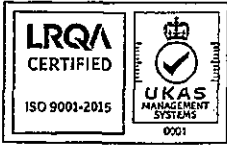


KKB ENGINEERING BERHAD
[Registration No.: 197601000528 (26495-D)]
(Incorporated in Malaysia)

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE FORTY-EIGHTH (48TH) 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 TUESDAY, 21 MAY 2024 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 has been circulated to the members present at the AGM.



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

ISO 45001:2018 CERTIFIED
ISO 45001:2018 CERTIFIED
ISO 45001:2018 CERTIFIED

ISO 45001:2018 CERTIFIED
CIDB & UPK REGISTERED

APPENDIX 1



KKB

ENGINEERING BERHAD

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

HEAD OFFICE:

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

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

Date: 17 May 2024

Minority Shareholders Watch Group
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: 03-27320010

Via Email

Attn: Dr. Ismet Yusoff

Dear Sir,

**Re: 48th Annual General Meeting ("AGM") of KKB Engineering Berhad ("KKB" or "the Company")
to be held on Tuesday, 21 May 2024**

We refer to your letter dated 13th May 2024 pertaining to the abovementioned matter. We append below our reply to the points raised by MSWG:

OPERATIONAL & FINANCIAL MATTERS

Question 1

The Group reported revenue of RM471.0 million in FY2023, an increase of 21.7% as compared to RM386.8 million recorded in the Financial Year ended 31 December 2022 ("FY2022"). Correspondingly, Group's pre-tax profit rose to RM52.2 million, an increase of 107.9% as compared to RM25.1million achieved in FY2022, driven by the improved performance of both the Engineering and Manufacturing sectors (Page 7 of the Annual Report 2023/AR2023).

(a) What is the outlook of the Group's engineering and manufacturing sectors in FY2024?

Answer

Outlook for both the Group's Engineering and Manufacturing sectors is positive, subject to any unforeseen circumstances.

(b) The Manufacturing segment returned to profitability in FY2023 (Page 120 of AR2023). Does KKB expect the segment to continue moving towards a profit trajectory? If not, why?

Answer

Yes, with our focus on the developments taking place in East Malaysia, subject to any unforeseen circumstances.

STEEL FABRICATION Certified • HOT-DIP GALVANIZING Certified •
LPG CYLINDER Certified • CIVIL CONSTRUCTION Certified •



Question 2

As of 31 December 2023, the Group's total outstanding order book remained strong, poised to make a positive contribution to the Group's revenue and profit for the financial year ending 31 December 2024 (Page 7 of AR2023).

- (a) What is the latest value of the Group's total outstanding orderbook, and how long is the order book expected to last?

Answer

As at end of March 2024, the Group's orderbook is worth approximately RM395 million (inclusive recent wins and those announced to Bursa); the supply or delivery, completions are targeted progressively until the 2H2025.

- (b) What is the value of order book for the on-going contract for Engineering, Procurement and Construction of Standard Wellhead Platforms for MLNG FaS (F27, F22, Selasih and F23 Brownfeld) together with the Module Fabrication and supply of Steel Structures for the Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu, Sarawak?

Answer

As at end of March 2024, the estimated value is worth between 70% to 74% of the group's current orderbook

- (c) What is the visibility of replenishing the orderbook in view of the uncertainty in global economic outlook, the rise in global inflation and the challenges in the steel fabrication industry? What is the Group's internal target for order book replenishment in FY2024?

Answer

The group is optimistic that its orderbook will be replenished. Our minimum target rate of success is between 35% to 45% of our tender bid in 2024.

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

Question 3

Looking ahead to FY2024, the primary objective remains the optimisation of operational costs and efficiencies and to explore viable business opportunities to enhance earnings capabilities and productivity (Page 22 of AR2023).

- (a) Which operational cost component will be primarily involved in the optimisation exercise? What is the targeted cost saving to achieve in FY2024, if any?

Answer

Procurement, Supply Chain and Logistics will continue to be our primary focus on cost optimization.

(b) In the previous year's reply to MSWG's question on exploring viable business opportunities, the Group continued to engage and identify local and/or foreign partners within the area of green renewable energy, considering its potential and future developments.

(i) What is the update on identifying local and/or foreign partners to cooperate within such an area?

Answer

Kindly refer to our recent Announcement to Bursa dated 16 February 2024 on the MOU signed between SAMSUNG Engineering Co, Ltd and OceanMight Sdn Bhd. This collaboration since 2022 has now been extended for another 24 months until December 2025. Our core business and focus shall be aligned with the initiatives of Sarawak's Hydrogen Economy Roadmap and in the areas of renewable energy.

(ii) Are there any specific criteria set by the Group in identifying the right partner in this sector? If so, what are those criteria?

Answer

Competent local or foreign partner(s) with sound track record and targeted expertise in the field of Green, Renewable Energy.

Question 4

KKBWCT Joint Venture Sdn Bhd (the Pan Borneo Highway project in Sarawak) reported a pre-tax loss of RM6.4 million in FY2023 against a pre-tax profit of RM3.1 million in FY2022, mainly attributed to compressed margins arising from the escalation of material and labour costs. Margins of contracts secured pre-pandemic was impacted by inflationary pressure including an escalation in labour, construction material and supply chain costs (Page 15 of AR2023). The construction industry will continue to face various challenges including competition, supply chain issues, labour shortage and increased cost of materials (Page 16 of AR2023).

(a) When is the expected completion of Pan Borneo Highway project in Sarawak (Phase 1 Works Package Contract – WPC-09)? With this cost pressure, were there any avenues for the Group to pass on increases in costs?

Answer

Final Completion is now expected by the middle of year 2024.

Yes, ongoing efforts to negotiate, secure and recover costs via Variation Of Price mechanisms and Variation Order(s) from the client.

(b) What efforts are being taken to deal with the increasing raw materials and labor costs? In bidding for new projects in the construction industry, how does the management factor in the potential increase in costs?

Answer

In bidding for new projects, management may be guided by a Building Materials Cost Index, the possibility of mid-term review, a close scrutiny and timing of all procurements (non – exhaustive) amongst others.

SUSTAINABILITY MATTERS

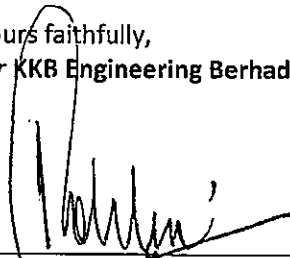
Question 5

Whilst it is commendable that the Group has a comprehensive Sustainability Statement disclosing data/information on the outcomes/results relating to sustainability matters such as dust particulate emission, total energy consumption, diesel usage, water usage etc., there is no disclosure of headline KPIs alongside targets which can enable meaningful comparisons with outcomes/results. Would the board consider providing a list of the key targets and the appropriate performance indicators in each sustainability matter to help shareholders understand the progress made over the years?

Answer

KKB Group has started to embark on the Sustainability journey with gradual implementation on ESG reporting. In our Sustainability Statement, we are dedicated to disclose data/information pertaining to the material sustainability matters and their respective indicators for at least 3 financial years to enable our fellow shareholders to monitor, and to make comparisons on our progress towards a sustainable future. While we apprehend the importance and usefulness of targets/KPIs setting, we remain cautious on setting sustainability targets/KPIs. The board will consider setting and providing KPIs based on practicality and suitability of each sustainability matter taking into consideration its industry and business operations and after careful evaluation on relevancy, criticality and priority of which can only be implemented progressively.

Yours faithfully,
for KKB Engineering Berhad



KHO POH LIN
Executive Director