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**KKB ENGINEERING BERHAD**

(Company No. 26495-D)

(Incorporated in Malaysia under the Companies Act 2016)

**CIRCULAR TO SHAREHOLDERS**

in relation to:

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

The Notice convening the Forty-First 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 Thursday, 18 May 2017 at 10.00 a.m. together with the Form of Proxy are set out in the annual report of KKB for the financial year ended 31 December 2016, which is despatched together with this Circular.

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 wish to do so.

This Circular is dated 13 April 2017



## CONTENTS

	<b>Page</b>
<b>1. INTRODUCTION</b>	<b>1</b>
<b>2. BACKGROUND INFORMATION OF PROVISIONS IN THE LISTING REQUIREMENTS</b>	<b>2</b>
<b>3. FEATURES OF THE PROPOSED SHAREHOLDER MANDATE</b>	<b>2-10</b>
<b>4. EFFECTS OF THE PROPOSED SHAREHOLDER MANDATE</b>	<b>11</b>
<b>5. RATIONALE AND BENEFIT OF THE PROPOSED SHAREHOLDER MANDATE</b>	<b>11</b>
<b>6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS</b>	<b>12</b>
<b>7. DIRECTORS' RECOMMENDATION</b>	<b>12</b>
<b>8. ANNUAL GENERAL MEETING</b>	<b>13</b>
<b>9. ACTION TO BE TAKEN BY SHAREHOLDERS</b>	<b>13</b>
<b>10. FURTHER INFORMATION</b>	<b>13</b>
<b>APPENDIX A – ADDITIONAL INFORMATION</b>	<b>14</b>

## DEFINITIONS

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

“AGM”	Annual General Meeting
“Board”	The Board of Directors of KKB
“Bursa Securities”	Bursa Malaysia Securities Berhad
“Companies Act”	The Malaysian Companies Act 2016, as amended from time to time and any enactment thereof
“Directors”	The directors for the time being of KKB, and shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, a director or chief executive 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
“LPD”	17 March 2017, being the latest practicable date prior to the issuance of this Circular
“Listing Requirements”	The Main Market Listing Requirements of Bursa Securities, as amended from time to time and any enactment thereof
“Major Shareholder(s)”	<p>A person who has an interest or interests in one (1) or more voting shares in KKB and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:</p> <ul style="list-style-type: none"><li>(a) 10% or more of the aggregate of the nominal amounts of all the voting shares in KKB; or</li><li>(b) 5% or more of the aggregate of the nominal amounts of all the voting shares in KKB where such person is the largest shareholder of KKB</li></ul> <p>Includes any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, a major shareholder of KKB or any other corporation which is its subsidiary or holding company</p> <p>For the purpose of this definition “interest in shares” shall have the same meaning given in Section 8 of the Companies Act</p>
“Net Assets”	The net assets attributable to the ordinary equity holders of KKB
“Person(s) Connected”	This shall have the same meaning as in Paragraph 1.01 of the Listing Requirements
“Proposed Shareholder Mandate”	Proposed Shareholder Mandate for both the existing and new 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”	Ringgit Malaysia
“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

*Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. Words importing persons include corporations.*

*Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act and used in this circular shall have the meaning assigned to it under the Companies Act.*

*Any reference to a time of day shall be a reference to Malaysian time.*

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# KKB ENGINEERING BERHAD

(Company No. 26495-D)  
(Incorporated in Malaysia)

## Registered Office:

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

13 April 2017

## Board of Directors:

Dato Kho Kak Beng (*Chairman/Group Managing Director*)  
Dr Arjunan Subramaniam (*Independent Non-Executive Director*)  
Dato' Anwarudin Bin Ahmad Osman (*Non-Independent Non-Executive Director*)  
Datuk Syed Ahmad Alwee Alsree (*Non-Independent Non-Executive Director*)  
Syed Hizam Alsagoff (*Non-Independent Non-Executive Director*)  
Chai Woon Chew (*Non-Independent Non-Executive Director*)  
Lau Nai Pek (*Independent Non-Executive Director*)  
Datin Mary Sa'diah Binti Zainuddin (*Independent Non-Executive Director*)  
Kho Pok Tong (*Group Executive Director*)  
Kho Poh Lin (*Executive Director*)

## TO: THE SHAREHOLDERS OF KKB ENGINEERING BERHAD

Dear Sir/Madam

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

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### 1. INTRODUCTION

At the Company's AGM held on 12 May 2016, 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 18 May 2017, unless by a resolution passed at the forthcoming AGM, the mandate is renewed.

Subsequently, on 27 February 2017, the Company announced through Bursa Securities that the Board proposes to seek Shareholder Mandate from the shareholders for both the existing and new RRPT.

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 18 May 2017.

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 18 May 2017.

## **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) Liquefied Petroleum Gas ("LPG") Cylinders Manufacturing.

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

NAME OF SUBSIDIARIES/ ASSOCIATED COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD (%)
<b><u>Subsidiaries</u></b>		
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, steel fabrication and hot-dip galvanising	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	Construction works for the "Proposed Development and Upgrading of Pan Borneo Highway in the State of Sarawak, Malaysia - Phase 1 (Works Package Contract - WPC-09: Sungai Arip Bridge to Bintulu Airport Junction)	70%
<b><u>Associated companies</u></b>		
Edisi Optima Sdn Bhd	Construction and general engineering, requalification of LPG cylinders and related services	40%
OceanMight Sdn Bhd	Structural steel fabrication for Oil & Gas facilities	**51%

\* 100% owned by Harum Bidang Sdn Bhd

\*\* 20% 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/galvanized 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 equipments;
- 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 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 and office building.

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:

#### THE EXISTING RELATED PARTIES FOR RRPT RENEWAL ARE AS FOLLOWS:

	RELATED PARTIES	PRINCIPAL ACTIVITIES	NAMES OF INTERESTED DIRECTORS, INTERESTED MAJOR SHAREHOLDER OF KKB AND ITS SUBSIDIARIES AND INTERESTED PERSONS CONNECTED
(i)	Edisi Optima Sdn Bhd*	Construction and general engineering, requalification of LPG cylinders and related services	(a) Dato' Anwarrudin Bin Ahamad Osman
(ii)	CMS Infra Trading Sdn Bhd**	General trading	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff
(iii)	PPES Works (Sarawak) Sdn Bhd**	Civil engineering contractor	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff
(iv)	CMS Wires Sdn Bhd**	Manufacture and sale of wire mesh and related products	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff
(v)	CMS Concrete Products Sdn Bhd**	Manufacture and sale of concrete products	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff
(vi)	CMS Cement Sdn Bhd**	Manufacture and sale of cement	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff
(vii)	CMS Clinker Sdn Bhd**	Manufacture and trading of cement clinker	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff
(viii)	CMS Premix Sdn Bhd**	Production and sale of premix	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff

	<b>RELATED PARTIES</b>	<b>PRINCIPAL ACTIVITIES</b>	<b>NAMES OF INTERESTED DIRECTORS, INTERESTED MAJOR SHAREHOLDER OF KKB AND ITS SUBSIDIARIES AND INTERESTED PERSONS CONNECTED</b>
(ix)	CMS Quarries Sdn Bhd**	Quarry operation	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff
(x)	CMS Agrotech Sdn Bhd**	Organic waste management and recycling centre or facility, production and distribution of organic fertilizers and related consultancy services	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff
(xi)	CMS Road Sdn Bhd**	Road assessment, maintenance and management	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff
(xii)	OceanMight Sdn Bhd***	Structural steel fabrication for Oil & Gas facilities	(a) Dato' Anwarrudin Bin Ahamad Osman (b) Edisi Optima Sdn Bhd

**THE NEW RELATED PARTY FOR NEW RRPT IS AS FOLLOWS:**

	<b>RELATED PARTY</b>	<b>PRINCIPAL ACTIVITY</b>	<b>NAMES OF INTERESTED DIRECTORS, INTERESTED MAJOR SHAREHOLDER OF KKB AND ITS SUBSIDIARIES AND INTERESTED PERSONS CONNECTED</b>
(i)	PPES WORKS – PCSB JV**	To undertake and complete the works in respect of the Kipali Interchange Project	(a) Cahya Mata Sarawak Berhad (b) Datuk Syed Ahmad Alwee Alsree (c) Syed Hizam Alsagoff

*Relationships of the Related Parties:*

\* Dato' Anwarrudin Bin Ahamad Osman who is a Director and shareholder of KKB, is also a shareholder and Director 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 Clinker Sdn Bhd ("CMSCL"), CMS Premix Sdn Bhd ("CMSP"), CMS Quarries Sdn Bhd ("CMSQ"), CMS Agrotech Sdn Bhd ("CMS Agrotech"), CMS Road Sdn Bhd ("CMSR") and PPES Works – PCSB JV ("PPESPCJV") are subsidiaries of Cahya Mata Sarawak Berhad ("CMSB"). CMSIT, PPES, CMSW, CMSCP, CMSC, CMSCL, CMSP, CMSQ, CMS Agrotech, CMSR and PPESPCJV are Persons Connected with CMSB.

Datuk Syed Ahmad Alwee Alsree and Syed Hizam Alsagoff are the Directors of KKB. Datuk Syed Ahmad Alwee Alsree is also a Director of CMSB. They are the nominees of CMSB and Persons Connected with CMSB.

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

### 3.4 Nature of the RRPT and Estimated Value

#### 3.4.1 Existing RRPT

Details of the RRPT, which require 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 18/5/2017 TO THE DATE OF NEXT AGM  (RM)	ESTIMATED AGGREGATE VALUE AS DISCLOSED IN LAST YEAR'S CIRCULAR DATED 14/4/2016  (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/ galvanized steel products to EOSB	50,000,000	50,000,000	58,608.83
(c)	KKB Engineering Berhad	Edisi Optima Sdn Bhd ("EOSB")	Provision of miscellaneous services such as machineries/ equipment, labour etc to EOSB	2,000,000	2,000,000	85,986.87
(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	42,436.30
(e)	KKB Engineering Berhad	PPES Works (Sarawak) Sdn Bhd ("PPES")	Sales of fabricated/ galvanized 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	250,000,000	250,000,000	2,266,750.00
(g)	KKB Industries (Sabah) Sdn Bhd	CMS Infra Trading Sdn Bhd ("CMSIT")	Sales of mild steel pipes, mild steel mechanical couplings and pipe specials to CMSIT	10,000,000	10,000,000	-
(h)	KKB Engineering Berhad	CMS Wires Sdn Bhd ("CMSW")	Purchase of wire mesh and related products from CMSW	1,000,000	1,000,000	-

	COMPANY	TRANSACTIONING PARTIES	NATURE OF TRANSACTIONS	ESTIMATED AGGREGATE VALUE FROM 18/5/2017 TO THE DATE OF NEXT AGM  (RM)	ESTIMATED AGGREGATE VALUE AS DISCLOSED IN LAST YEAR'S CIRCULAR DATED 14/4/2016  (RM)	ACTUAL VALUE TRANSACTED FROM LAST AGM TILL LPD  (RM)
(i)	KKB Engineering Berhad	CMS Concrete Products Sdn Bhd ("CMSCP")	Purchase of concrete products from CMSCP	1,000,000	1,000,000	123,050.00
(j)	KKB Engineering Berhad	CMS Cement Sdn Bhd ("CMSC")	Purchase of cement from CMSC	1,000,000	1,000,000	-
(k)	KKB Engineering Berhad	CMS Clinker Sdn Bhd ("CMSCL")	Sales of fabricated/ galvanized steel products and structural steel works to CMSCL	5,000,000	5,000,000	-
(l)	KKB Engineering Berhad	CMS Premix Sdn Bhd ("CMSP")	Purchase of premix from CMSP	1,000,000	1,000,000	-
(m)	KKB Engineering Berhad	CMS Quarries Sdn Bhd ("CMSQ")	Sales of fabricated/ galvanized steel products and structural steel works to CMSQ	10,000,000	10,000,000	-
(n)	KKB Engineering Berhad	CMS Agrotech Sdn Bhd ("CMS Agrotech")	Sales of fabricated/ galvanized steel products and structural steel works to CMS Agrotech	1,000,000	1,000,000	-
(o)	KKB Engineering Berhad	CMS Cement Sdn Bhd ("CMSC")	Sales of fabricated steel products to CMSC	1,000,000	1,000,000	-
(p)	KKB Engineering Berhad	CMS Roads Sdn Bhd ("CMSR")	Road maintenance/ reinstatement by CMSR	1,000,000	1,000,000	-
(q)	KKB Engineering Berhad	CMS Quarries Sdn Bhd ("CMSQ")	Purchase of graded aggregates and other related products from CMSQ	1,500,000	1,500,000	8,277.07
(r)	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	-
(s)	KKB Engineering Berhad	CMS Infra Trading Sdn Bhd ("CMSIT")	Sales of fabricated/ galvanized steel products, structural steel works and other related products to CMSIT	1,000,000	1,000,000	-

	COMPANY	TRANSACTIONING PARTIES	NATURE OF TRANSACTIONS	ESTIMATED AGGREGATE VALUE FROM 18/5/2017 TO THE DATE OF NEXT AGM  (RM)	ESTIMATED AGGREGATE VALUE AS DISCLOSED IN LAST YEAR'S CIRCULAR DATED 14/4/2016  (RM)	ACTUAL VALUE TRANSACTED FROM LAST AGM TILL LPD  (RM)
(t)	KKB Engineering Berhad	CMS Wires Sdn Bhd ("CMSW")	Sales of fabricated/ galvanized steel products, structural steel works and other related products to CMSW	1,000,000	1,000,000	200.00
(u)	KKB Engineering Berhad	OceanMight Sdn Bhd ("OMSB")	Sales of fabricated/ galvanized steel products, structural steel works and other related products to OMSB	250,000,000	250,000,000	38,764,217.43
(v)	KKB Engineering Berhad	OceanMight Sdn Bhd ("OMSB")	Provision of project management services to OMSB	50,000,000	50,000,000	-
(w)	KKB Engineering Berhad	OceanMight Sdn Bhd ("OMSB")	Rental of yard facilities at Lot 777, Block 5, MTL D, Kuching including machineries/ equipment, factories and office building to OMSB	20,000,000	20,000,000	292,290.37
(x)	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	5,974.36
(y)	Harum Bidang Sdn Bhd	PPES Works (Sarawak) Sdn Bhd ("PPES")	Sales of mild steel pipes, mild steel mechanical couplings and pipe specials to PPES	20,000,000	20,000,000	-
<b>TOTAL</b>						<b>41,647,791.23</b>

### 3.4.2 New RRPT

Detail of the new RRPT of which Shareholder Mandate is sought is as follows:

	COMPANY	TRANSACTIONING PARTY	NATURE OF TRANSACTIONS	ESTIMATED AGGREGATE VALUE FROM 18/5/2017 TO THE DATE OF NEXT AGM (RM)
(a)	KKB Engineering Berhad	PPES Works – PCSB JV ("PPESPCJV")	Sales of mild steel pipes, mild steel mechanical couplings and pipe specials to PPESPCJV	5,000,000.00

## 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 (w) 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 2016, there is no outstanding amount due under the Recurrent Related Party Transactions which has exceeded the credit term.

### **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 Person Connected with them, who has/have any direct or 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 Person 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, Group Chief Financial Officer, Executive Director, Group Executive Director, Group Managing Director and the Audit Committee, provided always that such personnel has 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 Companies Act [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies 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 6 to 9 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 9 to 10 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 9 to 10 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' returns.

In addition, the proven track records of KKB and its subsidiaries in steel fabrication and related products, coupled with its certification for ISO 9001:2008 and OHSAS 18001:2007 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 arms 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.

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## 6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

The direct and indirect interests of the interested Directors and interested Major Shareholder in the share capital of the Company as at LPD are as follows:

INTERESTED DIRECTORS AND INTERESTED MAJOR SHAREHOLDER	DIRECT INTERESTS		INDIRECT INTERESTS	
	No. of Shares	%	No. of Shares	%
<b><u>INTERESTED DIRECTORS</u></b>				
Dato' Anwarudin Bin Ahamad Osman <sup>(1)</sup> <sup>(2)</sup>	20,000	0.01	-	-
Datuk Syed Ahmad Alwee Alsree	-	-	-	-
Syed Hizam Alsagoff	-	-	-	-
<b><u>INTERESTED MAJOR SHAREHOLDER</u></b>				
Cahaya Mata Sarawak Berhad	51,680,000	20.05		

Notes:

(1) Director and shareholder of KKB, shareholder and Director of its associated company, Edisi Optima Sdn Bhd

(2) Dato' Anwarudin Bin Ahamad Osman is a Director of KKB's associated company, OceanMight Sdn Bhd

The interested Directors, namely Dato' Anwarudin Bin Ahamad Osman, Datuk Syed Ahmad Alwee Alsree and Syed Hizam Alsagoff have abstained, and will continue to abstain from deliberation and voting at Board meetings pertaining to the Proposed Shareholder Mandate.

The interested Directors and interested Major Shareholder, 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 Person Connected with a Director or Major Shareholder has any direct or indirect interest in the Proposed Shareholder Mandate, the Director or Major Shareholder concerned will also abstain from voting in respect of his/their direct and/or indirect interests.

The interested Directors and interested Major Shareholder 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 Shareholder of KKB and its subsidiaries are interested in the Proposed Shareholder Mandate.

## 7. DIRECTORS' RECOMMENDATION

The interested Directors, namely Dato' Anwarudin Bin Ahamad Osman, Datuk Syed Ahmad Alwee Alsree and Syed Hizam Alsagoff have abstained from giving any opinion in respect of this Proposed Shareholder Mandate.

The Board, except for the interested Directors, named in the immediate paragraph above, 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, except for the interested Directors as named above, recommend that shareholders vote in favour of this ordinary resolution at the AGM.

**8. ANNUAL GENERAL MEETING**

The Forty-First AGM of the Company, the full notice and Form of Proxy which are enclosed in the Annual Report 2016, will be held at Abell Hotel, No. 22, 4th Floor, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on Thursday, 18 May 2017 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 wish 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**

**DR ARJUNAN SUBRAMANIAM**  
**SENIOR INDEPENDENT DIRECTOR**

## ADDITIONAL INFORMATION

### 1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors of KKB who collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein 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 as disclosed below, there are no other material litigations against the Group which might materially and adversely affect the Group's financial position:

The hearing of the arbitration proceedings between KKB Builders Sdn Bhd (a wholly owned subsidiary of the Company) as the Claimant and Global Upline Sdn Bhd as the Respondent is on-going.

The legal opinion given by the Company's lawyers is that the Respondent's claim is without basis.

### 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 Memorandum and Articles of Association of KKB;
- (ii) the audited financial statements of KKB and its Group for the past two (2) financial years ended 31 December 2015 and 31 December 2016; and
- (iii) Writ of Summons as referred to in Section 3 above.