over the last one (1) year has been obvious. However, the Group still achieved a commendable set of results for FY2020. Subject to ongoing application for Variation Orders, the Group is further advocating the introduction of Price Review Mechanism to our Customers, where ever possible.

- (b) What efforts are being taken to deal with the increasing cost of raw material?

Answer

Similarly, Price Review Mechanisms are being explored across the Group and discussions are ongoing.

- (c) Going forward, how will the Group be tendering for projects given the challenges in the industry?

Answer

Pursuant to the spike in prices of major commodities across the globe, the Group is constantly pursuing with all reliable suppliers with the most competitive quotations for our ongoing bidding purposes.

Question 3

A significant portion of capital expenditure was deployed for capacity expansion to support growth opportunities in the Group's major Onshore Fabrication for Oil & Gas facilities and acquisition of heavy machineries and equipment for use at Lot 777. A total sum of approximately RM145.8 million has been invested for the expansion of its fabrication yard at Lot 777.

- (a) What is the current plant's utilization rate?

Answer

Approximately over 60%.

- (b) Will the Company be incurring any additional capital expenditure for its fabrication yard in FY2021?

Answer

Budget allocation approved by the Board of Directors of up to RM8.0 million for FY2021.

CORPORATE GOVERNANCE MATTERS

Question 1

The total fee for the internal audit function of the Group during the FY2020 was RM15,000 (FY2019: RM28,000).

- (a) What were the reasons for the 46% reduction in internal audit fee for FY2020?

Answer

Due to the COVID-19 and restrictions imposed in compliance to the MCO, CMCO and RMCO, field visits were postponed with only virtual audits being conducted. Claims for work done on minimal field visits after September 2020 were only made after 31 December 2020.

- (b) Given that the fee in FY2020 is rather small (RM1,250 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?

Answer

Although physical field work and visits to the work sites were minimized during the MCO, CMCO and RMCO, the Internal Auditor does conduct regular virtual meetings and interviews with the respective Head of Department and relevant personnel.

- (c) Audit Committee reviewed and discussed with the Internal Auditors, the review of working and rest-day hours of employees on shift work, updated on KKB Industries (Sabah) Sdn Bhd operation readiness, ongoing review on the recognition of revenue and the review on Impact of COVID-19 on KKB Engineering Berhad and its subsidiaries and measures taken to deal with regulations and legislation implemented by the Government. What were the major findings by the Internal Auditors?

Answer

The Internal Auditors reported the following findings:

- The Company and its subsidiaries did implement adequate safety measures in its workplace with respect to reducing the impact of COVID-19 that is affecting Malaysia in particular and its customers and suppliers outside Malaysia.
- The focus of Internal Auditors was on how KKB Engineering Berhad and its subsidiaries dealt with the threats arising from Covid-19 at its offices, factories, worksites and workers' hostels; ensuring that preventive and protective measures, and safety procedures were implemented. These measures and procedures were found to be more than adequate as required by the various government control orders. The Company and its subsidiaries did submit weekly reports to MITI.
- Revenue was found not to be adversely impacted
- The Company and some of its subsidiaries did apply and receive subsidies under the wages subsidy programme.
- The Company and its subsidiaries were able to operate normal hours with strict safety procedures to ensure work premises are safe and all employees are healthy.

Yours faithfully,
for KKB Engineering Berhad

(Signed)

KHO POH LIN
Executive Director