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

CIRCULAR TO SHAREHOLDERS

in relation to:

**PROPOSED RENEWAL OF SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY
TRANSACTIONS ("RRPT") OF A REVENUE OR TRADING NATURE**

The Notice convening the Forty-Eighth Annual General Meeting ("AGM") of KKB Engineering Berhad ("KKB") to be 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. together with the Form of Proxy and this Circular are now published on the KKB's website at <https://kkbeb.listedcompany.com/agm.html>.

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, vote and speak on his behalf. The Form of Proxy must be deposited at the registered office of the Company at Lot 865, Section 66, Jalan Kilang, Bintawa Industrial Estate, 93450 Kuching, Sarawak not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof in order for it to be valid. The lodging of the Form of Proxy will not preclude a shareholder from attending and voting in person at the AGM should the shareholder subsequently wishes to do so.

This Circular is dated 18 April 2024

CONTENTS

	Page
1. INTRODUCTION	1
2. BACKGROUND INFORMATION OF PROVISIONS IN THE LISTING REQUIREMENTS	2
3. FEATURES OF THE PROPOSED SHAREHOLDER MANDATE	2 - 9
4. EFFECTS OF THE PROPOSED SHAREHOLDER MANDATE	9
5. RATIONALE AND BENEFIT OF THE PROPOSED SHAREHOLDER MANDATE	9 - 10
6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	10
7. DIRECTORS' RECOMMENDATION	10
8. ANNUAL GENERAL MEETING	10
9. ACTION TO BE TAKEN BY SHAREHOLDERS	11
10. FURTHER INFORMATION	11
APPENDIX A – ADDITIONAL INFORMATION	12

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

"Act"	Companies Act 2016, as amended from time to time and any enactment thereof
"AGM"	Annual General Meeting
"Board"	The Board of Directors of KKB
"Bursa Securities"	Bursa Malaysia Securities Berhad
"Director(s)"	Shall have the meaning given in Section 2 of the Act and Section 2(1) of the Capital Markets and Services Act 2007 (as amended from time to time and any enactment thereof) and includes any person who is or was within the preceding six (6) months of the date on which terms of the transaction were agreed upon, a director of KKB, its subsidiary or holding company or chief executive officer of KKB, its subsidiary or holding company
"EPS"	Earnings per share
"KKB" or "the Company"	KKB Engineering Berhad
"Group" or "KKB Group"	KKB Engineering Berhad and its subsidiaries, collectively
"LPD"	25 March 2024, being the latest practicable date prior to the issuance of this Circular
"Major Shareholder(s)"	<p>A person who has an interest or interests in one (1) or more voting shares in KKB and the number or aggregate number of those shares, is -</p> <ul style="list-style-type: none">(a) 10% or more of the total number of voting shares in KKB; or(b) 5% or more of the total number of voting shares in KKB where such person is the largest shareholder of KKB <p>For the purpose of this definition "interest in shares" shall have the same meaning given in Section 8 of the Act</p>
"Net Assets"	The net assets attributable to the ordinary equity holders of KKB
"Person(s) Connected"	<p>In relation to a Director or Major Shareholder (referred herein as 'said Person') who falls under any one (1) of the following categories:</p> <ul style="list-style-type: none">(i) a family member of the said Person. Family in relation to a person means such person who falls within any one (1) of the following categories:<ul style="list-style-type: none">(a) spouse;(b) parent;(c) child including an adopted child and step-child;(d) brother or sister; and(e) spouse of the person referred to in subparagraphs (c) and (d) above(ii) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;(iii) a partner of the said Person;(iv) a person, or where the person is body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;

DEFINITIONS (CONT'D)

"Person(s) Connected" (cont'd)	(v) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under obligation, whether formal or informal, to act; (vi) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or (vii) a body corporate which is a related corporation of the said Person
"Proposed Shareholder Mandate"	Proposed Shareholder Mandate for the existing RRPT
"Related Party(ies)"	A director, major shareholder or person connected with such director or major shareholder. For the purpose of this definition, "director", "major shareholder" and their person connected shall have the same meanings as defined herein
"Related Party Transaction"	A transaction entered into by KKB Group which involves the interest, direct or indirect, of a related party
"RM and sen"	Ringgit Malaysia and sen, respectively
"RRPT"	A related party transaction which is recurrent, of a revenue or trading nature and which is necessary for day-to-day operations of KKB Group and which has been made or will be made by KKB Group at least once in three (3) years in the ordinary course of business of KKB Group
"Shares"	Ordinary shares in the capital of KKB
"Shareholder Mandate"	Shareholder mandate pursuant to Paragraph 10.09 of the Listing Requirements

All references to 'our Company' or 'KKB' in this Circular are to KKB Engineering Berhad and references to 'our Group' are to our Company and our subsidiaries. References to 'we', 'us', 'our' and 'ourselves' are to our Company and, where the context otherwise requires, our subsidiaries.

All references to 'you' in this Circular are to the shareholders of our Company.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding. Any reference to a time of day and date in this Circular is a reference to Malaysian time and date, respectively.

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

Registered Office:

Lot 865, Section 66
Jalan Kilang
Bintawa Industrial Estate
93450 Kuching
Sarawak

18 April 2024

Board of Directors:

Dato Sri Kho Kak Beng (*Executive Chairman*)
Kho Pok Tong (*Group Managing Director*)
Kho Poh Lin (*Executive Director*)
Yong Voon Kar (*Independent Non-Executive Director*)
Datin Mary Sa'diah binti Zainuddin (*Independent Non-Executive Director*)
Ir. Haji Othman bin Abdul Kadir (*Independent Non-Executive Director*)
Dr Arjunan Subramaniam (*Non-Independent Non-Executive Director*)
Lau Nai Pek (*Non-Independent Non-Executive Director*)
Chai Woon Chew (*Non-Independent Non-Executive Director*)

TO : THE SHAREHOLDERS OF KKB ENGINEERING BERHAD

Dear Sir/Madam,

PROPOSED RENEWAL OF SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

1. INTRODUCTION

At the Company's AGM held on 25 May 2023, the Company obtained from its shareholders the mandate for the recurrent related party transactions of a revenue or trading nature which are necessary for the Company and its subsidiaries' day-to-day operations pursuant to Paragraph 10.09 of the Listing Requirements.

The existing Shareholder Mandate shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM, which has been scheduled to be held on 21 May 2024, unless by a resolution passed at the forthcoming AGM, the mandate is renewed.

Subsequently, on 22 February 2024, the Company announced through Bursa Securities that the Board proposes to seek a renewal of Shareholder Mandate from the shareholders at its forthcoming AGM.

The purpose of this Circular is to provide shareholders with details, effects and rationale pertaining to this proposal and to seek shareholders' approval for the resolution, which is to be tabled as an ordinary resolution at the forthcoming AGM scheduled to be held on 21 May 2024.

Shareholders of KKB are advised to read and consider carefully the contents of this Circular before voting on the resolution pertaining to this proposal at the forthcoming AGM scheduled to be held on 21 May 2024.

2. BACKGROUND INFORMATION OF PROVISIONS IN THE LISTING REQUIREMENTS

Paragraph 10.09(2) of the Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations, the Company may seek a mandate from its shareholders, subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the Shareholder Mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholder Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;
- (c) the Company's circular to shareholders for the Shareholder Mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain Shareholder Mandate, the relevant related party must comply with the requirements set out in Paragraph 10.08(7) of the Listing Requirements; and
- (e) the Company must immediately announce to Bursa Securities when the actual value of a RRPT entered into by the Company, exceeds the estimated value of the RRPT disclosed in the circular by ten percent (10%) or more and the Company must include the information as may be prescribed by Bursa Securities in its announcement.

3. FEATURES OF THE PROPOSED SHAREHOLDER MANDATE

3.1 Principal activities of KKB Group

- (i) The principal activities of KKB are as follows:
 - a) Steel Fabrication;
 - b) Hot-Dip Galvanising;
 - c) Civil Construction; and
 - d) Manufacturing of Liquefied Petroleum Gas ("LPG") Cylinders.

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(ii) The principal activities of its subsidiaries and associate companies are as follows:

NAME OF SUBSIDIARIES/ ASSOCIATE COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD (%)
<u>Subsidiaries</u>		
KKB Universal Roofing (Sarawak) Sdn. Bhd.	Manufacturing of unplasticized polyvinyl chloride ("uPVC") roofing sheets, uPVC pipes and other related products	100%
Harum Bidang Sdn. Bhd.	Manufacturing and trading of steel pipes and pipe specials	90%
HB Pipes Sdn. Bhd.	Property holding	*90%
KKB Industries (Sabah) Sdn. Bhd.	Manufacturing of steel pipes and pipe specials and steel fabrication	100%
Optima Line Engineering Sdn. Bhd.	Property holding	100%
KKB Builders Sdn. Bhd.	Building contractor, civil engineering, earthworks, water engineering works and other contracting services	100%
KKBWCT Joint Venture Sdn. Bhd.	Civil construction	70%
OceanMight Sdn. Bhd.	Structural steel fabrication for Oil & Gas facilities	**66.31%
KKB Energy Sdn. Bhd.	Engineering and construction for renewable energy facilities	100%
<u>Associate</u>		
Edisi Optima Sdn. Bhd.	Construction and general engineering, requalification of LPG cylinders and related services	40%

* 100% owned by Harum Bidang Sdn. Bhd.

** 13.75% owned by Edisi Optima Sdn. Bhd.

3.2 RRPT of a Revenue or Trading Nature

The nature of the RRPT contemplated under the Proposed Shareholder Mandate for RRPT shall include such transactions, but are not limited to those described below:

- i) Sales of fabricated/galvanised steel products and structural steel works;
- ii) Provision of project management services;
- iii) Provision of Engineering, Procurement, Construction and Commissioning (EPCC) of engineering projects;
- iv) Rental of premises and equipment;
- v) Sale/purchase of assets/equipment;
- vi) Provision/cost of miscellaneous services such as machineries/equipment, labour etc;
- vii) Sales of mild steel pipes, mild steel mechanical couplings and pipe specials;
- viii) Purchase of steel bar, concrete, premix, cement, wire mesh, graded aggregates, quarry sand and other related products;
- ix) Cost of road reinstatement/road maintenance and purchase of graded aggregates and other related products; and
- x) Rental of yard facilities including machineries/equipment, factories, office building etc.

These RRPT are all incurred in KKB and its subsidiaries' ordinary course of business and/or are likely to occur, and which are necessary for KKB and its subsidiaries' day-to-day operations.

3.3 Classes of Related Parties

Shareholders' approval is sought for the proposed renewal of Shareholder Mandate involving RRPT which are necessary for KKB and its subsidiaries' day-to-day operations and which are carried out by companies within the KKB Group with any of the following classes of Related Parties:

	RELATED PARTIES	PRINCIPAL ACTIVITIES	NAME OF INTERESTED DIRECTOR, INTERESTED MAJOR SHAREHOLDERS OF KKB AND ITS SUBSIDIARIES, ASSOCIATE AND INTERESTED PERSONS CONNECTED
(i)	Edisi Optima Sdn. Bhd.*	Construction and general engineering, requalification of LPG cylinders and related services	(a) Dato' Anwarudin bin Ahamad Osman
(ii)	CMS Infra Trading Sdn. Bhd.**	General trading	(a) Cahya Mata Sarawak Berhad (b) Sarawak Economic Development Corporation
(iii)	PPES Works (Sarawak) Sdn. Bhd.**	Civil engineering contractor	(a) Cahya Mata Sarawak Berhad (b) Sarawak Economic Development Corporation
(iv)	CMS Wires Sdn. Bhd.**	Manufacture and sale of wire mesh and related products	(a) Cahya Mata Sarawak Berhad
(v)	CMS Concrete Products Sdn. Bhd.**	Manufacture and sale of concrete products	(a) Cahya Mata Sarawak Berhad
(vi)	CMS Cement Sdn. Bhd.**	Manufacture and sale of cement	(a) Cahya Mata Sarawak Berhad
(vii)	CMS Cement Industries Sdn. Bhd.**	Manufacture and trading of cement clinker	(a) Cahya Mata Sarawak Berhad
(viii)	SEDC Premix Sdn. Bhd.**	Production and sale of premix	(a) Cahya Mata Sarawak Berhad (b) Sarawak Economic Development Corporation
(ix)	SEDC Quarries Sdn. Bhd.**	Quarry operation	(a) Cahya Mata Sarawak Berhad (b) Sarawak Economic Development Corporation
(x)	CMS Road Sdn. Bhd.**	Road assessment, maintenance and management	(a) Cahya Mata Sarawak Berhad
(xi)	OceanMight Sdn. Bhd.***	Structural steel fabrication for Oil & Gas facilities	(a) Dato' Anwarudin bin Ahamad Osman (b) Edisi Optima Sdn. Bhd.
(xii)	Borneo Granite Sdn. Bhd.**	Mining, quarrying and Oil & Gas extraction	(a) Cahya Mata Sarawak Berhad (b) Sarawak Economic Development Corporation

Relationships of the Related Parties:

* Dato' Anwarudin bin Ahamad Osman, who is a shareholder of KKB is also a Director and Major Shareholder of Edisi Optima Sdn. Bhd. ("EOSB").

** CMS Infra Trading Sdn. Bhd. ("CMSIT"), PPES Works (Sarawak) Sdn. Bhd. ("PPES"), CMS Wires Sdn. Bhd. ("CMSW"), CMS Concrete Products Sdn. Bhd. ("CMSCP"), CMS Cement Sdn. Bhd. ("CMSC"), CMS Cement Industries Sdn. Bhd. ("CMSCI"), SEDC Premix Sdn. Bhd. ("SEDCP"), SEDC Quarries Sdn. Bhd. ("SEDCQ"), CMS Road Sdn. Bhd. ("CMSR") and Borneo Granite Sdn. Bhd. ("BGSB") are subsidiaries and/or related companies of Major Shareholders, Cahya Mata Sarawak Berhad ("CMSB") and Sarawak Economic Development Corporation ("SEDC"). CMSIT, PPES, CMSW, CMSCP, CMSC, CMSCI, SEDCP, SEDCQ, CMSR and BGSB are Persons Connected with CMSB and SEDC.

*** Dato' Anwarudin bin Ahamad Osman is a Director of OceanMight Sdn. Bhd. ("OMSB"). Dato' Anwarudin bin Ahamad Osman is also a Major Shareholder and Director of EOSB. EOSB is a shareholder of OMSB. Dato' Anwarudin has indirect interest in OMSB via EOSB pursuant to Section 8 of the Act.

3.4 Nature of the RRPT and Estimated Value

Details of the RRPT, which requires the renewal of Shareholder Mandate in relation to the provision of, or obtaining from, the related party, products and services in the ordinary course of business of KKB and its subsidiaries, and their values which are anticipated to occur are as follows:

	COMPANY	TRANSACTIONING PARTIES	NATURE OF TRANSACTIONS	ESTIMATED AGGREGATE VALUE FROM 21/5/2024 TO THE DATE OF NEXT AGM (RM)	ESTIMATED AGGREGATE VALUE AS DISCLOSED IN LAST YEAR'S CIRCULAR DATED 19/4/2023 (RM)	ACTUAL VALUE TRANSACTED FROM LAST AGM TILL LPD (RM)
(a)	KKB Engineering Berhad	Edisi Optima Sdn. Bhd. ("EOSB")	Provision of project management services, EPCC (Engineering, Procurement, Construction and Commissioning) of engineering projects to EOSB	1,000,000	1,000,000	-
(b)	KKB Engineering Berhad	Edisi Optima Sdn. Bhd. ("EOSB")	Sales of fabricated/ galvanised steel products to EOSB	50,000,000	50,000,000	1,175,419.47
(c)	KKB Engineering Berhad	Edisi Optima Sdn. Bhd. ("EOSB")	Provision of miscellaneous services such as machineries/equipment, labour etc to EOSB	5,000,000	5,000,000	-
(d)	KKB Engineering Berhad	Edisi Optima Sdn. Bhd. ("EOSB")	Payment of cost of miscellaneous services such as machineries/ equipment, labour etc to EOSB	1,000,000	1,000,000	38,033.89
(e)	KKB Engineering Berhad	PPES Works (Sarawak) Sdn. Bhd. ("PPES")	Sales of fabricated/ galvanised steel products and structural steel works to PPES	10,000,000	10,000,000	-
(f)	Harum Bidang Sdn. Bhd.	CMS Infra Trading Sdn. Bhd. ("CMSIT")	Sales of mild steel pipes, mild steel mechanical couplings and pipe specials to CMSIT	30,000,000	30,000,000	-
(g)	KKB Engineering Berhad	CMS Wires Sdn. Bhd. ("CMSW")	Purchase of wire mesh and related products from CMSW	1,000,000	1,000,000	-
(h)	KKB Engineering Berhad	CMS Concrete Products Sdn. Bhd. ("CMSCP")	Purchase of concrete products from CMSCP	1,000,000	1,000,000	8,850.00
(i)	KKB Engineering Berhad	CMS Cement Sdn. Bhd. ("CMSC")	Purchase of cement from CMSC	1,000,000	1,000,000	-
(j)	KKB Engineering Berhad	CMS Cement Industries Sdn. Bhd. ("CMSCI")	Sales of fabricated/ galvanised steel products and structural steel works to CMSCI	5,000,000	5,000,000	-
(k)	KKB Engineering Berhad	SEDC Premix Sdn. Bhd. ("SEDCP")	Purchase of premix from SEDCP	1,000,000	1,000,000	-
(l)	KKB Engineering Berhad	SEDC Quarries Sdn. Bhd. ("SEDCQ")	Sales of fabricated/ galvanised steel products and structural steel works to SEDCQ	10,000,000	10,000,000	-

	COMPANY	TRANSACTIONING PARTIES	NATURE OF TRANSACTIONS	ESTIMATED AGGREGATE VALUE FROM 21/5/2024 TO THE DATE OF NEXT AGM (RM)	ESTIMATED AGGREGATE VALUE AS DISCLOSED IN LAST YEAR'S CIRCULAR DATED 19/4/2023 (RM)	ACTUAL VALUE TRANSACTED FROM LAST AGM TILL LPD (RM)
(m)	KKB Engineering Berhad	CMS Cement Sdn. Bhd. ("CMSC")	Sales of fabricated steel products to CMSC	1,000,000	1,000,000	-
(n)	KKB Engineering Berhad	CMS Roads Sdn. Bhd. ("CMSR")	Road maintenance/ reinstatement by CMSR	1,000,000	1,000,000	-
(o)	KKB Engineering Berhad	SEDC Quarries Sdn. Bhd. ("SEDCQ")	Purchase of graded aggregates and other related products from SEDCQ	30,000,000	30,000,000	23,371.16
(p)	KKB Engineering Berhad	CMS Infra Trading Sdn. Bhd. ("CMSIT")	Purchase of steel bar and other related products from CMSIT	1,000,000	1,000,000	-
(q)	KKB Engineering Berhad	CMS Infra Trading Sdn. Bhd. ("CMSIT")	Sales of fabricated/ galvanised steel products, structural steel works and other related products to CMSIT	1,000,000	1,000,000	-
(r)	KKB Engineering Berhad	CMS Wires Sdn. Bhd. ("CMSW")	Sales of fabricated/ galvanised steel products, structural steel works and other related products to CMSW	1,000,000	1,000,000	-
(s)	KKB Engineering Berhad	OceanMight Sdn. Bhd. ("OMSB")	Sales of fabricated/ galvanised steel products, structural steel works and other related products to OMSB	400,000,000	400,000,000	67,024,383.92
(t)	KKB Engineering Berhad	OceanMight Sdn. Bhd. ("OMSB")	Provision of project management services to OMSB	50,000,000	50,000,000	-
(u)	KKB Engineering Berhad	OceanMight Sdn. Bhd. ("OMSB")	Rental of yard facilities at Lot 777, Block 5, MTL, Kuching including machineries/equipment, factories, office building etc to OMSB	20,000,000	20,000,000	177,000.00
(v)	KKB Engineering Berhad	OceanMight Sdn. Bhd. ("OMSB")	Provision of miscellaneous services such as machineries/equipment/ facilities, labour/sub-contract works etc to OMSB	50,000,000	50,000,000	-
(w)	Harum Bidang Sdn. Bhd.	PPES Works (Sarawak) Sdn. Bhd. ("PPES")	Sales of mild steel pipes, mild steel mechanical couplings and pipe specials to PPES	10,000,000	10,000,000	-
(x)	KKB Engineering Berhad	OceanMight Sdn. Bhd. ("OMSB")	Payment of cost of miscellaneous services such as machineries/ equipment, labour, etc to OMSB	5,000,000	5,000,000	-

	COMPANY	TRANSACTIONING PARTIES	NATURE OF TRANSACTIONS	ESTIMATED AGGREGATE VALUE FROM 21/5/2024 TO THE DATE OF NEXT AGM (RM)	ESTIMATED AGGREGATE VALUE AS DISCLOSED IN LAST YEAR'S CIRCULAR DATED 19/4/2023 (RM)	ACTUAL VALUE TRANSACTED FROM LAST AGM TILL LPD (RM)
(y)	KKB Engineering Berhad	CMS Concrete Products Sdn. Bhd. ("CMSCP")	Sales of fabricated/ galvanized steel products and structural steel works to CMSCP	1,000,000	1,000,000	-
(z)	Harum Bidang Sdn. Bhd.	CMS Infra Trading Sdn. Bhd. ("CMSIT")	Purchase of cement and other related products from CMSIT	10,000,000	10,000,000	-
(aa)	KKB Engineering Berhad	Borneo Granite Sdn. Bhd. ("BGSB")	Purchase of quarry sand from BGSB	20,000,000	20,000,000	-

NOTES:

- (i) *The estimated value of the transactions for the period from the date of the forthcoming AGM to the date of next AGM are based on management best estimates of the value of transactions. These estimates have been arrived at by KKB Group after taking into consideration both historical data and the best estimate for these transactions, prevailing rates/prices obtained from the Related Parties which are market-competitive prices based on normal level of transactions entered into by KKB Group and are subject to changes or final negotiations.*
- (ii) *The actual value of each of the above transactions transacted pursuant to the Shareholder Mandate obtained at the last AGM until the LPD does not exceed the estimated aggregate value as disclosed in the preceding year's Circular, by ten percent (10%) or more.*
- (iii) *Facilities mentioned in (u) above is paid on a monthly basis and the tenancy period is three (3) years.*

3.5 Amount due and owing by Related Parties pursuant to the RRPT

As at the end of the financial year ended 31 December 2023, the principal sum owing to KKB by OceanMight Sdn. Bhd. ("OMSB") under the RRPT set out in 3.4 of this Circular amounting to RM7,991,114.83, which has not exceeded the credit term.

Management monitors the outstanding debts on a regular basis and as at LPD, amount of RM7,991,114.83 has been fully settled by OMSB to KKB.

3.6 Review method or procedures for RRPT

The Board has in place an internal control system, which includes review of methods or procedures to ensure that the RRPT are conducted at arm's length and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders. The following procedures will apply to the review and approval of RRPT:

- (a) The Group will maintain a record of RRPT carried out and the Company's external auditors shall review such recurrent transactions on a quarterly basis during the year. Comparison will be made, where applicable, with prices quoted from third parties and/or other factors such as reliability of supply, delivery, services and quality of materials or goods;
- (b) The duties and responsibilities of the Audit Committee include the review of internal audit plan and such RRPT shall be tabled to the Audit Committee for their review before they are entered into and/or for ratification if such transactions have been entered into. The Audit Committee may, as it deems fit, request for additional quotations from third party for the purpose of performing an independent and balanced assessment, evaluation and comparison of the prices, terms and conditions;

- (c) The transaction prices, terms and conditions are based on prevailing market forces under the same commercial terms for transactions that are offered to third parties or determined in accordance with the Group's usual business practices and transactions made by the Group with unrelated third parties;
- (d) All members of the Board and Audit Committee who are directly or indirectly interested in any RRPT shall declare their interest in transactions and abstain from voting in respect of the recurrent related party transactions;
- (e) The Directors/Major Shareholders and/or Persons Connected with them, who has/have any director indirect interest, in the Proposed Shareholder Mandate for RRPT will abstain from voting in respect of his/their direct and/or indirect shareholdings. Where the Persons Connected has any direct or indirect interest in the Proposed Shareholder Mandate for RRPT, the Directors or Major Shareholders concerned will abstain from voting in respect of his/their direct and/or indirect interests;
- (f) The Audit Committee shall amongst others, review any RRPT and conflict of interest situation that may arise within KKB and the Group including any transaction procedure or course of conduct that raises questions of management integrity;
- (g) The Audit Committee shall have the right of access to information on the Related Parties and is entitled to the service of an independent adviser, if required, in the discharge of their duties;
- (h) The Audit Committee will consider from time to time whether the recurrent related party transactions have become inappropriate or are unable to ensure that the transactions will be on normal commercial terms, and/or will prejudice the interests of minority shareholders generally;
- (i) The Company will disclose in its annual report a breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholder Mandate for RRPT during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;
- (j) There is no specific threshold for approval of RRPT within the KKB Group. All RRPT are reviewed and authorized by Assistant General Managers, General Managers, Senior General Managers, Chief Operating Officer, Group Chief Financial Officer, Executive Director, Group Managing Director, Executive Chairman and the Audit Committee, provided always that such personnel have no interest in the transaction and the said transaction has been approved pursuant to the Shareholder Mandate obtained at an AGM for such RRPT; and
- (k) At least two (2) other contemporaneous transactions and/or quotations with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities. In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, then the next closest type of products/services will be used as comparison.

3.7 Conditions of the Proposed Shareholder Mandate

The Proposed Shareholder Mandate is conditional upon approval being obtained from the shareholders of KKB at the forthcoming AGM and is subject to annual renewal and shall continue to be in force until:

- (i) the conclusion of the next AGM of KKB at which the Proposed Shareholder Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Act [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

A disclosure of a breakdown of the aggregate value of the RRPT conducted pursuant to the Proposed Shareholder Mandate during the financial year shall be made in the annual report where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1)(a) of the Listing Requirements, amongst others, based on the following information:

- the type of the RRPT made; and
- the names of the related parties involved in each type of the RRPT made and their relationship with KKB.

In addition, KKB is required to immediately announce to Bursa Securities when the actual value of a RRPT entered into by the Group exceeds the estimated value of the RRPT as stated in Section 3.4 on pages 5 to 7 of this Circular by ten percent (10%) or more.

3.8 Statement by Audit Committee

The Audit Committee of KKB has seen and reviewed the methods and/or procedures stated in Section 3.6 on pages 7 to 8 of this Circular and is of the view that the existing procedures, processes and guidelines are adequate and sufficient to monitor, track and identify RRPT in a timely and orderly manner. The Audit Committee also viewed that the method and/or procedures as stated in Section 3.6 on pages 7 to 8 of this Circular are sufficient to ensure that the RRPT are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of KKB.

The Audit Committee will review these processes, procedures and guidelines as and when the need arises but at least on a quarterly basis to ensure all RRPT will be carried out on normal commercial terms which are not prejudicial to the interests of the minority shareholders and that the terms of the RRPT are not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders.

4. EFFECTS OF THE PROPOSED SHAREHOLDER MANDATE

The Proposed Shareholder Mandate will not have any effect on the net assets per share, gearing of the Group, EPS and share capital and substantial shareholders' shareholdings of KKB.

5. RATIONALE AND BENEFIT OF THE PROPOSED SHAREHOLDER MANDATE

The rationale for KKB and its subsidiaries to enter into RRPT is to take advantage of efficiencies in business dealings, in particular competitive prices, reliability of goods, materials and services and shorter delivery time.

These mandated Related Parties have long-standing business relationships with KKB and its subsidiaries and the quality of the materials, goods, products and services have proven to meet the stringent requirements imposed by the Group. All these will ultimately benefit KKB and its subsidiaries and shareholders by enhancing profitability and maximizing returns on shareholders' return.

In addition, the proven track records of KKB and its subsidiaries in steel fabrication and related products, coupled with its certification for ISO 9001:2015 and ISO 45001:2018 will mutually benefit all Related Parties concerned.

The RRPT entered and to be entered into by KKB and the Group are all in the ordinary course of business. They are recurring transactions of a revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time. These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case by case basis before entering into such RRPT described herein to allow KKB Group to enter into such transactions which are recurrent, made on an arm's length basis and on normal commercial terms not prejudicial to the interest of the shareholders and not more favourable to the related parties than those generally available to the public and are not detrimental to the interest of the minority shareholders.

By obtaining the Shareholder Mandate, and the renewal of the same on an annual basis, the need to convene separate general meetings from time to time to seek shareholders' approval for the entry by KKB Group into such RRPT will be eliminated. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such general meetings without compromising the corporate objectives of KKB Group or adversely affecting the business opportunities available to KKB Group.

These would ultimately benefit the Group and the shareholders by enhancing profitability and returns on shareholders' funds.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

The direct and indirect interests of the interested Director of subsidiary/associate company and interested Major Shareholders in the share capital of the Company as at LPD are as follows:

INTERESTED DIRECTOR OF SUBSIDIARY/ ASSOCIATE COMPANY AND INTERESTED MAJOR SHAREHOLDERS	DIRECT INTERESTS		INDIRECT INTERESTS	
	No. of Shares	%	No. of Shares	%
INTERESTED DIRECTOR OF SUBSIDIARY/ ASSOCIATE COMPANY				
Dato' Anwarudin bin Ahamad Osman ⁽¹⁾	20,000	0.01	-	-
INTERESTED MAJOR SHAREHOLDERS				
Cahaya Mata Sarawak Berhad	51,680,000	17.90	-	-
Sarawak Economic Development Corporation	30,935,040	10.71	-	-

Notes:

⁽¹⁾ Shareholder of KKB, Director and Major Shareholder of KKB's associate company, Edisi Optima Sdn. Bhd. and also a Director of KKB's subsidiary, OceanMight Sdn. Bhd.

The interested Director of subsidiary/associate company and the interested Major Shareholders, who has/have any direct or indirect interest in the Proposed Shareholder Mandate will abstain from voting in respect of his/their direct or indirect shareholdings at the AGM on the resolution approving the Proposed Shareholder Mandate. Where the Persons Connected with a Director or Major Shareholders has any direct or indirect interest in the Proposed Shareholder Mandate, the Director or Major Shareholders concerned will also abstain from voting in respect of his/their direct and/or indirect interests.

The interested Director of subsidiary/associate company and the interested Major Shareholders have undertaken to ensure that the Persons Connected with them shall also abstain from voting on the resolution to approve the Proposed Shareholder Mandate for RRPT at the AGM.

Save as disclosed above, none of the other Directors and/or Major Shareholders of KKB and its subsidiaries/associate company are interested in the Proposed Shareholder Mandate.

7. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Shareholder Mandate, is of the opinion that it is in the best interests of the Company.

All your Directors, recommend that shareholders to vote in favour of this ordinary resolution at the AGM.

8. ANNUAL GENERAL MEETING

The Forty-Eighth AGM of the Company, the full notice and Form of Proxy which are published on the Company's website at <https://kkbeb.listedcompany.com/agm.html>, will be 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.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

If you are unable to attend and vote in person at the AGM, you are requested to complete, sign and return the Form of Proxy, in accordance with the instructions therein stated as soon as possible so as to arrive at the registered office of the Company at Lot 865, Section 66, Jalan Kilang, Bintawa Industrial Estate, 93450 Kuching, Sarawak not less than forty-eight (48) hours before the time appointed for holding the AGM or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the AGM should you subsequently wishes to do so.

10. FURTHER INFORMATION

Shareholders are requested to refer to the attached Appendix A for further information.

Yours faithfully,
For and on behalf of the Board of
KKB ENGINEERING BERHAD

YONG VOON KAR
INDEPENDENT NON-EXECUTIVE DIRECTOR

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ADDITIONAL INFORMATION**1. RESPONSIBILITY STATEMENT**

The Board has seen and approved this Circular. The Directors, collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that to the best of their knowledge and belief, after making all reasonable enquiries, there are no other facts, the omission of which would make any statement herein false or misleading.

2. MATERIAL CONTRACTS

There are no material contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by KKB and/or its subsidiaries within the past two (2) years immediately preceding the date of this Circular.

3. MATERIAL LITIGATIONS

Save that an announcement was made to Bursa Malaysia Securities Berhad on 15 September 2023 pursuant to the Arbitration Notice issued by OceanMight Sdn. Bhd. (a subsidiary of KKB Engineering Berhad) against Shapadu Energy Services Sdn. Bhd., there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position, and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which might materially and adversely affect the position or business of KKB Group.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Lot 865, Section 66, Jalan Kilang, Bintawa Industrial Estate, 93450 Kuching, Sarawak, following the publication of this Circular from Mondays to Fridays (except Saturdays, Sundays and public holidays) during business hours up to and including the date of the forthcoming AGM:

- (i) the Constitution of KKB;
- (ii) the audited financial statements of KKB and its Group for the past two (2) financial years ended 31 December 2022 and 31 December 2023; and
- (iii) the latest unaudited results of KKB and its Group since the last audited financial statements.