20 February 2018 | Initiation

KKB Engineering Berhad

Prospects Intact

***Initiate with* BUY**

Target Price (TP): RM1.15

INVESTMENT HIGHLIGHTS

- **Leading steel fabricator in East Malaysia**
- **Second fabricator licensed under Petronas in East Malaysia**
- **Orderbook burn rate until 2020**
- **FY17 earnings back in the black**
- **Announced dividend of 2 sen per share**
- **Initiate with a BUY on a target price of 1.15 per share**

Leading steel fabricator in East Malaysia. With over 55 years of experience in the steel fabrication industry, KKB Engineering (KKB) is an established player with significant market share in East Malaysia. Amongst the completed projects to-date by KKB is the Ferro Alloy Complex at the Samalaju Industrial Park, the University College of Technology Sarawak, Sibu (2013), the Borneo Convention Centre, steel structures for Petronas Tank 7 New Jetty-PAF Project and LNG Train 9 Project, and the upgrades or redevelopments of several airports, namely, Labuan Airport, Kota Kinabalu International Airport, Kuching International Airport and the Low Cost Carrier Terminal (LCCT) of Kota Kinabalu.

The second fabricator licensed by Petronas in East Malaysia. In 2013, KKB's 60.81% owned subsidiary, OceanMight Sdn Bhd (OMSB) obtained a Petronas Approved Supplier licence for the category of "Offshore Facilities Const-Major Onshore Fabrication". Further venturing from onshore to offshore, OMSB operates in a fabrication yard measuring approximately 70 acres fully equipped with automated fabrication production line facilities. The yard also facilitates private deep water jetties located less than 5km from Sarawak river mouth with loadout capacity of up to 30,000mt of fabricated structure. Among the projects that OMSB has been involved with are fabrication, hook-up and commissioning services for the Tanjong Baram Wellhead Platform, the Engineering, Procurement and Construction (EPC) of the Wellhead Platform for Kinabalu Redevelopment Project and the EPC for Bunga Pakma Wellhead Riser Platform.

Secured orderbook until 2020. On 25 July 2016, KKB Engineering through its JV partner WCT (KKB-WCT) was awarded with a RM1.3b Pan Borneo Highway Sarawak project, thus, securing its orderbook until 2020. Including this project, as at end-December 2017, KKB has an orderbook of approximately RM900m which also consists of other steel fabrication projects.

RETURN STATS	
Price (19 February 2018)	RM0.95
Target Price	RM1.15
Expected Share Price Return	+21.1%
Expected Dividend Yield	+2.1%
Expected Total Return	**+23.2%**

STOCK INFO		
KLCI	1,857.32	
Bursa / Bloomberg	9466 / KKB MK	
Board / Sector	Main/ Industrial	
Syariah Compliant	Yes	
Issued shares (mil)	257.8	
Market cap. (RMm)	244.9	
Price over NA	0.87x	
52-wk price Range	RM0.80–RM1.45	
Beta (against KLCI)	0.95	
3-mth Avg Daily Vol	0.37m	
3-mth Avg Daily Value	RM0.36m	
Major Shareholders (%)		
Kho Kak Beng Hldg Co.	42.89	
CMS Berhad	20.05	
Laman Satria Sdn Bhd	5.59	
Price Performance (%)	**Absolute**	**Relative**
1 month	-3.55	-5.03
3 months	-6.74	-1.24
12 months	-29.63	-35.11

Pan Borneo Highway. KKB-WCT was awarded with the development and upgrade of the Proposed Pan Borneo Highway in the State of Sarawak (Phase 1 Works Package Contract – WPC – 09: Sungai Arip Bridge to Bintulu Airport Junction) from Lebuhraya Borneo Utara Sdn Bhd. The duration of the contract is 51 months from the letter of award. The total contract sum is RM1.289b.

Completed two EPCC oil and gas projects. Since granted the license from Petronas in 2013, KKB has been awarded and had completed two EPCC projects under its subsidiary OMSB. In December 2015, KKB was awarded with its first EPC project from Talisman Malaysia Limited (Talisman), a unit of Repsol Oil and Gas Malaysia Ltd, for the engineering, procurement and construction (EPC) of a wellhead platform for the Kinabalu Redevelopment Project offshore Sabah, Malaysia. This project was completed on schedule in June 2017 with a commendable safety record of 1.3m man hours and zero lost time injury. With the completion of this project, the topside of the wellhead platform had been loaded out and is due to set sail. Meanwhile, its jacket which was completed previously had already been properly installed at its location within the Kinabalu field located 55km west-north of Labuan. This platform is expected to contribute a combined oil production of 15kbpd and non-associated gas of 30mmscfd for the Kinabalu field.

Improved performance with Bunga Pakma Wellhead Riser project. Also from Repsol in May 2016, OMSB was awarded with the EPC works for the Bunga Pakma Wellhead Riser project. This project was completed on-track on August 2017. With the completion of these two projects, OMSB had achieved a combined total of two million man hours without any lost time injury (700k for Bunga Pakma and 1.3m for Kinabalu Redevelopment). Due to this achievement of two injury free EPC projects, Petronas has commended OMSB for its continuous safety efforts.

PROSPECTS

To increase exposure in the upstream oil and gas industry. Going forward, KKB plans to further increase its exposure in the oil and gas industry by tendering for more projects under its subsidiary OMSB. KKB's focus will be more centralised towards the upstream oil and gas sector, specialising in the EPC works as KKB is among the only eight companies licensed by Petronas to undertake EPC projects in Malaysia.

To maintain current growth of other segments. Despite continuous expansion of its oil and gas division, KKB intends to sustain the growth of its other segments, namely steel fabrication, civil construction, hot-dip galvanizing, LPG cylinders and steel pipes, pipe specials, steel tubular pipes. Earlier in 2018, KKB was awarded two projects amounting to RM12.7m under its LPG cylinder segment. The first one was from NGC Energy Sdn Bhd (NGC) for the supply of new C14 Cylinders and is expected to complete within 1QFY18. Meanwhile, the second one was from Petronas Dagangan Berhad (PetDag) for Price Agreement for the Fabrication and Reconditioning of LPG Cylinders for a period of one (1) year with an option to extend for another 1 year (effective 18 December 2017).

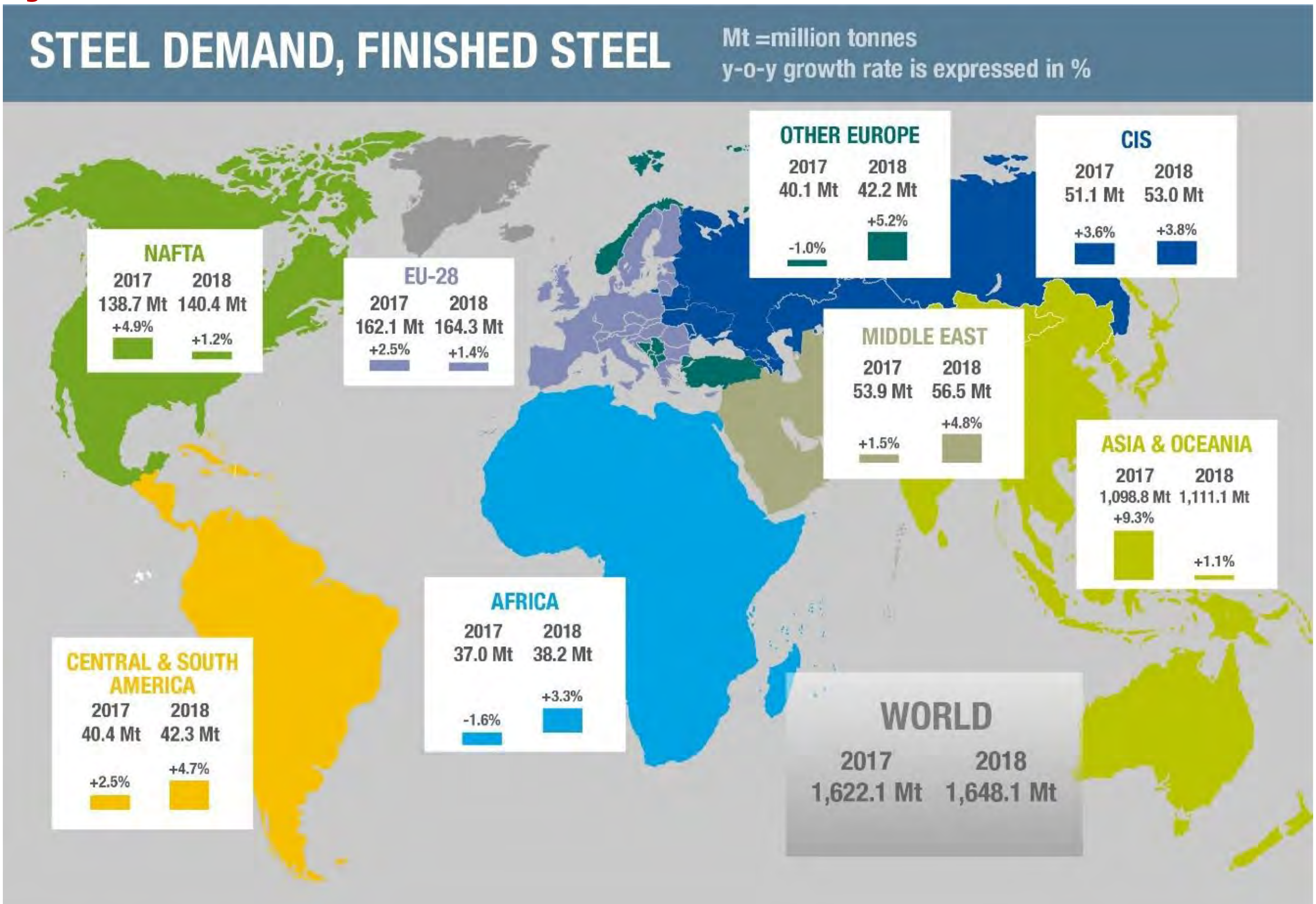
Potential power play. Besides oil & gas, KKB engineering is also increasing its exposure in the power sector and continues to pursue participation in Power-Energy projects in the state of Sarawak. To act upon this, KKB has expressed its interest to Sarawak Energy Berhad (SEB) and the state ministry in charge of energy development. SEB's aim is to provide uninterrupted power supply across the state of Sarawak, thus, anticipating to reach an installed capacity of 5,200MW and 7,700MW by 2020 and 2025 respectively. Among the upcoming projects under SEB are: (1) Tanjung Kidurong Combine Cycle Gas Turbine (CCGT) power plant with 400 megawatt (MW); (2) the Samalaju CCGT with 1,200MW; (3) Northern Grid Expansion to Limbang and Lawas by 2021 and; (4) the Baleh hydroelectric project (HEP) with 1,285MW.

Tenderbook. As at 9 February 2018, KKB has a tenderbook of approximately RM510m. If these tenders are successful, KKB expects to be awarded with the new projects within 2QFY18 or 3QFY18.

RISKS

Macroeconomic risks. In the event of an economic slowdown or fall in demand for steel, steel prices are expected to increase. This will increase the cost of raw material for KKB thus negatively affecting earnings growth. For the past five years, steel prices have been quite low due to the supply glut from China. In 2018, China's steel production growth is expected to decrease following the mandated factory closures and more stringent enforcement on policies to protect the environment. This decrease in production growth will reduce the supply glut, thus, increase the price of steel. However, the current increase in steel prices is a sign of price normalisation and is not unprecedented. The global demand of steel is also expected to increase by +3.0% in 2018, thus stabilising the price.

Figure 1: Global demand of steel



Source: World Steel Association

Lack of new EPC projects for the upstream oil and gas sector. As KKB is focusing more on the upstream oil and gas sector, a lack of EPC projects tendered could cause rising expenses for KKB and reduction in profit. However, with the improving oil price, we believe the number of oil and gas projects will also increase in tandem. This is in-line with our in-house view for upstream oil and gas. We expect the capital expenditure (capex) for upstream oil and gas to increase in 2018 due to multiple years of suppressed capex spending. On average, allocation for E&P capex spending for drilling and completion is approximately 30-40%. Meanwhile, for E&P capex allocation for subsea production is around 15-20%.

Financial analysis

Improving revenue. Despite the fall in revenue for the past three years, KKB's revenue has improved in 2017. In FY17, KKB's revenue grew significantly by +103.0%yoy to RM209.3m. In addition, the bulk of revenue is mainly attributable to the higher revenue recognition from the group's civil construction division. As for the steel fabrication division, the revenue was mainly derived from the on-going fabrication works of low/high tension steel poles subcontract works for the fabrication of wellhead platforms.

Figure 1: Revenue (RMm)

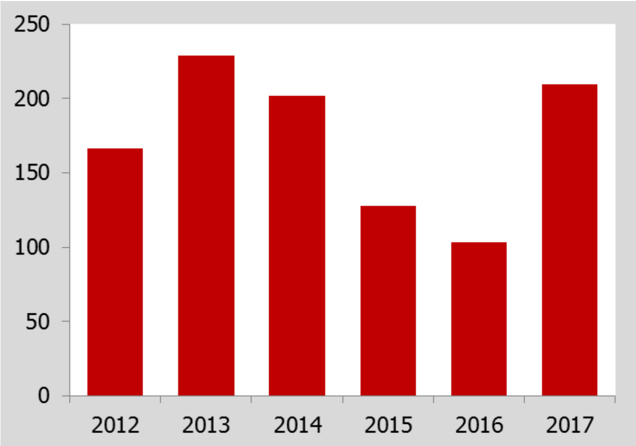
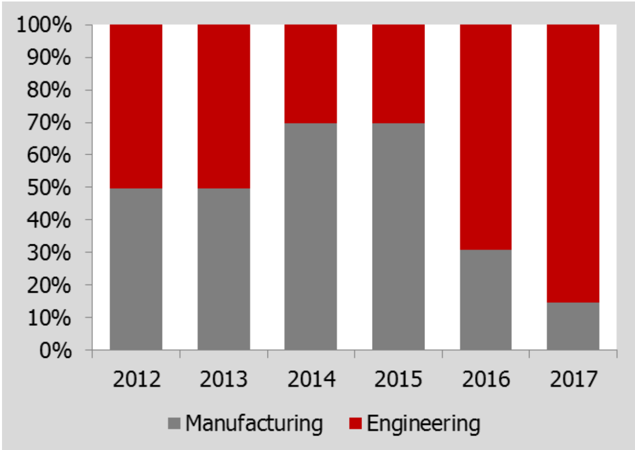


Figure 2: Segmental revenue (%)



Source: Company, MIDFR

Segmental Revenue. As aforementioned, the bulk of the revenue in FY17 was contributed by the Civil Construction division under the Engineering division which explains the significant shift in the revenue breakdown. In FY17, the Engineering division takes up 88.2% of the revenue and Manufacturing takes up the remaining 11.8%. The contribution from the Engineering division was from the development and upgrading of the Proposed Pan Borneo Highway in Sarawak (Phase 1 WPC-09) which commenced in 4QFY16.

Net cash position. Currently, KKB is in a net cash position with a combined total of RM100.8m of cash and short term funds as of 31 December 2017. Previously in 2013 and 2014, the rise in borrowings was mainly due to the commissioning and installation of modern production systems for its expansion into the Oil and Gas fabrication activities. This is in-line with the approval of the license as an approved supplier for Petronas for Offshore Facilities Const-Major Onshore Fabrication on 25 March 2017.

Figure 3: Historical Gearing Ratio (x)

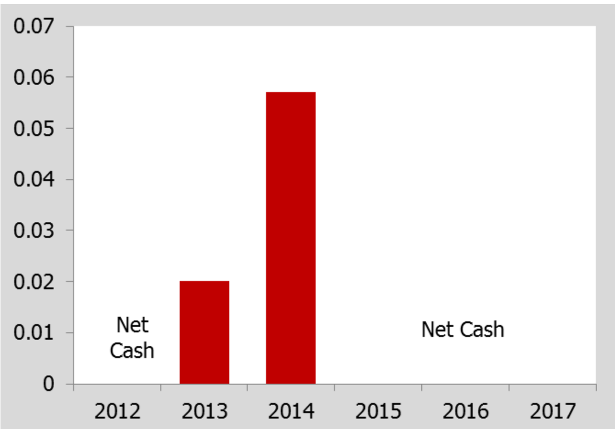
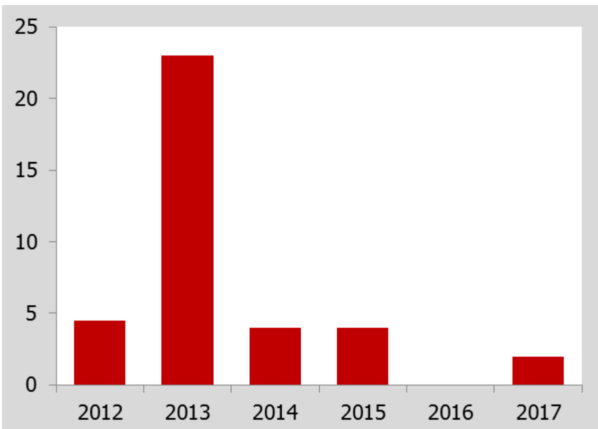


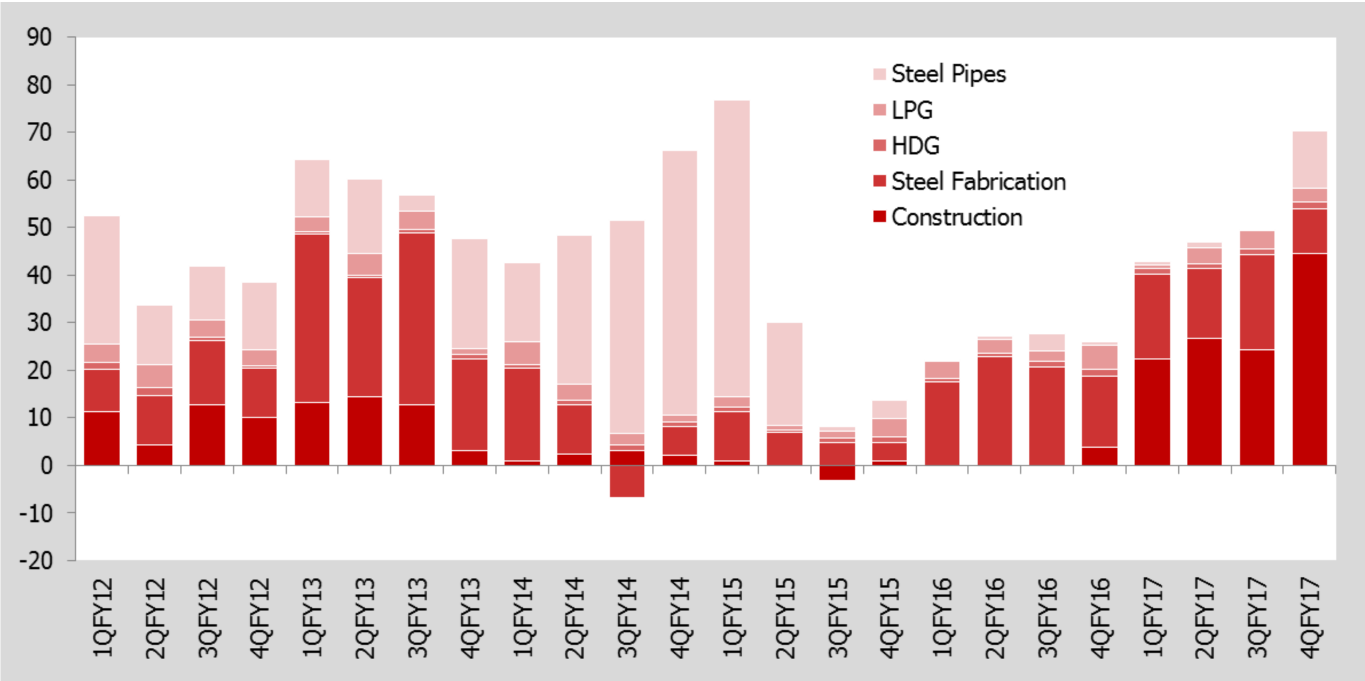
Figure 4: Historical Dividend per share



Source: Company, MIDFR

Announced dividend of 2sen per share in FY17. One of the company's missions is to have a "Consistent, Fair and Equitable Return of Investment to our Shareholders. As such, the company adopts a progressive dividend policy including declaring interim dividend subject to cash position, level of indebtedness, investment programme and on-going business expansion. In addition, the policy has also stated that it will not pay dividend if the group is expected to be in a loss position in any one year.

Figure 3: Quarterly Revenue (RMm)



Source: MIDFR, Company

Valuation

Initiate coverage on KKB with BUY and TP of RM1.15 per share. We initiate coverage on KKB with a BUY recommendation and target price of RM1.15 per share. Our target price is premised on a forward PBR19 of 1x, representing the average PBR over the past two years. We believe in KKB's growth story and its potential to offer investors the opportunity to benefit from potentially volatile share price movements premised on project activity levels. Moving forward, with its quality orderbook and progressive profit recognition, we believe that the company will be able to sustain its earnings in the foreseeable future.

With more stable grounds in the oil and gas and the power industry, as well as its existing strong foothold in steel fabrication, we believe that KKB will be able to maintain a stable growth going forward. KKB's strong foundation lies in its: (1) net cash position for the past three years; (2) vast experience in the steel fabrication industry; (3) potential benefit with exposure in the power and oil and gas sector and; (4) secured orderbook until 2020.

Investment statistics

FYE Dec	FY2015	FY2016	FY2017	FY2018F	FY2019F
Revenue (RMm)	127.9	103.1	209.3	215.5	224.2
Pretax Profit (RMm)	37.6	(9.1)	6.4	8.9	10.0
Profit After Tax (RMm)	29.1	(5.7)	3.3	4.9	5.5
Profit After Tax and Non-controlling Interests (RMm)	26.0	(5.8)	1.6	2.7	3.0
PATANCI margin (%)	20.4	(5.6)	0.8	1.2	1.4
EPS (sen)	10.1	(2.2)	0.6	1.0	1.2
EPS Growth (%)	24.1	n.m.	n.m.	63.1	12.8
PER (x)	9.4	(42.4)	148.4	91.0	80.6
Net Dividend (sen)	4.0	0.0	2.0	2.0	2.0
Dividend yield (%)	4.2	0.0	2.1	2.1	2.1
Debt to equity ratio (x)	0.1	0.1	0.2	0.2	0.2
ROA (%)	7.8	(1.7)	0.5	0.8	0.9
ROE (%)	8.6	(2.0)	0.6	0.9	1.1
NTA per share (RM)	1.2	1.1	1.2	1.1	1.2
Price to NTA (x)	0.8	0.8	0.8	0.8	0.8

Source: MIDFR, Company

DAILY PRICE CHART

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FINANCIAL STATEMENTS

Income statement	2015	2016	2017	2018F	2019F
Revenue	**127.9**	**103.1**	**209.3**	**215.5**	**224.2**
Gross profit	50.2	3.9	12.5	15.1	16.8
PBT	37.6	(9.1)	6.4	8.9	10.0
PAT	**29.1**	**(5.7)**	**3.3**	**4.9**	**5.5**
NCI	3.1	0.0	1.7	2.2	2.5
PATANCI	**26.0**	**(5.8)**	**1.6**	**2.7**	**3.0**
EPS (basic)	10.1	(2.2)	0.6	1.0	1.2
Dividend/share (sen)	4.0	0.0	2.0	2.0	2.0
Payout ratio (%)	39.6	0.0	312.5	191.5	169.7
Dividend yield (%)	4.2	0.0	2.1	2.1	2.1
PATANCI margin (%)	20.4	(5.6)	0.8	1.2	1.4

Cash flow	2015	2016	2017	2018F	2019F
Operating cash flow					
PBT	37.6	(9.1)	6.4	8.9	10.0
Depreciation	12.3	12.3	12.7	12.1	11.5
Finance cost	0.5	0.5	0.5	0.4	0.3
Others	(4.7)	(4.2)	(9.3)	(2.2)	(2.2)
OP before Δ in WC	**45.8**	**(0.6)**	**10.4**	**19.3**	**19.5**
Δ in working capital					
Inventories	10.9	0.7	(7.7)	(0.4)	(0.2)
Payables	13.3	33.4	(2.2)	(3.9)	(3.8)
Receivables	(2.6)	(40.0)	4.6	2.8	2.0
Others	(0.9)	0.1	(21.2)	0.0	0.0
Cash from operations	**66.5**	**(6.5)**	**(16.1)**	**17.7**	**17.5**
Interest paid	(0.5)	(0.5)	(0.5)	(0.4)	(0.3)
Taxes paid	(10.7)	(3.8)	(2.7)	(4.0)	(4.5)
Net CF to Operations	**55.3**	**(10.7)**	**(19.3)**	**13.4**	**12.8**
Investing cash flow					
Acquisition of PPE	(3.9)	(4.3)	(4.5)	(4.5)	(4.5)
Others	(26.2)	27.4	24.4	0.0	0.0
Net CF to Investments	**(30.0)**	**23.1**	**19.9**	**(4.5)**	**(4.5)**
Financing cash flow					
Dividend paid	(10.3)	(10.3)	0.0	(5.2)	(5.2)
Repayment of loans	(3.9)	(3.3)	(3.8)	(1.0)	(1.0)
Others	(14.2)	1.9	(4.9)	0.0	0.0
Net CF to Financing	**(28.4)**	**(11.7)**	**(8.7)**	**(6.2)**	**(6.2)**
Net increase/(decrease)	9.2	18.0	(17.2)	6.3	2.8
Cash b/f	7.5	16.8	34.8	17.6	23.8
Ending cash c/f	**16.8**	**34.8**	**17.6**	**23.8**	**26.6**

Balance sheet	2015	2016	2017	2018F	2019F
Assets					
PPE	149.4	143.2	135.0	127.3	120.4
Investment in associates	2.0	1.8	4.5	6.7	8.9
Deferred tax assets	0.0	2.0	2.0	2.0	2.0
Total NCA	**151.4**	**147.0**	**141.5**	**136.0**	**131.3**
Receivables	15.0	17.6	57.8	53.1	50.4
Inventories	28.0	27.3	35.0	35.4	35.6
Others	122.3	105.1	107.2	107.2	107.2
Cash & cash equiv.	16.8	34.8	17.6	23.8	26.6
Total CA	**182.0**	**184.8**	**217.6**	**219.6**	**219.8**
Total assets	**333.4**	**331.8**	**359.1**	**355.7**	**351.2**
Equity					
Share capital	128.9	128.9	128.9	128.9	128.9
Retained earnings	172.5	156.4	158.0	155.5	153.4
S/holder's funds	**301.4**	**285.3**	**286.9**	**284.4**	**282.3**
NCI	10.1	11.6	11.8	14.0	16.5
Total equity	**311.4**	**296.9**	**298.7**	**298.4**	**298.8**
Liabilities					
Loans	6.8	4.7	1.4	1.1	0.8
Deferred tax liabilities	1.7	0.6	0.7	0.7	0.7
Total NCL	**8.4**	**5.3**	**2.1**	**1.8**	**1.5**
Loans	3.2	7.2	3.3	2.6	1.9
Payables	7.7	21.0	54.4	52.2	48.3
Others	2.6	1.5	0.7	0.7	0.7
Total CL	**13.6**	**29.7**	**58.3**	**55.5**	**50.9**
Total liabilities	**22.0**	**34.9**	**60.4**	**57.3**	**52.4**

Ratios	2015	2016	2017	2018F	2019F
Profitability ratios					
ROE (%)	8.6	(2.0)	0.6	0.9	1.1
ROA (%)	7.8	(1.7)	0.5	0.8	0.9
Liquidity ratios					
Current ratio (x)	13.4	6.2	3.7	4.0	4.3
Quick ratio (x)	11.4	5.3	3.1	3.3	3.6
Growth					
Sales (%)	(36.7)	(19.4)	103.0	3.0	4.0
Profit (%)	24.1	n.m.	n.m.	64.2	12.8

Source: Company, MIDFR

KKB Engineering Berhad FY17 Results Review

FYE Dec (RMm)	Quarterly results					Cumulative results		
	4QFY16	3QFY17	4QFY17	YoY(%)	QoQ(%)	FY17	FY16	YoY(%)
Revenue	26.1	49.3	70.2	168.6	42.3	209.3	103.1	103.0
Cost of sales	(29.3)	(41.3)	(58.3)	99.2	40.9	(196.8)	(99.2)	98.3
Gross profit	**(3.1)**	**8.0**	**11.9**	**(479.3)**	**49.5**	**12.5**	**3.9**	**223.4**
Other income	1.3	1.9	1.4	1.9	(26.4)	8.4	6.4	31.6
Distribution costs	(0.3)	(0.3)	(0.2)	(19.1)	(18.8)	(0.6)	(0.8)	(23.2)
Administrative expenses	(4.4)	(3.5)	(3.7)	(15.8)	7.7	(14.9)	(16.3)	(8.7)
Other expenses	(0.4)	(0.3)	(0.3)	(13.6)	6.7	(1.2)	(1.5)	(24.4)
Finance costs	(0.1)	(0.1)	(0.1)	(53.3)	(12.5)	(0.5)	(0.5)	6.9
Share of results of associates	0.4	1.1	1.4	-	20.4	2.7	(0.2)	-
PBT	**(6.6)**	**6.8**	**10.3**	**-**	**50.6**	**6.4**	**(9.1)**	**-**
Taxation	2.3	(1.6)	(4.1)	-	153.3	(3.1)	3.4	(191.5)
PAT	**(4.3)**	**5.2**	**6.2**	**-**	**18.8**	**3.3**	**(5.7)**	**-**
Non-controlling interests	(0.2)	0.2	0.9	-	250.0	1.7	0.0	4,439.0
PATANCI	**(4.1)**	**5.0**	**5.3**	**-**	**7.4**	**1.6**	**(5.8)**	**-**
Basic EPS (sen)	(1.58)	1.93	2.07	-	7.3	0.64	(2.24)	(128.6)
				+/(-) ppts				*+/(-) ppts*
Gross profit (%)	(12.0)	16.1	17.0	29.0	0.8	6.0	3.7	2.2
PBT margin (%)	(25.4)	13.9	14.7	40.1	0.8	3.1	(8.9)	11.9
PAT margin (%)	(16.5)	10.6	8.8	25.3	(1.8)	1.6	(5.6)	7.1
PATANCI margin (%)	(15.6)	10.1	7.6	23.2	(2.5)	0.8	(5.6)	6.4
Tax rate (%)	35.1	23.7	39.8	4.8	16.1	48.5	37.2	11.4
Segmental Revenue								
Manufacturing	5.9	3.7	14.8	152.5	299.2	24.6	19.3	**27.8**
Engineering	20.3	45.6	55.4	173.3	21.4	184.6	83.8	**120.2**
	26.1	49.3	70.2	168.6	42.3	209.3	103.1	**103.0**
Segmental PBT								
Manufacturing	0.3	0.0	5.0	1,377.3	82,073.5	5.1	1.8	**181.4**
Engineering	-7.0	6.8	5.3	(175.9)	(22.5)	1.3	-10.9	**-**
	-6.6	6.8	10.3	(255.1)	50.6	6.4	-9.1	**-**
Segmental PAT								
Manufacturing	0.7	0.0	3.6	422.0	(17,617.6)	3.7	2.3	**60.7**
Engineering	-5.0	5.2	2.6	(152.1)	(50.3)	-0.4	-8.1	**-**
	-4.3	5.2	6.2	(243.7)	18.8	3.3	-5.7	**-**

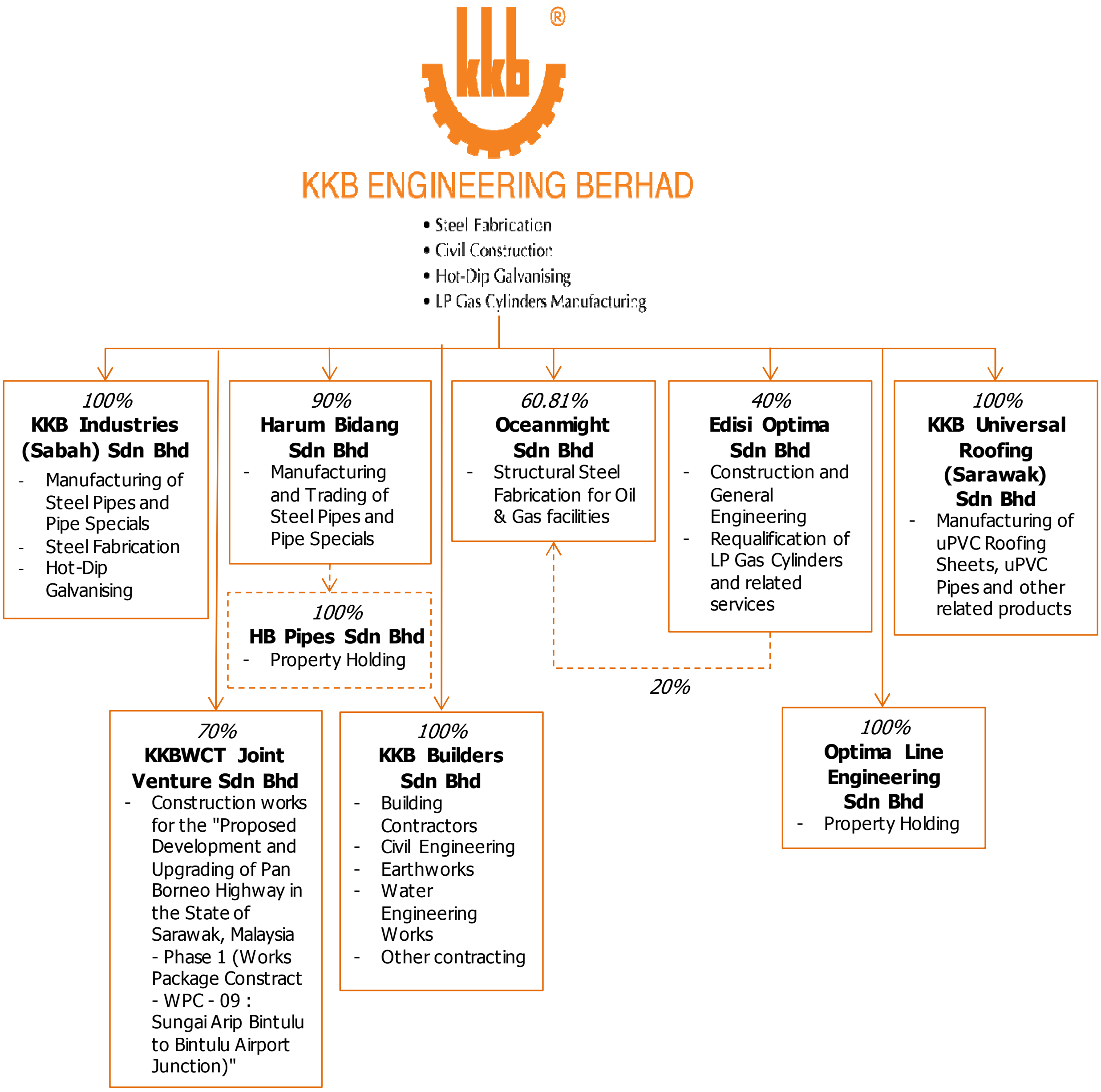
Source: Company, MIDFR

Appendix

Corporate Profile

Established 55 years ago, KKB Engineering Bhd (KKB) was founded in 1962 and operated as a welding workshop in Sarawak by the present Chairman and Group Managing Director, Dato Kho Kak Beng. The Company was incorporated on 20 February 1976 as a private limited company under the name of Kho Kak Beng Welding and Engineering Contractor Sdn Bhd which was then undertaking steel-related engineering and construction activities. Throughout the years, the Group had progressively expanded and diversified into steel fabrication and manufacturing business thanks to its steelwork experience and intricate understanding of the industry. With KKB's strong base and potential business growth expansion, it has paved the way for its listing on the Second Board of Bursa Malaysia in 1994 before it was transferred to the Main Board in 2007. We believe KKB will continue to grow from strength to strength on the back of the Sarawak Corridor of Renewable Energy (SCORE) and on-going implementation of infrastructure projects.

Corporate Structure



KKB's Business Divisions

Currently, KKB has two main divisions, namely (1) manufacturing and (2) engineering. It's Manufacturing business consists of two subdivisions,(1) LPG Cylinders and (2) Steel Pipes, Pipe Specials and Steel Tubular Piles. Meanwhile, its Engineering business consists of (1) Steel fabrication, (2) Civil Construction, (3) Hot-Dip Galvanizing and (4) Oil & Gas.

Manufacturing

LP Gas Cylinders

- Designs and manufactures domestic and industrial LP Gas Cylinders according to the client's requirements using advanced, sophisticated production systems.

Table x: LP Gas Cylinders Specifications

Product code	Diameter (mm)	Overall height (mm)	Water capacity (kg)	Material specification	Type of valve	Remark
KL-10	302	512	2.8	JIS3116 SG 255	Compact	Domestic
KL-12	302	580	26.2	JIS3116 SG 255	Compact	Domestic
KL-14	320	605	30.4	JIS3116 SG 255	Compact	Domestic
KL-14A	320	605	30.8	JIS3116 SG 255	Compact	Domestic
KL-50V	370	1280	108	JIS3116 SG 295	Compact	Industrial
KL-50L	370	1280	108	JIS3116 SG 295	POL	Industrial

Source: Company, MIDFR

- Inspection and Re-qualification of used LP Gas Cylinders by Edisi Optima Sdn Bhd (associate of KKB Engineering Berhad, located in Kuching)

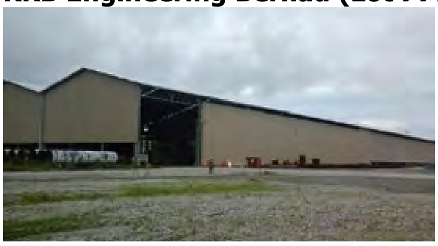
- Provision of design and build services which includes (project management services for building, fuel oil depot and installation (including petrol service filling station) and civil engineering works.).

Steel Pipes, Pipe Specials and Steel Tubular Piles

- Manufactures Steel Tubular Piles, Mild Steel Concrete Lined (MSCL) pipes and Mild Steel Polyurethane Lined (MSPUL) pipes and pipe specials for foundation, dredging, land reclamation, water and sewage delivery system.
- Certification of products by Ikram QA Services for Product Conformity and LQRA for Quality Management System and OHSAS certification for Occupational, Health and Safety Management System.

- Two alternative pipe manufacturing processes:
  - Sectional Welded
  - Spiral Welded
- Generally in accordance with BS 3601: 1987 (Carbon Steel Pipes and Tubes with Specified Room Temperature Properties for Pressure Purposes) and BS 534: 1990 (Steel Pipes, Joints and Specials for Water and Sewage) for MSCL pipes and MSPUL pipes and pipe specials. For Steel Tubular Piles, the products are generally manufactured to BS EN 10216/ BS EN 10217 and API 5L according to clients' requirements.

KKB Engineering Berhad (Lot 777)



Harum Bidang Sdn Bhd

KKB Industries (Sabah) Sdn Bhd

Source: Company

- Plant Specifications
  - Size: 100-2500mm diameter
  - Capacity: 50,000 metric tons (steel) per shift per year (3 Plants)
- Steel Products





Source: Company

Engineering

Steel Fabrication

- Supply, Fabrication and Installation of steel structures, piping and ducting, steel storage and other fabricated items.
- Fabrication of transmission and communication towers, cable ladders, industrial accessories and lighting columns.

- Other steel products:

Figure 1: Skid Tank

Figure 2: Steel Lighting Column

Figure 3: Steel Distribution Pole

Figure 4: W-Beam Guardrail

Figure 5: Lorry Bucket

Source: Company

Civil Construction

- Design and Build for construction projects, EPCC scope, architectural steel structures, petrol service stations, factories and plants.
- Supply, Lay, Test and Commissioning of water pipelines and other activities.
- Registration Bodies:
    - CIDB (Construction Institution Development Berhad)
    - UPK-B (Unit Pendaftaran Kontraktor dan Juperunding)
    - UPK-K (Unit Perndaftaran Kontraktor Dan Juruperunding)
    - UPKJ-M (Unit Pendaftaran Kontraktor dan Perunding)

Hot-Dip Galvanising

For rust prevention and corrosion protection for any steel products (fabricated or plain). Carried to meet specification and test methods as contained in BS EN ISO 1461:1999 Standard. Kettle Size: 7m (L) x 1.2m (W) x 1.8m (D).

Figure 6: Hot Dip Galvanising Plant of KKB Engineering Berhad, Kuching

Figure 7 – 17: Galvanised Products

Source: Company

Oil & Gas

- Major Fabrication: Offshore Facilities (Licensed to OceanMight Sdn Bhd by Petronas)
- OMSB offers full project engineering services including Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) to meet demands from its clients. Its Offshore Oil and Gas product range includes substructures, inter-platform bridges, topsides (wellhead platform, central processing platforms and compression platforms, modules, decks, living quarters), jackets, process skids and modular compression skids.
- Yard Office: Lot 777, Block 5, Jalan bako, Muara Tebas Land District, 93050 Kuching, Sarawak, Malaysia.

Figure 18: OceanMight Sdn Bhd Yard

Source: Company

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
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(A Participating Organisation of Bursa Malaysia Securities Berhad)

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.