

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

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE FORTY-SEVENTH (47TH) ANNUAL GENERAL MEETING (“AGM”) OF KKB ENGINEERING BERHAD (“KKB” OR “THE COMPANY”) HELD AT ABELL HOTEL, NO. 22, 4TH FLOOR, JALAN TUNKU ABDUL RAHMAN, 93100 KUCHING, SARAWAK ON THURSDAY, 25 MAY 2023 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.



STEEL FABRICATION
HOT-DIP GALVANIZING
LPG CYLINDER DESIGN,
MANUFACTURING & RECONDITIONING
CIVIL CONSTRUCTION

ISO 9001:2015 CERTIFIED
ISO 9001:2015 CERTIFIED
ISO 9001:2015 CERTIFIED
ISO 9001:2015 CERTIFIED

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

APPENDIX 1



**KKB
ENGINEERING BERHAD**

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

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E-MAIL: kkb@kkb.com.my WEBSITE: www.kkb.com.my

Date: 11 May 2023

Minority Shareholders Watch Group

Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-2732 0010
Email: mswatch@mswg.org.my

Via Email

Attn: Mr Devanesan Evanson

Dear Sir,

Re: Forty-Seven (47th) Annual General Meeting ("AGM") of KKB Engineering Berhad ("KKB" or "the Company") to be held on Thursday, 25 May 2023

We refer to your letter dated 2nd May 2023 pertaining to the abovementioned matter. We append below our reply to the points raised by MSWG:

OPERATIONAL & FINANCIAL MATTERS

Question 1

During the financial year under review, KKB registered a profit after taxation (PAT) of RM18,466,615 (Page 76 of the Annual Report 2022/AR2022). This represents a decrease of approximately 36% from the PAT of RM28,910,782 recorded in FY2021, with the engineering and construction segment's profit for the year decreased to RM19,547,624 (FY2021: RM27,297,079) and the manufacturing segment recorded a loss for the year of RM1,081,009 (FY2021: Profit of RM1,613,703) (Pages 100-101 of AR2022).

(a) How does the Board intend to address the decrease in the Group's bottom-line result?

(b) What is the outlook of the Group's business segments in FY2023?

Answer

With the recent award of contracts from Samsung Engineering (M) Sdn Bhd for the Module Fabrication and supply of Steel Structures for Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu, Sarawak in April 2023 and contract for the Provision of Engineering, Procurement and Construction of Standard Wellhead Platforms for MLNG FaS (F27, F22 and Selasih) Gas Field Development project from Sarawak Shell Berhad, KKB Group expects to achieve satisfactory results in FY2023 and FY2024, barring any unforeseen circumstances.

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



Question 2

The Group's gross profit margin (GPM) decreased from GPM of 18.29% [(RM71,649,761/RM391,636,135) X100] in FY2021 to GPM of 14.95% [(RM57,825,360/RM386,843,019) X100] in FY2022 (Page 76 of AR2022).

What are the measures taken by KKB to halt the diminishing of the GPM? What is the expectation of the GPM in FY2023?

Answer

The Group registered a lower Gross profit in FY2022 compared to FY2021, due to lower gross profit margin recorded from the Engineering sector, in particular the Civil Construction division. Margins of contracts secured pre-pandemic was impacted by inflationary pressure including an escalation in labour, construction material and supply chain costs.

The Group is actively participating in new business opportunities in the Major Onshore Fabrication, be it domestic or international, in collaboration with OceanMight Sdn Bhd (KKB's subsidiary) and other strategic partner(s) to increase its revenue base and earnings, with continued effort on prudent cost management and operational efficiency to remain competitive.

Barring any unforeseen circumstances, GPM in FY2023 is expected to be satisfactory.

Question 3

The Group's Engineering sector has been challenged by unprecedented delays and inflationary pressure in all parts of the supply chain including labour and materials. Prices of key construction materials like steel and cement increased (Page 7 of AR2022).

To what extent will the abovementioned factors impact the Group engineering and construction segment in FY2023, adversely?

Answer

Market remains impacted by rising material prices, logistic costs and higher interest rates which led to inflationary pressures and increasing operational costs. Notwithstanding, the Group continues to intensify its effort and resources to secure more projects in construction of infrastructure, with its proven experience and credibility.

Question 4

KKB's strong prospects are underpinned by a robust outstanding order book of approximately RM314.0 million as at 31 December 2022 (Page 8 of AR2022).

(a) How long will the current order book last?

(b) Is the Group currently facing difficulties in replenishing its orderbook? If so, how does the Group plan to overcome the challenges?

Answer

As at end of April 2023, the order book is worth an estimated RM762.0 million, scheduled to be completed in FY2023 until 2H2024.

In 2023, the Group has been awarded contracts from Samsung Engineering (M) Sdn Bhd for the Module Fabrication and Supply of Steel Structures for Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu, Sarawak AND Contract for the Provision of Engineering, Procurement and Construction of Standard Wellhead Platforms for MLNG FaS (F27, F22 and Selasih) Gas Field Development project from Sarawak Shell Berhad ("SHELL Contract").

The SHELL Contract is the first of a Five (5) years Price Agreement awarded by Sarawak Shell Berhad and Sabah Shell Petroleum Co. Limited to OceanMight Sdn Bhd as the Primary Contractor, effective from 24th October 2022 until 23rd October 2027.

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

Answer

The Group will continue to target a Tender Book of approximately RM400.0 million, annually for 2023 and 2024. Subject to competitiveness, the Group is focused on a success rate of between 30% to 40% of Tender Book.

Question 5

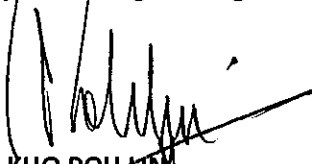
The Group remain focused on strengthening and boosting the value of its existing operations. The Group continues to explore and evaluate strategic business opportunities, including but not limited to strategic investment, partnerships, or acquisitions (Page 8 of AR2022).

What is the progress on exploring and evaluating strategic business opportunities? Is there a likely potential that the Group will enter into any strategic investment or partnership, or acquisitions in FY2023?

Answer

It is an on-going process. The Group continues to engage and identify local and/or foreign partners to cooperate with in the area of renewable green energy considering its potentials and future developments.

Yours faithfully,
for KKB Engineering Berhad



KHO POH LIN
Executive Director