

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

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE FORTY-SIXTH (46TH) ANNUAL GENERAL MEETING (“AGM”) OF KKB ENGINEERING BERHAD (“KKB” OR “THE COMPANY”) HELD AT RIVERSIDE MAJESTIC HOTEL ASTANA WING, JALAN TUNKU ABDUL RAHMAN, 93100 KUCHING, SARAWAK ON TUESDAY, 24 MAY 2022 AT 10.00 A.M.

There were queries raised by a shareholder namely Minority Shareholder Watch Group prior to the AGM and the responses from KKB are outlined in Appendix 1, a copy as attached herewith which was also circulated to the members present at the AGM.



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HOT-DIP GALVANIZING
LPG CYLINDER DESIGN,
MANUFACTURING & RECONDITIONING
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CERT. NO. 0049886-001, 002, 003, 004, 005

APPENDIX 1



**KKB
ENGINEERING BERHAD**

[Reg. No.: 197601000528 (26495-D)]

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Date: 10th May 2022

Minority Shareholders Watch Group
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-20709090 Fax: 03-20709107

Via Email

Attn: Mr Devanesan Evanson

Dear Sir,

Re: **Forty-Six (46th) Annual General Meeting ("AGM") of KKB Engineering Berhad ("KKB" or the Company) to be held on Tuesday, 24 May 2022**

We refer to your letter dated 27th April 2022 pertaining to the abovementioned matter. We append below our reply to the points raised by MSWG:

OPERATIONAL & FINANCIAL MATTERS

Question 1

Despite 2021 having been a challenging year for the Group, the profit after taxation (PAT) of the Group increased to RM28.9 million compared to RM21.8 million in the preceding year, which was due to the year-on-year increase in PAT contribution from the engineering and construction segment (Page 9 & Pages 88-89 of Annual Report 2021).

- (a) Is the good performance sustainable in FY2022?
- (b) What competitive advantages does the Group have over its peers in the business, especially in its engineering and construction segment?

Answer

Barring unforeseen circumstances, we hope to achieve satisfactory results in FY2022.

Over the last sixty (60) years, our Group's expansions and synergistic activities, for example Steel Fabrication supporting our Construction works and Steel Pipes manufacturing, is testament of the Company's expertise and will continue to add strength to the implementation of projects.

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Question 2

Revenue from the Group's Steel Pipes manufacturing division for the current year decreased significantly by more than four folds to RM13.8 million (FY2020: RM67.8 million) (Page 26 of Annual Report 2021).

(a) What are the reasons for the significant decline in the revenue of the division?

Answer

Majority of projects awarded in FY2020 have been fulfilled in 1H2021.

(b) Going forward, how is the Group going to address the division's top-line performance?

Answer

The Group is continuously focusing on replenishing its current order book with new bids where it has competitive advantages.

Question 3

There is an impairment loss on trade receivables amounting to RM3,944,865 in FY2021 (FY2020: RM55,208) (Page 91 of the Annual Report 2021).

(a) Which trade receivables are involved in the impairment exercise?

Answer

This is under the Engineering segment of our Group's business.

(b) Is the amount recoverable? How much of the impairment loss has been recovered to-date? How much is expected to be recovered in FY2022?

Answer

Management remains confident that the amount will be recoverable over a period of time.

Question 4

Orderbook

(a) What is the Group's current orderbook?

(b) How long will the orderbook last?

Answer

As at end of March 2022, the order book is worth an estimated RM412.0 million, scheduled to be completed over FY2022 until early FY2024.

(c) What is the targeted orderbook replenishment in the next two financial years?

Answer

Estimated tender and bids worth RM1.1 billion.

Question 5

KKB has made significant investments in hardware and software assets to boost its IT infrastructure capabilities in line with its mission to progress through continuous advancement in Technology, Innovation, and Training (Page 21 of the Annual Report 2021).

- (a) What is the total amount that KKB has invested in the abovementioned assets, to date?
- (b) Is the Company planning for a new IT infrastructure-related investment in FY2022? If so, how much is the budgeted amount for such investment?
- (c) Please brief on the current state of KKB's IT infrastructure capabilities and how has the advancement in this area helped KKB's progressed?

Answer

Over the last three (3) years, the Group has upgraded and provided for phased Capital Expenditure worth an estimated RM3.1 million. Within the Group IT, such improvements are on-going to support the ever-changing business environment and digitalization requirements.

For example, the Enterprise Resource Planning system is a continuous process of improvement and has over the last decade, advanced and enabled KKB's overall business processes to be efficient to meet accurate and timely reporting or provide data for planning purposes.

Effectively, the investment in IT has and will continue to make the Group more competitive.

Yours faithfully,
for **KKB Engineering Berhad**

(Signed)

KHO POH LIN
Executive Director