KKB ENGINEERING BERHAD

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

2023 ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

KKB Engineering Berhad (KKB) has its humble beginning way back in 1962 as a small engineering workshop in Sarawak founded and operated by the present Executive Chairman, Dato Sri Kho Kak Beng which was then undertaking modest steel fabrication works.

The business was officially registered as a sole proprietorship in 1966 with the progression into steel fabrication works for factory buildings and products. The Company was incorporated on 20 February 1976 as private limited company under the name of Kho Kak Beng Welding and Engineering Contractor Sdn Bhd. On 23 March 1994, it was converted into a public limited company.

Much due to its past success, proven track records and phenomenal achievement, the Company was listed on the Second Board of Bursa Malaysia Securities Berhad on 9 November 1994. The status of the Company was later transferred to the Main Board under the present re-classification of "Industrial Products & Services Sector" with a Sub-sector of "Industrial Engineering" on 24 September 2018.

From an engineering base, the growth of the Company continues to be driven by further expansion and diversification into manufacturing activities such as steel pipes and pipe specials manufacturing, LP Gas Cylinders manufacturing and the latest business activity in the Oil & Gas Sector.

OUR VISION

A Successful and Diversified Steel Related International Business Enterprise.

OUR MISSION

- To be "Supplier of First Choice" of Customers.
- To have consistent "Fair and Equitable Return of Investment" for Shareholders.
- To progress through continuous advancement on Technology, Innovation and Training.
- To be "A Preferred Place of Work" of employees.
- To be a good Corporate Citizen, who is committed to a high standard of protection of Health, Safety and Environment (HSE) at all times.

OUR VALUE CREATION

Our Objectives

- To assist clients, nationwide by providing solutions with our engineering expertise.
- To expand our business by offering the best in quality, cost and programme.
- To provide our employees with the opportunity to develop their full potential within a safe and congenial environment.
- To seek a competitive advantage by developing partnership with clients, suppliers and subcontractors.
- To be a good neighbour and to contribute actively to the communities in which we operate.

Our Culture & Values

- Teamwork for Progress and Prosperity.
- Quality and Safety Beyond Customer's Satisfaction.
- Providing Backup for Industrial and Infrastructure Development.
- Healthier Environment and Developed Infrastructure.
- Safety at Work Place.

Our Goals

- Sustainable growth and value creation for our shareholders in a fair, transparent and responsible manner and consistent with the values of the Group.
- Producing sustainable growth in the future with continued and further excellence in people leadership, strategy, commercial agility, governance and investment in technology.

Our Plan & Strategy

- Continuing to grow and strengthen our core business.
- Widening our activities in the oil and gas sector.
- Managing operating costs and business risks to stay competitive.
- Adding value for our customers, employees, shareholders and stakeholders.
- Increase collaboration with external partners to leverage each other's expertise.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Chairman
- Dato Sri Kho Kak Beng

Group Managing Director
- Kho Pok Tong

Independent Non-Executive Directors
- Yong Voon Kar
- Datin Mary Sa'diah binti Zainuddin
- Ir. Haji Othman bin Abdul Kadir

Non-Independent Non-Executive Directors
- Dr Arjunan Subramaniam
- Chai Woon Chew
- Lau Nai Pek

Executive Director
- Kho Poh Lin

COMPANY SECRETARY

Voon Jan Moi [MAICSA 7021367]
[SSM Practising Certificate No.: 202008001906]

LEGAL ADVISER

Battenberg & Talma, Advocates
1st Floor, No. 4
Jalan Song Thian Cheok
93100 Kuching, Sarawak, Malaysia

AUDITORS

Ernst & Young PLT, Chartered Accountants
3rd Floor, Wisma Bukit Mata Kuching
Jalan Tunku Abdul Rahman
93100 Kuching, Sarawak, Malaysia

PRINCIPAL BANKERS

Hong Leong Bank Berhad
CIMB Bank Berhad
United Overseas Bank (Malaysia) Berhad
Bank of China (Malaysia) Berhad

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
Registration No.: 199601006647 (378993-D)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya, Selangor, Malaysia
Tel: 603-7890 4700
Fax: 603-7890 4670
Email: BSR.Helpdesk@boardroomlimited.com

REGISTERED OFFICE

Head Office:
Lot 865, Section 66, Jalan Kilang
Bintawa Industrial Estate
93450 Kuching, Sarawak, Malaysia
Tel: 6082-333 877 (10 lines)
Fax: 6082-331 152
Email: kkbeb@kkbeb.com.my

Corporate Office:
No. 22, 4th Floor
Jalan Tunku Abdul Rahman
93100 Kuching, Sarawak, Malaysia
Tel: 6082-419 877
Fax: 6082-419 977
Email: kpl@kkbeb.com.my

Branch Office – Kota Kinabalu:
No. 11-13, Jalan 1G KKIP Selatan
Lots 13, 14 & 15 (IZ 4)
Kota Kinabalu Industrial Park
88460 Kota Kinabalu, Sabah, Malaysia
Tel: 6088-495 240 (3 lines)
Fax: 6088-495 340
Email: chutv@kkbis.com.my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad (BMSB)
Sector: Industrial Products & Services
Sub-sector: Industrial Engineering
Stock Name: KKB
Stock Code: 9466

WEBSITE

www.kkbeb.com.my

CORPORATE STRUCTURE

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

- STEEL FABRICATION
- CIVIL CONSTRUCTION
- HOT-DIP GALVANISING
- LP GAS CYLINDERS MANUFACTURING

100% KKB INDUSTRIES (SABAH) SDN. BHD.
[Reg. No.: 200401036627 (675138-T)]
- Manufacturing of Steel Pipes and Pipe Specials
- Steel Fabrication

100% KKB BUILDERS SDN. BHD.
[Reg. No.: 200501018164 (700277-H)]
- Building Contractor
- Civil Engineering
- Water Engineering Works
- Other Contracting Services
- Earthworks

100% KKB UNIVERSAL ROOFING (SARAWAK) SDN. BHD.
[Reg. No.: 197801005879 (43031-T)]
- Manufacturing of uPVC Roofing Sheets, uPVC Pipes and Other Related Products

100% OPTIMA LINE ENGINEERING SDN. BHD.
[Reg. No.: 199701024514 (440012-H)]
- Property Holding

100% KKB ENERGY SDN. BHD.
[Reg. No.: 202301024222 (1518145-V)]
- Engineering and Construction for Renewable Energy Facilities

90% HARUM BIDANG SDN. BHD.
[Reg. No.: 199601035034 (407387-U)]
- Manufacturing and Trading of Steel Pipes and Pipe Specials

100% HB PIPES SDN. BHD.
[Reg. No.: 197901003653 (48210-A)]
- Property Holding

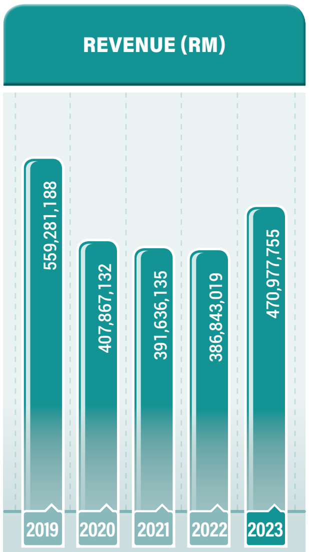
70% KKBWCT JOINT VENTURE SDN. BHD.
[Reg. No.: 201401042025 (1118191-T)]
- Civil Construction

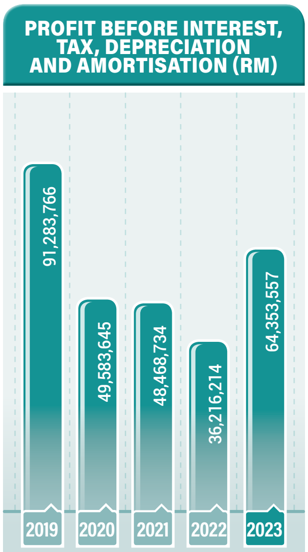
60.81% OCEANMIGHT SDN. BHD.
[Reg. No.: 201201029015 (1013502-A)]
- Structural Steel Fabrication for Oil & Gas Facilities

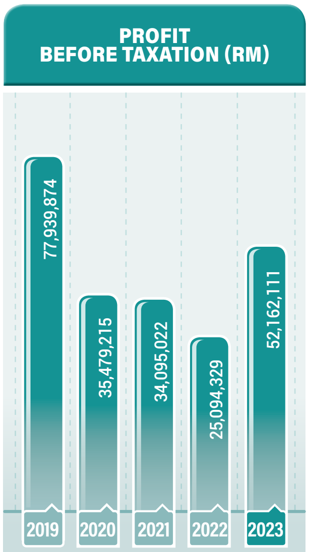
40% EDISI OPTIMA SDN. BHD.
[Reg. No.: 199701028518 (444017-K)]
- Construction and General Engineering
- Requalification of LP Gas Cylinders and Related Services

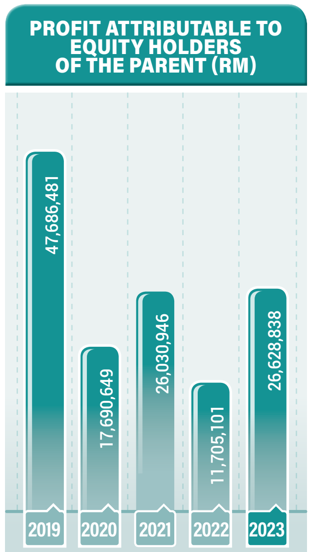
13.75%

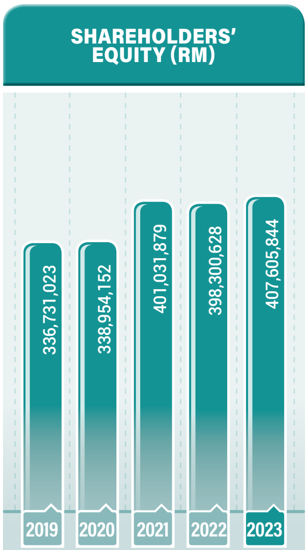
GROUP PERFORMANCE FOR FINANCIAL YEAR ENDED 31 DECEMBER

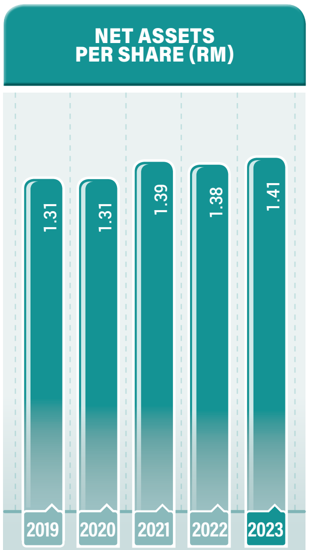


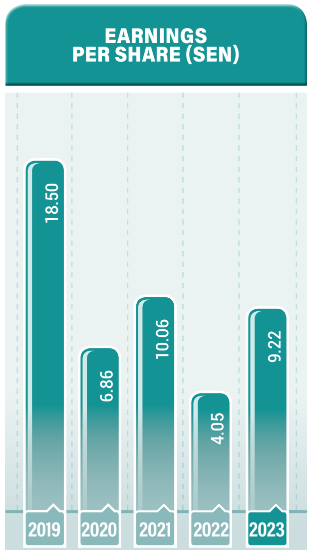


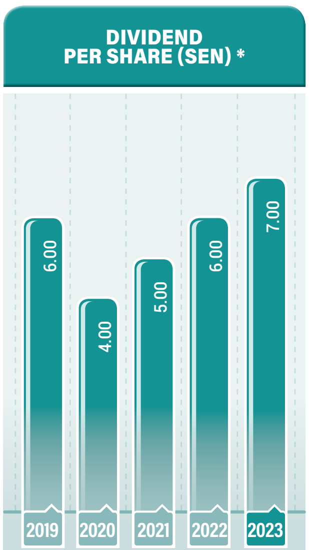


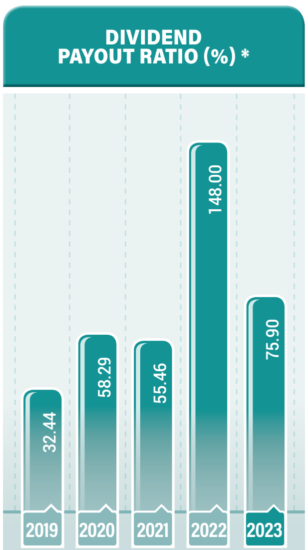


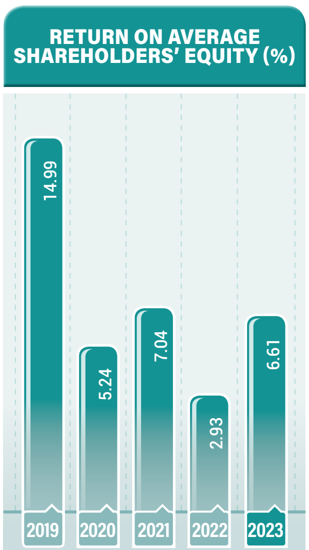


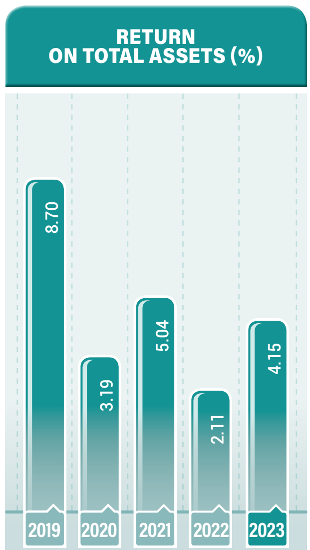












* *Dividend for FYE 2023 is based on assumption that Company will pay a First and Final Single Tier Dividend of 7.0 sen per share, upon obtaining Shareholders' approval at the forthcoming AGM*

EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

It has been another remarkable year for the KKB Group, demonstrated by our resilience which is reflected in our financial performance. Despite a challenging business environment, the Group achieved a commendable performance in FY2023. These achievements were made possible through strategic alignment of our vision and mission, a strong commitment to sustainable growth and a steadfast focus on operational excellence.

Through the years, KKB has exhibited resilience, embraced change and built up its capabilities to emerge as a growing company, well-positioned to take on the opportunities and challenges of the future.

We are committed to making a positive impact and we focus not only financial achievements but also environmental and social considerations in the decisions that we make. With this approach, we create thriving sustainable businesses that contributes positively to the Group, the society and the environment.

Our Group remained focused in our strategic goals towards achieving a sustainable profitable growth and remaining in a strong liquidity position, with prudent cash flow management and stringent credit control and debt management.

In FY2023, we focused on the completion of our few water related construction projects and major onshore fabrication jobs related to the Oil and Gas sectors despite the many challenges faced throughout the construction period. The long-term effects post pandemic, especially challenges in the construction supply chain resulting in unpredictable fluctuation material prices and tight labour market, had previously hampered the progress.

FINANCIAL HIGHLIGHTS

KKB Group delivered a positive earnings performance in FY2023. The financial year witnessed strong revenue across new and ongoing projects, contributing to the Group overall revenue improvement. This achievement highlights our commitment to diversification, strengthening our presence in the major onshore fabrication, while strategically complementing our traditional Steel Fabrication and construction business.

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

In line with this, the earnings per share also increased from 4.05 sen to 9.22 sen while net assets per share stood at RM1.41 from RM1.38 reported in FY2022. The Group's short-term funds, cash and short-term deposits improved by approximately 4.8% to RM232.2 million in FY2023 as compared to RM221.5 million in FY2022. With a strong liquidity position and healthy cashflow, our Group has the flexibility of funding options as and when the need arises. We are committed and excited to seize market opportunities to further add value to the Group and ultimately benefitting our shareholders.

ACCELERATING OUR GROWTH

Despite the challenges faced in FY2023, KKB Group continued to harness its established and capable resources to navigate the economic hurdles in pursuit of excellence. This is reflected in the Group's improved revenue. Our positive performance in FY2023 speaks volumes of our resilience in managing the challenges as reflected in our healthy financial performance. Prudent management of costs and cash flow was essential in preventing cost overruns and ensuring timely completion of projects. During the year, KKB continued to refine and implement business strategies towards strengthening its financial and operational performance. Those focused strategies include cost and operational efficiencies, timely delivery and completion of projects, automation of business processes and a strategic focus on our core business segments. A strong working relationship with our supply chain proved instrumental in managing costs and progress of our projects.

KKB Group is set to continue to refine its strategies in response to the improving but highly challenging and volatile operating environment. As of 31 December 2023, the Group's total outstanding order book remained strong, poised to make a positive contribution to the Group's revenue and profit for the financial year ending 31 December 2024.

The Engineering sector contributes positively to the Group's earnings and anticipated that this sector will continue its path in generating revenue and profit to the Group. We continue to strengthen our business operations to remain competitive in our core business segments and focus on optimising costs whilst improving project delivery and execution in order to improve margins for both our Engineering and Manufacturing sectors. With a stable foundation, we possess the financial strength and resilience to embrace multiple opportunities in the future, while reducing reliance on our traditional Engineering and Construction activities.

We continue to seek opportunities to drive our business forward with our diversified range of businesses by leveraging on our strong track record and capabilities that we have built over the years to return to a higher level of growth and sustainability.

Beyond 2023, we remain focused on strengthening and boosting the value of our existing operations. The Group continues to explore and evaluate strategic business opportunities, including but not limited to strategic investment, partnerships, or acquisitions.

The Group is optimistic of its prospects given the strong fundamentals, track record, and the demonstrated capability, dedication and team spirit of our employees, management and the Board.

SUSTAINABILITY

Our objective is a balanced top and bottom-line growth, but balance also requires serving the needs of all stakeholders. This is particularly important when it comes to environmental, social and governance ("ESG") matters. Our efforts in ESG are important to create value and we start where we have the most control i.e our operations.

We deeply value sustainability as one of our core principles. We have dedicated ourselves to continually refining our strategies and directions. In FY2023, we renamed the Risk Management Committee to the Risk & Sustainability Committee. This change further reinforces the management and oversight of sustainability in KKB Group at Board level.

Throughout our efforts, we remain committed to strengthening the Group's ESG efforts, steadily pursuing our sustainability

EXECUTIVE CHAIRMAN'S STATEMENT (CONT'D)

journey to foster positive impacts within the communities we serve. Acknowledging the growing regulations across social, operational, and financial, our goal is to create a sustainable, inclusive, and responsible business model that prioritises the wellbeing of our stakeholders and community. One of the main initiatives that the Group is dedicated to is its adoption of sustainable practices that align with Economic, Environmental, Social and Governance ("EESG") goals. The Company's Sustainability Statement can be found on pages 24 to 56 of this Annual Report.

Sustainability will continue to be our focus in FY2024 to ensure that EESG considerations are integrated into the Group's business strategies to deliver value to all our stakeholders.

KKB Group strives to meet the present needs of our stakeholders while safeguarding the requirements of future generations. Our focus extends beyond delivering quality products and services, aiming to foster positive change in every aspect of our operations. Operating with adaptability and resilience, we aspire to champion economic, environmental, and social sustainability. Our continuous efforts are focused on building a business model that aligns with lasting values, allowing us to be a future-focused company contributing to the enhancement of financial, environmental, and social well-being.

We continuously strive to improve our corporate governance standards through a strong commitment to ethics and integrity, exercising discipline in our risk management and sustainability practices while enhancing the quality of our disclosures.

STRENGTHENING OUR LEADERSHIP

I am very pleased to welcome Ir. Haji Othman bin Abdul Kadir as an Independent Non-Executive Director, effective 1 June 2023. Ir. Haji Othman has over 40 years of combined experience in the Marine, Oil and Gas and general industries in the field of Classification, Inspection, Quality Control, Auditing and Consultancy Services. Ir. Haji Othman brings with him extensive business management experience which is invaluable to the Group as we navigate the transforming economic landscape and continue to drive growth across our business units.

We also made changes at the Senior Management level with the position of the Group Managing Director being succeeded by Mr Kho Pok Tong, who previously held the position of Group Executive Director.

Our extensive experience has greatly strengthened our Board and I am confident that KKB will continue to deliver performance and growth and importantly, play a part in building a sustainable future.

We strengthened the leadership towards facilitating greater decision-making autonomy and stronger governance and decision-making according to the unique needs of our businesses and ensure that KKB Group continue to grow in a sustainable manner.

DIVIDEND

The Group's healthy financial position and sound cash flow management is attributable to its strong focus on operational sustainability and financial prudence, all designed to bring about value creation for our stakeholders.

Our Board has recommended a first and final single-tier dividend of 7.0 sen (FY2022: 6.0 sen) per ordinary share in respect of the financial year ended 31 December 2023, subject to the approval of shareholders at the forthcoming Forty-Eighth (48th) Annual General Meeting. The proposed dividend, if approved, would amount to a payout of RM20.2 million compared to RM17.3 million in FY2022. This represents a 75.9% payout of Consolidated Profit attributable to owners of the parent which is well above our 20% dividend policy.

The proposed dividend has been carefully deliberated on with a balanced view to take into consideration the profit, as well as the capital requirements to grow our business and potential new developments.

The Company endeavours to maintain stable dividends and return profits to shareholders in line with Company's performance, depending on our financial performance, the availability of adequate distributable reserves and on condition that such distribution will not be detrimental to our Group's cash flows requirements.

NOTE OF APPRECIATION

Despite the challenging and volatile business environment, we managed to deliver positive results in FY2023. This would not have been possible without the full support of all our stakeholders – my fellow Board members, key management, employees, business partners, clients, suppliers, bankers, shareholders, and the communities in which we operate.

On behalf of the Board, I take this opportunity to express my sincere appreciation to all our capable Management and dedicated employees. Their perseverance and heartfelt contributions over the financial year was instrumental in bringing about another year of growth and success for the KKB Group. They have consistently risen above challenges throughout the past three (3) years, overshadowed by the COVID-19 pandemic.

To my respected Board members, I extend my heartfelt appreciation for your hands on approach, commendable resilience and invaluable support in working alongside to register yet another milestone financial year for the Group.

I look with immense pride on the journey we have taken over the past many years and look forward to the continued support of all our stakeholders as we journey together towards greater heights and the creation of more value for all. The future is challenging but it remains bright, with promising prospects and potential for the Group and our stakeholders.

While the global economic outlook remains uncertain, the opportunities ahead are significant. We look forward to another exciting and rewarding year in 2024, as we further build upon and amplify on our strategic thrust towards our Vision and Mission and continue to accelerate growth in our core competencies to deliver lasting value for all our stakeholders.

My deepest appreciation to our key stakeholders – our clients, business partners, associates, bankers, suppliers, advisers, and relevant authorities and to you our shareholders – for your unwavering support.

Thank you everyone for being a part of our journey.

DATO SRI KHO KAK BENG
Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

This Management Discussion and Analysis (MD&A) of the consolidated financial results of KKB Engineering Berhad ("KKB" or "the Company") and its subsidiaries ("KKB Group or "the Group") should be read in conjunction with the audited consolidated financial statements and notes thereto for the financial year ended 31 December 2023 ("FY2023"). Additional information about the Company is available at www.kkbeb.com.my

COMPANY OVERVIEW

KKB Engineering Berhad is a public listed Company listed on the main Board of Bursa Malaysia Securities Berhad. KKB has developed a strong base for steel fabrication and with its experience and intricate understanding of the industry, it further expanded into other synergistic activities.

The operational activities of the KKB Group are segmented into the Engineering and Manufacturing sectors: -

Engineering Sector

- Steel Fabrication

  Activities under this division include supply, fabrication and installation of steel structures, piping spool, steel storage tanks and all other special fabricated items for industries, factories and plants including Major Fabrication – Offshore Facilities for the Oil and Gas sectors.

  The Group has another similar plant in Kota Kinabalu, Sabah operated under our subsidiary company which provides similar steel fabrication activities.

- Hot-Dip Galvanising

  This division provides additional services to its steel fabrication activities that require any steel products to be galvanised. Products that can be galvanised include bolts and nuts, cable ladder, telco tower, street lighting columns, high & low tension poles, angles bars, pipes, tubes and channels, gate and fencing, gratings and chequered plates, platforms and all other steel fabricated items.

  KKB has a Galvanising Bath size of 7.0 metres length to cater for any steel products within its range that requires galvanising.

- Civil Construction

  Under the Civil Construction division, the Group undertakes construction projects for petrol service stations, turnkey construction projects, laying and commissioning of gas and water pipelines and other construction activities.

Manufacturing Sector

- LP Gas Cylinders Manufacturing

  As one of the leading LP Gas cylinders manufacturers in Malaysia, KKB designs, manufactures and reconditions domestic and industrial LP Gas cylinders using advanced and sophisticated systems such as Zig-Zag blanking machines, automatic trimming and joggling machines and robotic welding. The Company customizes LP Gas cylinders to clients' exact requirements and cylinders can be supplied with compact, vapour withdrawal or liquid withdrawal valves.

  The Company has manufactured and supplied LP Gas cylinders to the following Petroleum Companies: -

  (a) Shell Malaysia Trading Sdn Bhd
  (b) Shell Timur Sdn Bhd
  (c) Brunei Shell Marketing Sdn Bhd
  (d) Shell Gas Lanka Limited, Sri Lanka
  (e) Petronas Dagangan Berhad
  (f) ExxonMobil Malaysia Sdn Bhd
  (g) Boustead Petroleum Marketing Sdn Bhd
  (h) NGC Malaysia Sdn Bhd
  (i) Petron Malaysia Refining & Marketing Bhd
  (j) Summit Petroleum (M) Sdn Bhd
  (k) MyGaz Sdn Bhd
  (l) Petrosniaga Sdn Bhd

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

- Steel Pipes Manufacturing

  KKB Group 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.

  Our Group has three (3) manufacturing plants, two (2) of which are located in Kuching, Sarawak and another one (1) in Kota Kinabalu, Sabah.

Striving to deliver products and services of superior quality and high standards to customers, almost all of KKB Group's activities are certified: -

(a) ISO 9001:2015 by Lloyd's Register Quality Assurance (LRQA)

- Design and Manufacture of LPG Cylinders
- Reconditioning of used LPG Cylinders
- Fabrication of steel structures, non-pressurised tanks, silos, piping spools, lamp posts, guardrails and steel container
- Provision of Hot-Dip Galvanising of steel products
- Manufacture of Steel Tubular Piles
- Provision of construction services for building and civil engineering works
- Manufacture of Mild Steel Concrete Lined Pipes and Pipe Specials
- Manufacture of Polyurethane Lined Mild Steel Pipes and Pipe Specials

(b) ISO 9001:2015 by Bureau Veritas Certification (Malaysia) Sdn Bhd (BVC)

- Provision of Engineering, Procurement and Construction (including pre-commissioning & loadout), Installation, Hook-Up and Commissioning of Oil & Gas Onshore & Offshore Facilities
- Provision of Tendering Process for Project Management Services (including Design Activity) for Buildings, Fuel Oil Depot & Installation (including Petrol Service Filling Stations)
- Inspection and Re-Qualification of used LPG Cylinders

(c) ISO 45001:2018 by Bureau Veritas Certification (Malaysia) Sdn Bhd (BVC)

- Fabrication of Steel Structures, Installation and Commissioning at Site
- Provision of Hot-Dip Galvanising of Steel Products
- Manufacturing, Reconditioning (RC) and Requalification (RQ) of LP Gas Cylinders
- Provision of Civil Construction Services
- Provision of Engineering, Procurement and Construction/Fabrication (including pre-commissioning & loadout), Installation, Hook-Up and Commissioning of Oil & Gas Onshore & Offshore Facilities
- Manufacture of MSCL (Mild Steel Concrete Lined) Steel Pipes, Pipe Specials and Fittings for Water and Sewage Industries
- Manufacture of MSCL (Mild Steel Cement Lined) Steel Pipes, Pipe Specials and Fittings

(d) Product Certification by IKRAM QA Services Sdn Bhd

- Manufacture of Steel Pipes – Submerged Arc Welded (SAW)
- Manufacture of Steel Pipe Specials – Submerged Arc Welded (SAW)
- Manufacture of Steel Pipes – Electric Resistance Welded (ERW)
- Manufacture of Steel Pipe Specials – Electric Resistance Welded (ERW)
- Manufacture of Steel Fittings for Water and Sewage
- Manufacture of Steel Pipes for Water and Sewage

(e) Product Certification by SIRIM QAS International Sdn Bhd

- Street Lighting Column
- Corrugated Sheet Steel Beam for Highway Guardrail

(f) Product Certification by Det Norske Veritas (DNV)

- Tote Tank and Lifting Frame

INFORMATION TECHNOLOGY

KKB is focused on shifting our culture and leveraging technology to improve performance and reliability, which are central to our operational excellence journey. Unleashing the full potential of our people and technology will be critical in achieving our environmental, operational and financial goals.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

KKB's business resilience and longevity come from its ability to stay abreast with technology change, continually investing in building capabilities on newer technologies, and creatively harnessing the power of those technologies.

KKB Group has a fully integrated Enterprise Resource Planning (ERP) system covering Financial and Distribution, Manufacturing, Fixed Assets Management and Project Management modules using Oracle JD Edwards EnterpriseOne software. In FY2023, the Group upgraded its Oracle JD Edwards EnterpriseOne software to a later Tools Release 9.2.5.6 (from an earlier Tools Release 9.2.3.4) to improve its business processes and operation efficiency.

In addition, the Group prides itself in investing in advanced 4D planning software, detailing the project schedule against the 3-Dimensional (3D) computer aided designs software for perfect and accurate engineering deliverance.

The COVID-19 pandemic led the KKB Group to further build resilience in its operations and systems and in many cases accelerate the implementation of digital initiatives. This includes digital connects through virtual meeting platforms with customers, vendors, authorities and other operational activities. Zero incidence of breach of information security was recorded despite remote working.

With digitalisation as an intrinsic part of business operations and customer engagement, we maintain our focus on strengthening cyber resilience and promoting awareness across the organisation. This is in tandem with industry best practices and in close partnership with government agencies and experts.

REMAIN COMMITTED AND FOCUSED ON OUR CORE COMPETENCIES

KKB continues to strive for growth and success. We remain focused on our two key segments in Engineering and Manufacturing that are part of a connected value chain and our core competencies. We continue to extend our presence into the oil and gas sector, explore local and overseas opportunities through collaboration with OceanMight Sdn Bhd ("OMSB") to harness the synergies of the Group.

OMSB, with a PETRONAS Approved License Categories (Service to Exploration and Oil/Gas Companies in Malaysia) inked a memorandum of understanding ("MOU") with Samsung Engineering Co Ltd in October 2021 to collaborate in the bidding of tenders for projects worldwide. We recognise that in addition to building our capabilities internally, the need for increased collaboration with external partners to leverage on each other's expertise or technology is necessary. In February 2024, the said MOU was extended for another term of two (2) years for both parties to cooperate and collaborate with each other in the preparation, submission, and negotiation of tenders for projects worldwide which may involve specialized scope of work and supply such as Engineering, Procurement and Construction of offshore and onshore oil and gas process modules and structures.

We remained focused on strategic development of our core businesses as well as widening our presence in the oil and gas sector and prudently managing operating costs and business risks to stay competitive. We have been effective in servicing our existing and potential customers, while maintaining our long-standing commitment to innovation.

The Group has invested in modern and automated heavy machineries and equipment and all weathered fabrication workshops to cater for the fabrication requirements in the oil and gas offshore structures. The yard is also facilitated with private deep-water Jetties located less than five (5) kilometres from the Sarawak River Mouth with loadout capacity of up to 30,000 metric tones of fabricated structures.

Our Steel Fabrication yard at Lot 777 is strategically designed, configured and structured in terms of advanced state-of-the-art Indoor Fabrication Facilities and Modern Technology for optimization of yard activities and operations – embracing Automation of Pipe Spool and Structural Steelworks Production.

Under the challenging and competitive business environment, we monitored closely and controlled strictly the decision-making and execution process of the Group's operations and projects. We conducted comprehensive analysis on costs and adopted measures to further strengthen risk management on all our business operating units.

HIGH COMMITMENT ON HEALTH, SAFETY AND ENVIRONMENT

Safety remains our highest priority and is firmly ingrained in all aspects of our business and operations. This comes through in consistent practices on the ground, across the ranks including our contractors and subcontractors.

Safety is one of our core values, and we maintained our unwavering focus on health and safety during the year. In FY2023, the Group achieved zero-fatality target for its operations and saw improvements across our Total Recordable Injury, Accident Frequency and Accident Severity Rates.

KKB Group has a well-defined Occupational Health and Safety policy and supporting processes to ensure the safety and well-being of its employees. The Group Health Safety and Environment ("HSE") Task Force Committee monitors, advises, and drives occupational, health and safety initiatives and reviews the Group's health and safety performance on a regular basis.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

We continue to maintain all our ISO certifications, implement more sustainable business practices and act responsibly to ensure we create positive impacts for all our stakeholders.

PURSUING SUSTAINABILITY AND CORPORATE GOVERNANCE PRINCIPLES

As sustainability is the key to long-term values creation for our various stakeholders especially in this challenging time, our Board of Directors have collectively placed greater focus on driving the Group's Environmental, Social and Corporate Governance ("ESG") agenda to create a more sustainable business practices across our business units.

The Board of Directors and Senior Management continue to put in more efforts to strengthen accountability, transparency and oversight on anti-corruption, occupational safety and health, talent pool, supply chain reliability, energy efficiency and other material ESG aspects of our businesses.

Our efforts in ESG are important to create value and we start where we have the most control i.e our operations. As for the Social aspect of ESG, we strive to create a caring culture by giving back to the community and promoting the spirit of volunteerism among our staff to be more caring and compassionate. KKB Group is committed to maintain a well-balanced, safe and healthy workplace for our people.

Security features implemented in the Group include close circuit television cameras and professionally trained security personnel to always ensure a safe and secure environment. In essence, sustainability from the perspective of safety and security is at the heart of our business model.

Governance is a key aspect of sustainability. KKB's Board of Directors is committed to good corporate governance and ethical business practices, promoting the long-term interests of shareholders, thus ensuring that we remain a successful and sustainable entity with good governance principles and practices as well as strong Board oversight. The composition of the Board with its diverse range of skills and experience is one of our key strengths and the relationships we have fostered both within and outside the boardroom have strengthened Board dynamics.

We continue to enhance our corporate governance and sustainability management practices in our daily operations in response to the latest developments in regulatory requirements and growing public expectations.

STRENGTHENING OUR PRESENCE IN THE MAJOR ONSHORE FABRICATION

OMSB (KKB's subsidiary), has been awarded by Sarawak Shell Berhad ("SSB") and Sabah Shell Petroleum Co. Limited ("SSPC") as the Primary Contractor for the Price Agreement for Engineering, Procurement and Construction ("EPC") of Standard Wellhead Platforms for SSB/SSPC, effective from 24 October 2022 until 23 October 2027. The Price Agreement opened more opportunities to OMSB, being one of the few PETRONAS Licensed Yards in Malaysia, to bid for contract works involving the EPC of Standard Wellhead Platforms for SSB/SSPC.

In addition, the MOU entered between OMSB and Samsung Engineering Co Ltd in October 2021 has been extended for another term of two (2) years in February 2024 for both parties to cooperate and collaborate with each other in the preparation, submission, and negotiation of tenders for projects worldwide which may involve specialized scope of work and supply such as Engineering, Procurement and Construction of offshore and onshore oil and gas process modules and structures.

Since 2013, OMSB being PETRONAS Approved Licenses Categories (Service to Exploration and Oil/Gas Companies in Malaysua) Self-Operated, for Offshore Facilities Construction-Major Fabrication has to-date secured the following projects related to the Oil and Gas sectors, since commencement of its operation:-

ITEM	YEAR AWARDED	PROJECT TITLE	CLIENT
1	2014	Provision of Fabrication, Hook-Up and Commissioning Services for Tanjong Baram Wellhead Platform	2H Offshore Engineering Services Sdn Bhd
2	2015	Provision of Yard Space, Manpower, Tools, Equipment and Services for New Helideck Steel Support Fabrication and New Helideck Assembly for Baram-B Revisit 4 Project	Petronas Carigali Sdn Bhd
3	2015	Engineering, Procurement and Construction (EPC) of Wellhead Platform for Kinabalu Redevelopment Project	Repsol Oil & Gas Malaysia Limited
4	2016	Engineering, Procurement and Construction (EPC) for Bunga Pakma Wellhead Riser	Repsol Oil & Gas Malaysia Limited

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

ITEM	YEAR AWARDED	PROJECT TITLE	CLIENT
5	2018	HHP Piping Flowlines for Kinabalu Redevelopment Project	Repsol Oil & Gas Malaysia Limited
6	2018	Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for D28 Phase 1 Project	Petronas Carigali Sdn Bhd
7	2018	Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for D18 Phase 2 Project	Petronas Carigali Sdn Bhd
8	2018	Provision of Procurement and Construction for Wellhead Deck, Piles and Conductor for Pegaga Project	Sapura Fabrication Sdn Bhd
9	2019	Provision of Engineering, Procurement, Construction and Commissioning of New ESP Module for Upgrading and Modification on MAMPU-1 and AJK Platform for Vestigo Petroleum Sdn Bhd	MISC Offshore Floating Terminals Dua (L) Limited
10	2020	Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for BKD-A and Host Tie-In Modification at BNCPP-B Topsides – Bakau Non-Associated Gas Development Project	Petronas Carigali Sdn Bhd
11	2020	Provision of Engineering, Procurement, Construction and Commissioning (EPCC) of Pemanis Satellite (PESA) Topside for PTTEP's Sarawak SK309 Development (Contract No. CP16003)	PTTEP Sarawak Oil Limited
12	2020	Provision of Engineering, Procurement and Construction of Flare Platform for Kasawari Gas Development Project	Unincorporated Joint Venture of Malaysia Marine and Heavy Engineering Sdn Bhd and Technip Geoproduction (M) Sdn Bhd
13	2021	Procurement, Fabrication & Transportation of Jacket Levelling System and Gripper Cans for the Ilijan Marine Jetty	2H Offshore (Asia Pacific) Sdn Bhd
14	2022	Provision of Fabrication, Engineering, Supervision, Manpower, Necessary Equipment/Tools and Consumables to carry out Piles Fabrication, Loadout and Sail Away for SK408W Jerun A CPP Jacket	Malaysia Marine and Heavy Engineering Sdn Bhd
15	2023	Provision of Engineering, Procurement and Construction (EPC) of Standard Wellhead Platforms for MLNG FaS (F27, F22 and Selasih) Gas Field Development	Sarawak Shell Berhad
16	2023	Module Fabrication/supply of Steel Structures for the Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu	Samsung Engineering (M) Sdn Bhd
17	2024	Fabrication of Bridge and Boat landing for Kasawari Carbon Capture & Storage project	Malaysia Marine and Heavy Engineering Sdn Bhd

As at 31 December 2023, OMSB has successfully completed eleven (11) projects, achieving a combined total of 7.7 million safe working man-hours without any lost time incidents. The smooth and timely completion of these projects has demonstrated our capability in complex project execution and management. Of these projects, the super fast-tracked D28 EPCIC contract, was completed in a record time of nine months from the date of the award in 2018 – thereby underscoring OMSB's capabilities as a reliable and skilled oil and gas service provider.

Today our Oil and Gas unit, alongside our traditional Engineering (Fabrication), Construction and Manufacturing, has further strengthened our robust and diversified activities to remain relevant in years to come.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

HIGHLIGHTS OF THE GROUP'S FINANCIAL INFORMATION FOR THE PAST FIVE (5) YEARS

	FINANCIAL YEAR ENDED 31 DECEMBER				
YEAR	**2019**	**2020**	**2021**	**2022**	**2023**
Revenue (RM)	559,281,188	407,867,132	391,636,135	386,843,019	**470,977,755**
EBITDA (RM)	91,283,766	49,583,645	48,468,734	36,216,214	**64,353,557**
Profit before tax (RM)	77,939,874	35,479,215	34,095,022	25,094,329	**52,162,111**
Profit after tax (RM)	61,477,709	21,793,284	28,910,782	18,466,615	**34,345,691**
Profit attributable to equity holders of the parent (RM)	47,686,481	17,690,649	26,030,946	11,705,101	**26,628,838**
Total assets (RM)	547,885,526	554,934,037	516,848,587	555,074,916	**642,378,221**
Total borrowings (RM)	11,032,486	920,788	169,116	234,221	**103,472**
Issued capital (RM)	128,896,000	128,896,000	175,254,461	175,254,461	**175,254,461**
Shareholders' equity (RM)	336,731,023	338,954,152	401,031,879	398,300,628	**407,605,844**
Total number of issued shares	257,792,000	257,792,000	288,727,040	288,727,040	**288,727,040**
PER SHARE INFORMATION					
Earnings per share (sen)	18.50	6.86	10.06	4.05	**9.22**
Net assets per share (RM)	1.31	1.31	1.39	1.38	**1.41**
Dividend per share (sen) *	6.00	4.00	5.00	6.00	**7.00**
KEY FINANCIAL RATIOS					
Gross margin (%)	19.05	16.52	18.29	14.95	**18.39**
EBITDA margin (%)	16.32	12.16	12.38	9.36	**13.66**
Net profit margin (%)	10.99	5.34	7.38	4.77	**7.29**
Return on average shareholders' equity (%)	14.99	5.24	7.04	2.93	**6.61**
Return on total assets (%)	8.70	3.19	5.04	2.11	**4.15**
Inventory turnover (times)	8.54	5.93	7.09	7.08	**7.75**
Trade receivable turnover (days)	43	80	81	60	**58**
Trade payable turnover (days)	121	166	128	88	**119**
Current ratio (times)	2.34	2.31	5.04	3.89	**2.90**
Gearing – Debts to equity (times)	0.03	0.00	0.00	0.00	**0.00**
Dividend payout ratio (%) *	32.44	58.29	55.46	148.00	**75.90**

* Dividend for FY2023 is based on assumption that Company will pay a First and Final Single Tier Dividend of 7.0 sen per share, upon obtaining Shareholders' approval at the forthcoming AGM.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

OVERVIEW OF KKB'S SHARE PRICE IN YEAR 2023

Month	High Price RM	Low Price RM	Close Price RM	Volume (Units)
January	1.43	1.31	1.37	264,300
February	1.45	1.30	1.43	209,200
March	1.47	1.36	1.38	395,400
April	1.51	1.38	1.49	1,245,400
May	1.49	1.37	1.37	329,800
June	1.37	1.32	1.35	250,600
July	1.41	1.32	1.41	916,600
August	1.51	1.33	1.47	527,100
September	1.48	1.39	1.41	255,700
October	1.45	1.40	1.41	182,900
November	1.43	1.39	1.41	427,900
December	1.48	1.40	1.47	298,500

	RM
Year High	1.51
Year Low	1.30
Year Close	1.47
Market Capitalisation as at 31.12.2023 (RM)	424,428,749

FINANCIAL PERFORMANCE OVERVIEW

Notwithstanding the challenges faced in FY2023, KKB managed to adapt and continue our effort to drive operational and cost efficiency throughout all business segments within the Group. In FY2023, the Group registered revenue of RM471.0 million, an increase of 21.7% as compared to RM386.8 million recorded in the preceding financial year ("FY2022"). The Engineering sector remained our largest contributor for the Group's overall performance, contributing 94% and 91% respectively to the Group's total revenue and Gross profit in FY2023.

The increase in revenue was mainly attributable to the increase in activities from the commencement of the Engineering, Procurement and Construction of Standard Wellhead Platforms for MLNG FaS (F27, F22, Selasih and F23 Brownfield) for Sarawak Shell Berhad and Module Fabrication/supply of Steel Structures for the Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu for Samsung Engineering (M) Sdn Bhd and construction work for the Tiang Bendera Gergasi at Fort Margherita, Kuching, Sarawak.

In spite of the weak performance of the subsidiary company i.e KKBWCT Joint Venture Sdn Bhd, the Group's pre-tax profit rose significantly by 107.9% to RM52.2 million compared to RM25.1 million in FY2022. The overall improved performance in FY2023 was driven by the Group's Steel Fabrication and Construction divisions alongside improved contribution from the Manufacturing sector.

KKBWCT Joint Venture Sdn Bhd reported a pre-tax loss of RM6.4 million in FY2023 against a pre-tax profit of RM3.1 million in FY2022, mainly attributed to compressed margins arising from the escalation of material and labour costs. Margins of contracts secured pre-pandemic was impacted by inflationary pressure including an escalation in labour, construction material and supply chain costs.

The financial information discussed in this section is extracted from KKB's Audited Consolidated Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

	GROUP		
	FY2023 RM'000	FY2022 RM'000	VARIANCE %
Revenue	470,978	386,843	21.7%
Gross Profit	86,609	57,825	49.8%
Selling and Distribution Expenses	(2,813)	(526)	434.8%
Administrative Expenses	(39,165)	(32,878)	19.1%
Finance Cost	(2,205)	(429)	414.0%
Finance Income	1,035	440	135.2%
Other Expenses	(3,080)	(5,544)	-44.4%
Other Income	9,848	4,741	107.7%
Share of Results of Associates	1,933	1,465	31.9%
Profit before Tax	52,162	25,094	107.9%
Income Tax Expense	(17,816)	(6,627)	168.9%
Profit after Tax	34,346	18,467	86.0%

Revenue

Engineering Sector

The Engineering sector recorded revenue of RM445.0 million in FY2023 compared to RM373.7 million in FY2022, representing a 19.1% increase.

The Group's Construction division FY2023 revenue decreased by 22.4% to RM191.8 million compared to RM247.0 million in FY2022. In FY2023, revenue was mainly from the Pan Borneo Highway project in the State of Sarawak (Phase 1 Works Package Contract – WPC-09) undertaken by the subsidiary Company i.e KKBWCT Joint Venture Sdn Bhd., which contributed a lower revenue of RM150.8 million (FY2022: RM213.5 million) and construction of the Tiang Bendera Gergasi at Fort Margherita, Kuching, Sarawak, whilst revenue contribution from the water related construction projects secured from Jabatan Bekalan Air Luar Bandar Sarawak, Kuching Water Board and LAKU Management Sdn Bhd is lower as most of the projects are reaching its tail end. The construction industry will continue to face various challenges including competition, supply chain issues, labour shortage and increased cost of materials.

Revenue under the Group's Steel Fabrication division increased 103.5% to RM251.9 million compared to RM123.8 million in FY2022. FY2023 revenue were mostly from the on-going projects i.e the Engineering, Procurement and Construction of Standard Wellhead Platforms for MLNG FaS (F27, F22, Selasih and F23 Brownfield) for Sarawak Shell Berhad; Module Fabrication/supply of Steel Structures for the Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu for Samsung Engineering (M) Sdn Bhd; Piles fabrication for SK408W Jerun A CPP Jacket under Malaysia Marine and Heavy Engineering Sdn Bhd; Engineering, Procurement and Construction of Flare Platform for Kasawari Gas Development Project under Unincorporated Joint Venture of Malaysia Marine and Heavy Engineering Sdn Bhd and Technip Geoproduction (M) Sdn Bhd; Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for BKD-A and Host Tie-In Modification at BNCPP-B Topsides – BAKAU Non-Associated Gas Development Project for Petronas Carigali Sdn Bhd; Structural steel work for the Glove factory in Bintulu under Fook Lai Construction & Development Sdn Bhd and other miscellaneous fabrication works.

Hot-Dip Galvanising division posted lower revenue of RM1.3 million in FY2023 compared to RM2.9 million in FY2022, mainly due to lower business volume. Revenue was mostly from ad-hoc walk-in customers.

Manufacturing Sector

The Manufacturing sector was impacted in the absence of major supply contract. Although revenue increased to RM25.9 million (FY2022: RM13.2 million), volume remain low in the absence of major supply contract.

LP Gas Cylinders manufacturing division recorded revenue of RM9.0 million in FY2023, slight increased compared to RM8.8 million in FY2022. FY2023 revenue was for the supply of New and Reconditioning/Requalification LPG Cylinders as well as the supply of LPG Compact Valves to Petronas Dagangan Berhad, Mygaz Sdn Bhd and Petrosniaga Sdn Bhd.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

The Group's Steel Pipes manufacturing division saw higher revenue in FY2023, supported by improved business volume from the Steel Pipes plant in Kota Kinabalu, Sabah. Revenue increased to RM17.0 million (FY2022: RM4.4 million), mostly from the export of Mild Steel Pipes to Brunei and other ad-hoc customers in Kota Kinabalu, Sabah.

Breakdown of revenue by sectors and divisions:

	GROUP				
	FY2023		FY2022		VARIANCE
	RM'000	%	RM'000	%	%
Engineering Sector					
Civil Construction	191,760	41%	246,971	64%	-22.4%
Steel Fabrication	251,944	53%	123,831	32%	103.5%
Hot-Dip Galvanising	1,332	0%	2,891	1%	-53.9%
	445,036	**94%**	**373,693**	**97%**	**19.1%**
Manufacturing Sector					
LP Gas Cylinders	8,992	2%	8,769	2%	2.5%
Steel Pipes	16,950	4%	4,381	1%	286.9%
	25,942	**6%**	**13,150**	**3%**	**97.3%**
Total Revenue	**470,978**	**100%**	**386,843**	**100%**	**21.7%**

Gross Profit

The Group posted a higher gross profit in FY2023, increased to RM86.6 million compared to RM57.8 million in FY2022 in spite of the weak performance of subsidiary company i.e KKBWCT Joint Venture Sdn Bhd which recorded a gross loss of RM4.3 million against a gross profit of RM3.7 million in FY2022. Margins of contracts secured pre-pandemic was impacted by inflationary pressure including an escalation in labour, construction material and supply chain costs.

Gross profit for the Manufacturing sector increased to RM7.4 million compared to RM2.5 million registered in FY2022, with improved margin from both the Steel Pipes and LP Gas cylinders manufacturing divisions.

From the table below, gross profit margin improved by some 3% compared to the preceding year, mainly due to the overall improved margin for both the Engineering and Manufacturing sectors.

	FY2023 RM'000	FY2022 RM'000	% ON REVENUE	
			FY2023	FY2022
Revenue	470,978	386,843	100%	100%
Cost of Sales				
Raw Materials Consumed	138,413	28,037	29%	7%
Direct Labour & Subcontract Cost	218,111	272,569	46%	71%
Depreciation	8,418	9,043	2%	2%
Others	19,427	19,369	4%	5%
	384,369	**329,018**	**82%**	**85%**
Gross Profit/Gross Profit Margin	**86,609**	**57,825**	**18%**	**15%**

Finance and Other Income

The Group's Finance and Other Income increased to RM10.9 million as compared to RM5.2 million in the FY2022, mainly due to interests gained from short-term deposits placement, sales of scrap iron and gain on foreign exchange.

Administrative Expenses

On a consolidated basis, administrative expenses accounted for 8.3% of the Group's total revenue in FY2023, compared to 8.5% in the preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

The Group's administrative costs increased by 19.1% to RM39.2 million as compared to RM32.9 million recorded in FY2022. Staff salaries and related cost accounted about 59.7% of the Group's total administrative expenses. The increase in staff salaries and related cost was due to the increase in the number of headcounts for the Group in line with increase activities for its Engineering business segment in FY2023.

Other Expenses

Major components of the Group's other expenses consist of depreciation of property, plant and equipment, donation and sponsorship, impairment on trade receivables, legal and professional fees.

Other expenses decrease to RM3.1 million in FY2023 as compared to RM5.5 million in FY2022, mainly from donation of RM2.0 million made to few charitable bodies in conjunction with KKB's 60th anniversary celebration in FY2022.

Profit before tax

Profit before tax ("PBT") of the Group showcased growth, grew by 107.9% to RM52.2 million from RM25.1 million in FY2022. This growth, driven by increased revenue from both the Engineering and Manufacturing sectors, was further reinforced by an increased in the group's other income and reduction in the group's other operating expenses.

In spite of the weak performance of subsidiary company i.e KKBWCT Joint Venture Sdn Bhd which recorded a pre-tax loss of RM6.4 million against a PBT of RM3.1 million in FY2022, the Group is able to sustain its businesses by leveraging on its strong track record and capabilities. The Group continues to focus on optimising its costs whilst improving project delivery and execution to improve margins for both its Engineering and Manufacturing sectors.

Profit attributable to equity holders of the parent

Profit attributable to equity holders of the parent rose by 127.5% to RM26.6 million in FY2023 as compared to RM11.7 million in the preceding year. This represents 5.7% of total group revenue as compared to 3.0% in the preceding year. Similarly, Earnings per Share grew to 9.22 sen from 4.05 sen in the preceding year.

CONSOLIDATED FINANCIAL POSITION

Our financial position remains healthy, as evidenced by our ability to generate substantial cash from operations. Operating cash flow provides the primary source of cash to fund operating needs and capital expenditures.

The Group's financial position remains strong with improved cash position (short-term funds, cash and short-term deposits) of RM232.2 million as compared to RM221.5 million in FY2022. The Group's balance sheet continued to be strong with low financial and operating leverage, evidenced by our gearing of 0.00 (FY2022: 0.00) times.

Total assets for the Group increased to RM642.4 million in FY2023, from RM555.1 million in FY2022 mainly due to the increase in contract assets, trade receivables, cash and short-term funds/deposits and inventories.

The Group's net assets increased to RM407.6 million, from RM398.3 million in the preceding year and net assets per share improve to RM1.41 compared to RM1.38 in the preceding year.

As at 31 December 2023, trade and other receivables and contract assets of the Group recorded a combined total of RM205.4 million (FY2022: RM131.8 million), mainly from the on-going contract for the development and upgrading of the Pan Borneo Highway project in the State of Sarawak (Phase 1 Works Package Contract – WPC-09) as well as from the major Onshore fabrication jobs.

Short-term funds, cash and short-term deposits of RM232.2 million (FY2022: RM221.5 million) accounted for 36.1% of the Group's total assets as at 31 December 2023. The Group's short-term funds are investment in money market funds in Malaysia that invest in highly liquid assets, which are readily convertible to cash.

The Group used its cash reserves to finance its operations. The net cash flows generated from operating and investing activities for the year under review were RM32.1 million and RM5.9 million respectively. The Group's capital resources comprise primarily of cash flows generated from operating activities, cash and cash equivalents, short-term deposits, short-term funds, and available lines of credit. The Group continues to maintain a prudent approach towards managing its capital resources to ensure adequacy in meeting operational requirements and capital expenditure from time to time.

Trade and other payables increased to RM165.8 million, from RM107.3 million in the preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

Breakdown of trade and other payables: -

	FY2023 RM'000	FY2022 RM'000	VARIANCE RM'000
Trade payables	152,263	97,490	54,773
Other Payables	13,508	9,826	3,682
	165,771	**107,316**	**58,455**

Out of the total trade payables amount of RM152.3 million, RM119.5 million was trade payables of KKBWCT Joint Venture Sdn Bhd in respect of cost incurred for the development and upgrading of the Pan Borneo Highway project in the State of Sarawak (Phase 1 Works Package Contract – WPC-09).

Included in other payables of RM13.5 million was refundable security deposits amounted to RM7.0 million for the due performance, execution and completion of the Pan Borneo Highway project in the State of Sarawak (Phase 1 Works Package Contract – WPC-09). The remaining other payables were accruals in respect of staff salaries/bonus and related expenses for the month of December 2023, director's fee/allowance, audit fees and other accruals for FY2023.

CAPITAL EXPENDITURE

The Group has been constantly upgrading its yard facilities and exploring ways to be more efficient. Our Group manages capital spending in upgrading its existing facilities and machineries to support our capacity expansion, innovation and cost efficiencies.

In FY2023, the Group incurred additional capital expenditure of RM10.3 million mostly on new heavy machineries and equipment. As at 31 December 2023, a total sum of approximately RM155.8 million has been invested for the expansion of our fabrication yard at Lot 777, Block 5, Jalan Bako, Muara Tebas Land District, Kuching, Sarawak. The Group funded most of its capital expenditures through cash generated from operations.

ANTI-BRIBERY AND CORRUPTION POLICY

The Group has established its Anti-Bribery and Corruption ("ABC") Policy as a commitment to prevent all forms of bribery and corruption in its daily business activities which are in line with the Group's core values to promote good governance. The ABC Policy applies to all directors and employees of KKB Group, including its business associates who are performing works or services for or on behalf of the Group.

The Group expects its Directors, Senior Officers, Employees, and Business Partners to operate in full compliance with the Company's Policy, with the highest standard of ethical conduct, integrity, and professionalism.

Reflecting KKB's strict, zero-tolerance position against corruption, bribery, or any kind of abuse of power, the Group continues to enhance its compliance measures across its business units.

HUMAN CAPITAL

People are our most valuable asset. Managing human capital is a constant challenge, whether it is for optimising operational productivity, planning for business expansion or staff retention. KKB places significant importance on hiring the right people, upskilling its staff and identifying leaders in our succession planning to ensure adequate and appropriate manpower for business sustainability.

The Group continues to embark on various programs to build capabilities such as human talent retention and continue to invest in training and development, strengthening succession planning and deepening staff engagement.

We believe the investment on our human capital will result in good performance of the Group. The Group is committed to continuously train our employees via in-house and external training program.

The ability to attract, motivate, develop and retain talent is critical to KKB's continued success. We are committed to our mission to be "A preferred place of work" of employees.

As at 31 December 2023, KKB's Group total headcount was 1,170 full-time employees. Our cultures to have a close working relationship with them have enabled the Group to recruit and retain some of the employees for more than 10 years.

The Group formulates and delivers training programs at all levels across its various operating segments in order to improve employee knowledge and to better serve its customers. Our continuous education programs emphasize on enhancing the relevance and effectiveness of learning. Hands-on assessments have been strengthened and skill-based certifications have been included.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

We view seriously the Occupational Health & Safety and well-being of our employees and business partners impacted by our operations and proud to report zero fatal accidents during the year. The Group has robust programs and reporting mechanisms in place designed to ensure regulatory compliance and mitigate the risks associated with work place injury and illness.

RISKS

The Group is exposed to certain anticipated or known risks that may affect our operations, performance, financial condition and liquidity. The Group's approach into managing its potential risks is guided by our risk management framework, which includes processes and policies aimed at addressing and mitigating risks whilst at the same time sustaining the growth of our Group's objectives.

Across the Group, we continue our efforts to embed strong risk management into our culture, governance structures and internal control framework. KKB recognise the importance of risk identification, monitoring and mitigation of its principal risks. Risks are assessed and managed at various levels with a top-down and bottom-up approach covering the enterprise, the business units, the functions and projects.

In FY2023, we renamed our Risk Management Committee to Risk & Sustainability Committee. This change further reinforced the management and oversight of sustainability in KKB Group at Board-level. The Risk & Sustainability Committee is responsible for monitoring and reviewing the risk management plan and ensuring its effectiveness. The Audit Committee has additional oversight in the area of financial risks and controls. The major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

The Group is exposed to a number of risks in the normal course of business that could adversely impact its ability to create value over the short, medium and long-term.

The Group's financial risks include credit risk, liquidity risk, interest rate risk and market price risk.

The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group is exposed to foreign currency exchange fluctuations as some of the cost of raw materials and imported goods are denominated in foreign currencies i.e US dollars ("USD"), mainly for the purchase of steel raw material. Foreign currency exposure arises mainly from the exchange rate movement of this foreign currency against the Malaysian Ringgit ("MYR"), which is the Group's measurement currency. It impacts our ability to manage product availability at competitive prices, pay our suppliers and creditors on time. The weakening of MYR against USD may adversely affect our profitability. Such cost pressure due to currency fluctuation may not be easily transferred to our customers. To mitigate our exposure to foreign exchange volatility, the Group actively monitors the currency and commodity markets and formulate strategies with inputs from market participants and industry experts.

The Group maintains its policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group trades only with recognised and creditworthy third parties. Receivables' balances are monitored closely on an ongoing basis to minimize the Group's exposure to bad debts.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group maintains adequate reserves, access to a number of sources of banking facilities which are sufficient to meet anticipated funding requirements, and reserve borrowing facilities by continuously monitoring its forecasts and actual cash flows and matching the maturity profiles of its financial assets and liabilities.

The Group's exposure to market risk for changes in interest rates relates primarily to the short-term deposits with licensed banks and floating rate advances given to/by related parties.

The Group is exposed to market price risk and the risk of impairment in the value of investments held. The Group manages the risk of impairment by evaluating investment opportunities, continuously monitoring the performance of investments held and assessing market risk relevant to which the investments operate.

The Group is exposed to competition risk but identified various initiatives to mitigate the risk: -

- Diversification of products and services
- New certifications to support competitiveness and diversification of new products
- Leverage our group synergy to capture new opportunities
- Stay relevant in a more competitive environment

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

Operational risk arising from the execution of the Group's business operation including risks of failure to meet customer quality requirement, delivery deadline and inadequate skilled workforce. The Group adheres to policies, procedures, quality controls and best practices and strong project management to ensure product quality and delivery deadlines are met.

Amongst other factors or concerns that may have an impact or affect the Group's performance include: -

- The current global inflationary situation has led to higher operation costs due to price increase in raw material as well as transportation/logistic costs. In order to manage the availability and cost of raw materials, our Group consistently monitors our production and procurement budgets. The Group also constantly monitors the prices of raw materials and will stock up on raw material to meet our production when prices are more favorable.

- The economic environment, pricing pressures and decrease in employee utilisation rates could negatively impact our revenues and operating results.

- Competition from other materials, or changes in the products or manufacturing design of the Company's customers who use steel products, could reduce market prices and demand for the Company's products, thereby may affect our revenue and profitability.

- Intense competition in the market for limited available projects could affect our pricing of which could reduce our share of business from clients and reduce our revenues.

- Our success depends upon the commitments of our management team and key personnel, and our ability to attract and retain skilled and experienced personnel to support the operations.

- Any announcements of minimum wage increases will have an impact on labour costs and the labour force of the Group and may reduce our profit margin.

- Failure to complete the projects within budget and on time, may affect our profitability.

- Inability to obtain regulatory approvals and permits such as work permit, import permit, and approval for Treasury Exemption for importation of raw materials, which if not available, may adversely affect our operations and financial position.

- Disruption in the supply chain of raw materials and volatility in the prices of raw materials poses a significant risk to operations and operating costs.

- Potential liabilities and expenses associated with product defects and design, handling and distribution. Although product liabilities are insured by the Company's insurance program, there is no assurance that the insurance policy is sufficient to cover any resulting financial liability or reputational harm.

- Cyber-crime is becoming ever more prevalent, which may adversely affect our operations. To mitigate this, the Group continuously upgrades firewalls and phishing detection software and pro-actively train and test awareness of IT governance and control framework for all IT-related risks.

- Compliance, Legal & Governance Risk. This relates to the risk of loss through fines, penalties, personal loss of liberty and reputational damage from non-compliance with the legal and regulatory requirement including those relating to financial reporting, statutory and regulatory requirements, environmental health and safety. New and changing corporate governance and public disclosure requirements add uncertainty to our compliance policies and increase our costs of compliance. To mitigate our risk exposure, we assess the impact of new legislation on our various operating companies and update our procedures and controls to ensure that we fulfill all our compliance responsibilities and compliance with all applicable regulations and legislation.

- Operational Risk which relates to the risk of loss caused by poor or ineffective internal processes, people and systems. It is the failure to implement acceptable practices in terms of internal processes, procedures and controls that may result in the non-achievement of the Group's objectives/vision and loss of core values. The failure to implement and monitor effective procedures and controls manifests itself in various functional areas such as financial disclosure and reporting, human resource practices, execution of projects or new initiatives, contract management, IT project implementation, etc. To mitigate this risk, the Group optimizes its business processes through standardisation and customization and continuously invest in training of staff in quality management.

We take any risk to our business very seriously and ensure we have rigorous systems in place to identify any implications to our operations so that we can take steps to mitigate them and protect our business. KKB is committed to improving its focus on risk management and internal controls and the Group operate a well-established risk management policies and procedures to identify and assess risks across our business units and operations.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

Risk management and mitigation of risks are considered as a vital exercise to achieve our corporate objectives and deliver long-term value to our stakeholders. To manage risks, the Board of Directors has formed a Risk & Sustainability Committee to frame, implement, review and monitor the Group's risk management plan in ensuring its effectiveness. The key risks identified across the business are systematically addressed and mitigated against on a continual basis. It draws inputs from audit findings and is integrated with the internal audit process as well. In addition to its internal audit, the Group also continues to conduct a detailed review and testing of the key internal controls related to financial reporting. This will provide adequate assurance to the Audit Committee regarding the effectiveness of the internal control procedures defined and implemented by the management.

The Board of Directors with the assistance of the Management Executive Committee, Risk & Sustainability Committee and professionals and advisers such as the Internal Auditors, has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Management Executive Committee, represented by the Group Managing Director, Executive Director, Group Chief Financial Officer, Chief Operating Officer, Senior General Manager (Group Commercial and Project) and General Manager (Project Development) are the top management responsible for the implementation of decisions and policies formulated by the Board. The Risk & Sustainability Committee comprising Group Managing Director, Executive Director and senior management staff who are responsible under their respective scope of work for the day-to-day operations carry out risk identification, evaluate, monitor and formulate mitigation strategies on risks identified and periodically review risk management processes and policies. The Risk & Sustainability Committee operates independently and reports directly to the Audit Committee. The Audit Committee provides independent oversight to the effectiveness of the risk management process. The Internal Auditors regularly evaluates the effectiveness and appropriateness of the entire Risk Management and Control structure as directed by the Audit Committee and reports to the Audit Committee. The Audit Committee in turn reports back to the Board of Directors for review on the adequacy effectiveness on Internal Control and Risk Management System.

FOCUS GOING FORWARD AND OUTLOOK

Throughout FY2023, the Group has navigated various challenges, consistently reviewing its strategies, maintaining vigilance, optimizing procurement and operational costs, and improving operational efficiency. This approach has also been paired with efforts to maintain a healthy cash flow, ensuring the long-term viability of the Group's business.

We concluded FY2023 with a strong balance sheet and healthy cash flows. Our strategic growth plans remain on course, and we are committed to pursuing growth opportunities while adhering to our disciplined investment guardrails to increase shareholder returns. With ongoing oversight from the Board, Management is responsible for implementing strategy, and to test them against emerging risks and opportunities. We believe that the best path forward to deliver sustainable top and bottom-line growth is to concentrate on (albeit selectively) businesses that have stronger growth prospects which we think we can acquire and build value. We take proactive measures to protect our position and refocus our efforts, taking into consideration the changing market conditions.

Though market conditions remain turbulent and competition stiff, KKB Group will actively identify and participate in projects where it has competencies. Moving forward, the Group will remain steadfast in its ambition to deliver sustainable long-term value to its stakeholders. By leveraging the strengths and differences of our core competencies, we aim to develop a robust business that remains resilient but also flexible to navigate the various operational challenges.

Looking forward, the on-going contract for Engineering, Procurement and Construction of Standard Wellhead Platforms for MLNG FaS (F27, F22, Selasih and F23 Brownfield) together with the Module Fabrication and supply of Steel Structures for the Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu, Sarawak has enabled the Group to replenish its order book and this is expected to contribute positively to the Group's financial performance for financial year ending 31 December 2024.

In addition to the new subcontract work awarded in January 2024 by Malaysia Marine and Heavy Engineering Sdn Bhd for Kasawari Carbon Capture & Storage project (for the fabrication of Bridge and Boat landing), we are actively pursuing and looking for new opportunities to secure more infrastructure projects, including water supply and construction projects and Energy related works to replenish our orderbook for both the Engineering and Manufacturing sectors.

Looking ahead to FY2024, the primary objective remains the optimization of operational costs and efficiencies and to explore viable business opportunities to enhance earnings capabilities and productivity. This approach positions the Group to be stronger, more resilient and better prepared for sustained business growth in the coming years.

The continued recovery seen in the construction industry is however not free from challenges. The ongoing increase in costs of raw materials used in construction such as steel and cement continue to impede industry growth. This is further compounded by the disruption to domestic and international supply chains, impacting adversely the supply and demand of various material, thus driving up prices significantly.

As at 31 December 2023, the Group's total outstanding order book remained strong, poised to make a positive contribution to the Group's revenue and profit for the financial year ending 31 December 2024, barring any unforeseen circumstances.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) (CONT'D)

The Group continues to enhance operational efficiencies and implement measures through innovation and automation for efficient production while pursuing new business opportunities to improve its income streams. We draw confidence from our financial position – our robust balance sheet, steady cash flows, together with our internal capabilities and industry experience to ensure successful execution of our plans going forward.

The award of the five (5) years Price Agreement by Sarawak Shell Berhad ("SSB") and Sabah Shell Petroleum Co. Limited ("SSPC") to our subsidiary Company - OceanMight Sdn Bhd as Primary Contractor for the Engineering, Procurement and Construction ("EPC") of Standard Wellhead Platforms will open up more opportunities to OceanMight, being one of the few PETRONAS Licensed Yards in Malaysia to bid for contract works involving the EPC of Standard Wellhead Platforms.

In addition, the MOU entered between OMSB and Samsung Engineering Co Ltd in October 2021 has been extended for another term of two (2) years in February 2024 for both parties to cooperate and collaborate with each other in the preparation, submission, and negotiation of tenders for projects worldwide which may involve specialized scope of work and supply such as Engineering, Procurement and Construction of offshore and onshore oil and gas process modules and structures.

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

Generally, the Group is guided by the Sarawak's Post COVID-19 Development Strategy 2030 ("PCDS 2030") and also the PETRONAS Activity Outlook. The Group's continuous and strategic plan shall focus on Basic Infrastructure Development in Sarawak and Sabah, Sarawak Water Supply Grid Programme, our specialized Engineering and Construction activities in the major Onshore Fabrication for the Oil and Gas sectors and initiatives in the renewable energy in Sarawak.

As the world embraces the energy transition evolution, KKB Group will strive to adopt a lower-carbon future by exploring new technologies and renewable energy opportunities that may include new businesses beyond our current diversified portfolio.

The Group will continue to engage and identify local or foreign partners to cooperate with in future business and expansion, especially in the area of renewable energy considering the vast potentials and future developments.

The Group's strategic plan shall be reviewed from time to time to align our capabilities to meet the robust requirements and to enable us to participate directly in future major developments in the state of Sarawak.

The Strategic Investment by the Sarawak Government in the equity of KKB via a Private Placement exercise in December 2021 augurs well for the KKB Group. This will strengthen the Group's future cooperation with the State Government to meet some of the objectives set by the PCDS 2030 especially in the six (6) economic sectors such as Digital Transformation, Innovation, Basic Infrastructure, Transport, Utilities, Renewal Energy, Education and Human Capital Development.

Our primary objective is to maximize the long-term sustainable value of KKB Group through enhancing the value of the Group's net assets. This is accomplished through direct ownership and equity participation in businesses that management is competent in and confident to have the potential for long-term sustainable growth and profitability, principally in engineering and steel related synergistic activities.

The Group remains vigilant of the challenges and the continued uncertainties in the global economic environment, escalation of costs due to inflationary pressure, volatility of global raw material steel prices and weakening of the Malaysian Ringgit against major foreign currencies are amongst factors that may impact the Group's performance.

SUSTAINABILITY STATEMENT

This Sustainability Statement is made in compliance with Bursa Malaysia's Listing Requirements under Paragraph 29, Part A of Appendix 9C and Paragraph 6.1 of Practice Note 9. These Listing Requirements were revised in September 2022 to enhance sustainability disclosure, with staggered implementation dates over reporting years from 31 December 2023 to 2027. KKB Group has started early adoption of these "Enhanced Sustainability Disclosures" during financial year ended 2022.

This Statement contains information on the Group's environmental, economic and social sustainable practices. It should be read in conjunction with the accompanying 'Corporate Governance Overview Statement' and the 'Statement on Risk Management and Internal Control' which together form its integrated 'Environment, Social & Governance' ("ESG") reporting. In the making of this Sustainability Statement, the Group applied the principles and standard disclosures specified in the updated Sustainability Reporting Guide 3rd Edition issued by Bursa Malaysia, and also made reference to the international sustainability reporting frameworks or guidelines such as United Nations Sustainable Development Goals ("SDGs") and GRI Sustainability Reporting Standards ("GRI Standards") where applicable.

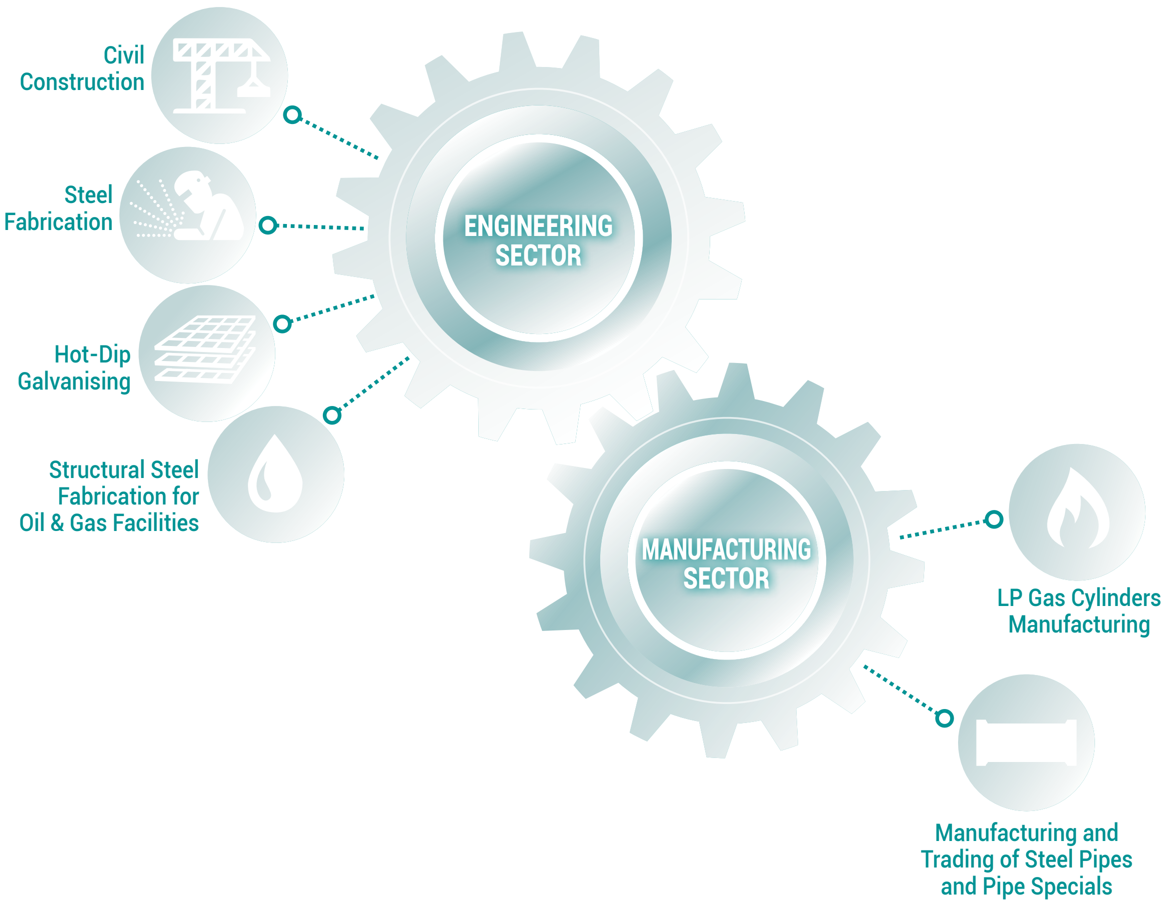
Reporting Scope and Period

This statement covers the Group's sustainability performance. The information and the data in this statement refer to KKB and its operating subsidiaries. This report presents the various measures that KKB Group have implemented to address the sustainability issues that are material to the Group business operations and activities. This report covers data and information from 1 January 2021 to 31 December 2023 (unless otherwise provided). Historical information from FYE2021 and FYE2022 were included to provide a holistic view on the Group's sustainability performance.

KKB Group welcomes stakeholder's feedback on our Report and any of the issues discussed herein. Comments, queries and suggestions regarding the content of this Report may be emailed to kkbeb@kkbeb.com.my.

Overview

KKB Group is well-diversified with businesses covering various activities, mainly in the Engineering and Manufacturing Sectors covering Steel Fabrication, Civil Construction, Hot-Dip Galvanising, Structural Steel Fabrication for Oil & Gas Facilities, LP Gas Cylinders Manufacturing, Reconditioning & Requalification and Manufacturing and Trading of Steel Pipes and Pipe Specials.



SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY GOVERNANCE

A sustainable future cannot be achieved overnight. Instead, it is a continuous process of little steps that we take every day to address sustainability challenges around the convergence of: -

- Corporate Social Responsibility;
- Environment, Social and Corporate Governance;
- Risk Management;
- Business Objective; and
- Cost Reduction.

We are continuously sculpting a sustainable future where impactful initiatives are taken to create positive change, both within and beyond our organization.

KKB Group is mindful on the way it works and operates as it has an impact on the marketplace, environment and the community. In order to ensure sustainability, KKB Group pays attention on how its businesses impact the environment, economy, society and governance and takes a holistic approach in sustainability-related risks and opportunities. KKB Group will continue to identify and strengthen its sustainability initiatives in every level of its organization.

Recognizing the importance of sustainability to our future endeavors, KKB Group's sustainability strategy focuses on the four main pillars to enhance its sustainability framework in managing the environmental, economic, social, governance risks and opportunities within KKB Group. This is made viable through its corporate governance practices to direct and manage the businesses and affairs of the Group.

Main Pillars of Sustainability for KKB Group

Sustainability Structure

The Group's sustainability governance framework provides strategic direction in institutionalizing sustainability within the KKB Group's decision-making process. The Board sets the strategic direction of the Group and ensure that sustainability is embedded in the Group with adequate resources, systems and processes in place for managing sustainability issues. During the year under review, an enhancement to sustainability governance structure has been taken to ensure the Group remains resilient, is able to deliver durable and sustainable value as well as maintain the confidence of its stakeholders. The roles of respective person at each committee, departments and divisions are refined to integrated sustainability considerations in the day-to-day operations of the Group and ensuring the effective implementation of the Group's sustainability strategies and plans. The following is an enhancement sustainability structure for the Group.

KKB Group's Sustainability Governance Structure

SUSTAINABILITY STATEMENT (CONT'D)

The Board

The Board is responsible for steering the highest level of sustainability direction of the entire Group. They exercise direct oversight over all sustainability issues and ensures that all implemented plans, strategies and policies adhere to the current practices through the Audit Committee.

Audit Committee

The Audit Committee supports and oversees the Board's oversight of the Group's sustainability objectives, policies and practices.

The Management Executive Committee

The Management Executive Committee is led by Group Managing Director to oversee and ensure all Board decisions and instructions to the Management are implemented smoothly, to ensure compliance to relevant laws, regulations and best practices of Sustainability Governance and to evaluate and make recommendations for Board's approval.

The Risk & Sustainability Committee

The Risk & Sustainability Committee is led by Executive Director to initiate and implement the Group's sustainability strategies, policies, related frameworks, priorities, targets and practices as approved by the Board so as to ensure they align with the interest of the stakeholders including customers, employees, shareholder and communities.

Head of Departments/Divisions

Head of Departments/Divisions supported by key senior management personnel of the Group will identify material sustainability issues which would impact the Group's economic, environment, social footprint or the interest of any of the Group's identified stakeholders.

As a beginner in this transformation, KKB Group is committed to its Sustainability Policy which have been integrated into the Board's strategy.

Sustainability Policy

KKB's Sustainability Policy is intended to embed sustainability matters, the risks and opportunity arising from the Economic, Environment and Social ("EES") impact into the KKB Group. KKB Engineering Berhad and its subsidiary companies' Sustainability encompasses all aspects of business practices addressing relevant applicable economic, environment, social and governance issues responsibly and beneficially.

The policy aims to:

✓ Integrate the principles of sustainability into the Group's businesses for value creation;

✓ Identify and prioritise material sustainability matters for risk minimalization and utilize of opportunities; and

✓ Create a culture of sustainability within the Group and the community with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes.

Sustainability Strategies

(a) Economic Sustainability focusing on the Group's impacts on the economic conditions of its stakeholders rather than the financial conditions.

  - Develop innovation and technology to create value added and long-term growth.
  - Promote and support the financial growth of the business partners, suppliers and stakeholders.

(b) Environmental Sustainability focusing on commitment to identify, manage and minimise the environmental impact of business operations such as: -

  - Reduce consumption of non-renewable and non-recyclable materials;
  - Encourage the use of renewable resources;
  - Minimise the level of pollutants discharged into the air and water from daily business operations i.e., emissions of carbon dust, dark smoke, waste effluent;
  - Using local climate as a transition to a lower carbon economy e.g., resource efficiency, cost savings and utilize low-emission energy sources; and
  - Comply with environmental regulatory and legal requirements.

SUSTAINABILITY STATEMENT (CONT'D)

(c) Social Sustainability focusing on the development of programs and processes that promote social interaction and cultural enrichment. It emphasizes on protecting the vulnerable and respecting social diversity.

- Maintain a safe and healthy workforce. To uphold the fundamental human rights of the employees by taking care and protecting safety of employees, workers and Company's assets by taking into account the others' rights and safety with concern over personal right, confidentiality and information disclosure.
- Promote racial harmony and prevent racial discrimination. Treat all employees and workers in a fair and equal manner without discrimination.
- Prevent sexual harassment and other forms of violence against women.
- Community investment to enhance socio-economic benefits.

(d) The Group recognises the importance of Governance Sustainability to gain the confidence of investors, stakeholders and the public incorporating into it all functions and processes such as strategic planning, accountability, sustainable planning and development in compliance with the law, regulations, requirements and standards specified by regulatory bodies.

KKB will compile reports on sustainability performance on a periodic basis. The Sustainability Policy is reviewed annually by the Board of Directors.

MATERIALITY AND SUSTAINABILITY PRIORITIES

During the year, meetings were held by the Management Executive Committee ("MANCO") and Risk & Sustainability Committee ("RSC") to identify and assess the material sustainability matters which are relevant and crucial to KKB Group and its stakeholders. The information presented in this statement addresses matters that are most materially relevant to our business and stakeholders. Materiality matters identified from the internal and external sources of KKB Group's environment, social and governance aspects to determine which sustainability issues are the most relevant to our business and stakeholders and to measure our progress in the sustainability performance.

At KKB Group, we acknowledge the importance of engagement with stakeholders in maintaining sustainable growth. The key stakeholders are identified based on their impact and involvement in our businesses. KKB Group actively participates in and supports the development of the Group's core business activities industry on a local and regional scale through involvement with investors or shareholders, customers, employees, business associates or vendors, authorities or regulators or government agencies, community and media to access information and stay up-to-date with the latest trends in the industry.

The process of materiality assessment is by identifying, prioritizing and validating our material matters via a three-step materiality assessment elaborated below:

We have initiated a material sustainability assessment exercise to develop a deeper understanding of the sustainability issues that matter most in our current operating environment. An Environmental, Economic, Social and Governance ("EESG") materiality assessment is a collaborative and multifunction process involving members of RSC, MANCO, Audit Committee and Board of Directors.

In identifying material sustainability matters which could impact the success of our business, our RSC made references to both internal and external sources of information. The prioritisation of these material sustainability matters were carried out based on our stakeholders' respective needs and expectations measuring against the potential impact of the same upon us in the form of materiality matrix. The materiality matrix is pivotal in navigating towards the development of a mature and holistic sustainability framework for the Group. We practise multi-layer reviews and validations to ensure the accuracy and completeness of the materiality matrix, i.e., reviews and endorsements from MANCO, followed by Audit Committee and lastly our Board of Directors.

SUSTAINABILITY STATEMENT (CONT'D)

Based on these engagements, a refreshed materiality matrix is generated, whereby each sustainability matter was categorised into one of three levels of importance i.e., Low, Medium and High. This enables us to prioritise our sustainability initiatives and actions moving forward in order to maximise the shared value between our business and our stakeholders. We review and revalidate the materiality matrix on yearly basis.

KKB Group's Materiality Matrix

■ ENVIRONMENTAL ● ECONOMIC △ SOCIAL ☆ GOVERNANCE

Influence on Stakeholder Assessments and Decisions	LOW	MEDIUM	HIGH
HIGH	● ☆ Import duty/treasury exemption	● ☆ Cybersecurity	
MEDIUM	△ Leadership role ☆ Legal & regulatory compliance	● Production risk ■ Environmental risk ● ☆ Global raw material procurement & logistic ☆ Transfer pricing	● Market dynamic ● Product & service delivery ● ☆ GST implementation ● Tender/Bid requirements
LOW	△ Human Resource development risk	△ People & culture △ ☆ Health & safety ● Project management	

Significance of KKB Group's EESG

KKB Group's Sustainability Development Goals

We recognize that the Group can play a role in solving broader sustainability issues and have thus aligned our Framework to the United Nations Sustainable Development Goals ("UNSDGs") that we believe are most relevant to our business. The alignment of the Group's sustainability material matters and our strategies and initiatives the UNSDGs are detailed as below.

Reference: https://www.un.org/sustainabledevelopment/news/communications-material/

SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDER ENGAGEMENT

STAKEHOLDERS	AREA OF INTEREST	OUR COMMITMENT	METHOD OF ENGAGEMENT
Investors/ Shareholders	• Group financial performance • Sustainable incomes • Business strategies and operational efficiency • Governance stability and sustainability • Risk management	KKB Group strives to achieve responsible commercial success by meeting our customers' needs, rewarding shareholders with consistent long-term growth in revenue and profitability, caring for the society and the environment in which we operate, and contributing towards the progress of our nation.	• Meetings • Annual General Meeting (AGM) • Financial reports and announcements • Press release and advertisements • Company website • Annual Report
Customers	• Product affordability and quality • Support services • Engagement opportunities and experience • Product price and completion time • Company's reputation	KKB Group delivers a brand promise of products and services with superior quality and added value for years to come. Customer experience and feedback are paramount to continuous enhancement of our products and services responsibility and excellence.	• Public engagement events • Site visit • Digital community engagement platform • Customer feedback channels and service hotline
Employees	• Personal and professional capacity building • Career advancement • Competitive remuneration benefits • Employee health and safety • Ethic and integrity	KKB Group aims to provide rewarding careers to employees by promoting a safe and healthy work environment, encouraging career and personal development as well as maintaining an open and inclusive spirit in work culture.	• Periodic management meetings • Ongoing workshops and trainings • Employee appraisal • KKB Group internal engagement platforms • Employee engagement activities • Daily morning briefing • Safety meeting
Business Associates/ Vendors	• Supply chain management • Cost reduction/savings • Procurement practices • Key platforms for sharing knowledge and know-how • Facilitate information flows • Promote co-operation in order to resolve problems within the industry	KKB Group maintains strong and lasting relationship that are mutually beneficial with suppliers, service providers, and business partners. Our business partners are expected to adhere to our standards of business principles and conduct.	• Formal or informal meetings • Workshops and trainings • Performance appraisals • Site/Plant visits • Participate and support the development of the manufacturing and welding industry • Involved with business associations such FOMFEIA, i-CATS University and etc.
Authorities/ Regulators/ Government Agencies	• Industry regulatory development and compliance • Environmental management and compliance • Security and safety management	KKB Group strictly complies with regulations related to our business and is supportive of government initiatives. This principle is extended to our suppliers and business partners.	• Meetings/Dialogues • Emails and letters • Inspections • Briefing/Consultations
Community	• Economic investments for local welfare • Infrastructure enhancements • Community programmes and events for social development	KKB Group continues to be a trusted and responsible corporate citizen to the communities in which we operate. We invest in education and welfare to improve community well-being as part of the development of sustainable communities.	• Public events i.e., PERKATA, Malaysian Red Crescent Society etc. • Blood Donation Program by Sarawak General Hospital
Media	• Market presence • Reputation • Corporate responsibility	KKB Group strives to maintain a healthy relationship with the media as a communicator to the local community. We ensure content validity by providing the right information as we uphold our corporate responsibility.	• Media Invites • Meetings • Public events

SUSTAINABILITY STATEMENT (CONT'D)

A. ECONOMIC

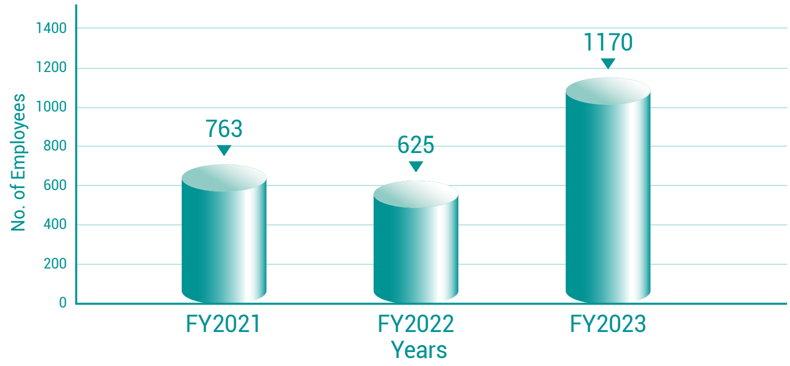
KKB Group recognizes that the operating environment for the steel fabrication industry has changed bringing with it new risks and opportunities in the ever-changing market.

From an engineering base, the growth of the Group continues to be driven by further expansion and diversification into manufacturing activities such as steel pipes and pipe specials manufacturing, LP Gas Cylinders manufacturing and the latest business activity in the Oil & Gas Sector. Expansion of businesses since inception till today has created a lot of job and business opportunities to the local and foreign communities.

Pro-productive employment and job opportunities for the poor and the marginalized contribute to reducing unemployment rates and fostering economic growth in the communities. This job creation not only improves individuals' livelihoods but also enhances the overall economic well-being of the local area. Economic growth has helped in the reduction of poverty and hunger, making it clear that there is a strong link between economic growth and poverty reduction. Economic growth encourages people to send their children to schools in the hope of getting better economic returns from investing in education.

One of the Group's missions is "To be A Preferred Place of Work of employees". Table below shows KKB Group's employment statistic for three consecutive years. The emergence of COVID-19 marked a turning point of Group employment in FY2022. However, the momentum of employment increased by 87.2% in FY2023 and it proves that KKB Group is a preferred place of work of employees.

KKB Group's Employment Statistic



Supply Chain Management

The Group's supply chain management deals with a system of procurement (purchasing raw materials/components), operations management (ensuring the production of high-quality products at high speed with good flexibility and low production cost), logistics and marketing channels so that the raw materials can be converted into a finished product and delivered to the end customer.

KKB Group has a standard procedure in the selection of suppliers/vendors and ensures suppliers meet the Group's materials requirement and with highest ethics and integrity. Our Quality Management System certification ISO 9001:2015 by Lloyd's Register Quality Assurance for operational control procedures with stringent documentation requirements provides assurance that a trail of accountability exists and also for continuous quality improvement.

The purchasing section is responsible to evaluate the performance of the suppliers and communicate with the suppliers if necessary for improvement purposes. Raw material, which is used to manufacture the products, shall be inspected by the Quality Control Department upon receipt of the raw material. The performance of the suppliers will be evaluated and reviewed periodically whereby the ability to supply product/material in accordance with the company's requirements. Criteria of evaluation and re-evaluation were established and records of evaluation as well as necessary actions arising from the evaluation will be maintained

A local supply chain is a network of producers, suppliers, and distributors of goods and services close to the point of consumption. It is the process of sourcing materials, components, and services from local suppliers to meet the needs of a company. Localized supply chains allow businesses to perform effective quality control. Proximity to suppliers allows for frequent inspections of products, ensuring they meet the right standards and are suitable. Localization also makes supplier management an easier process. Local suppliers are more reactive than suppliers who are farther away. They can deliver products faster, and it is much easier for a supplier to coordinate a shipment across a single country or city than around the whole world.

SUSTAINABILITY STATEMENT (CONT'D)

As testimony of such quality commitment, on 15 January 2023, our subsidiary OceanMight Sdn. Bhd. ("OMSB") has received a Certificate of Appreciation in recognition of its continuous efforts in achieving a Good Quality Performance (KPI) for two major projects i.e., "Provision of Engineering, Procurement, Construction (EPC) of Flare Platform for Kasawari Development Project" and "Provision of Fabrication Engineering, Supervision, Manpower, Necessary Equipments/Tools and Consumables to carry out Piles Fabrication, Loadout and Sail Away for SK408W Jerun A CPP Jacket".

Proportion of spending on local suppliers for KKB Group are defined as table below.

	KKB GROUP					
	FY2021 (RM)	(%)	FY2022 (RM)	(%)	FY2023 (RM)	(%)
Local	59,911,669	63	32,300,663	90	149,269,653	87
Foreign	35,907,029	37	3,725,885	10	22,981,785	13
Total	95,818,698	100	36,026,548	100	172,251,438	100

The Group acquires the necessary resources for our business activities from reputable global steel suppliers. Key raw materials such as hot rolled coil and steel plates are purchased from local suppliers as much as possible to maximize the economic benefits to the local economy and support Malaysian products. To be competitive in delivering quality products and works to attract new and demanding customers, as well as ensuring customer satisfaction, recognized certification is a crucial requirement. This is supported by having obtained international ISO standards throughout the production processes and operations as well as the application of established quality practices and policies. Therefore, establishing a good working relationship, communication and co-operation with the relevant authorities are ways to minimize potential disruption of existing services.

In order to achieve our objectives related to sustainability and adhere to our sustainability strategies, we place significant emphasis on maintaining effective sourcing and good business relationships with suppliers. This concept and policy contribute to robust and enduring business relationships founded on trust and punctual delivery with our main suppliers. The assessment of suppliers is consistently carried out through sustainability assessments, market input and yearly assessments. Furthermore, we try our best to include local suppliers in the scope of procurement to improve and support the local community and economy.

The Company has also implemented planned preventive maintenance for all main machines to avoid unexpected breakdowns and minimize downtime. Emphasizing on quality towards its products and ensuring they are properly and adequately protected during the handling and loading process by using appropriate bearing strips or wooden pellets and fastening is one of the Group's continuous efforts towards sustainability supply chain process.

KKB also conducts Customer Feedback and management review including supply chain management by working hand in hand with suppliers to improve quality and price and delivery timeliness.

Harum Bidang Sdn. Bhd. ("HBSB"), a subsidiary of KKB Engineering Berhad used to have a diesel fired heating system to melt bitumen which proved to be unproductive, dirty and unreliable. Today, HBSB uses a bitumen decanter which reduces bitumen run-offs by at least 20% resulting in fuel savings. Constant working temperature results in elimination of hot spots on decanter. Hot spot is defined as uneven heating which would cause premature puncturing of steel wall on affected area. This situation contributes to no maintenance downtime and production output efficiency increased by 70% making the process economically and environmentally sustainable.

Digital Transformation

In meeting new economic challenges, KKB aims to lead organizational transformation in meeting new economic challenges and business trends. One of the initiatives that KKB is embarking is on Digital transformation in order not to risk being left behind. Going along with SDG's Goal 9: Industry, Innovation and Infrastructure, the Information Technology ("IT") Department of KKB Group is responsible for spearheading all IT activities and initiative in order to "Go Digital" to meeting changing business trends.

One of the most challenging initiatives is the digitalization of manual processes and business operation via implementation of Enterprise Resource Planning ("ERP") System. With the strong commitment from Top Management, support from users and IT Support vendor, the ERP System can be successfully implemented. ERP is the core of IT System in KKB Group.

OMSB, a subsidiary of KKB Engineering Berhad uses a modern "4D Planning" in their Project Management System. 4D Planning is an emerging subset of Project Controls, the discipline that helps the Project Management Team plan, monitor, and control a project to its successful completion. It is a planning process that links construction activities typically represented in project schedules with corresponding 3D models. The result is a graphical simulation of construction progress against time that can be viewed from any angle. The inclusion of the fourth dimension, time, enables project teams to digitally review the constructability and work sequence before physical work begins.

SUSTAINABILITY STATEMENT (CONT'D)

At OMSB, we perform 4D Planning by linking the 3D Model from our Detailed Design Engineering (DDE) consultant to the client-approved project schedule. This results in a planning simulation that combines the best of both worlds. Project stakeholders rapidly gain awareness of the project status just through watching minutes-long 4D Schedule simulations, instead of spending hours studying a 100-page Gantt Chart.

The resultant 4D model continues to give back to the project in other aspects. For example, we import our built environment such as the fabrication yard 3D model with its towering workshops and crawler cranes to identify space constraints and lifting bottlenecks.

Finally, in this digital era, we see an increasing proliferation and accessibility of 3D assets, be it from Google's open-source 3D cityscapes, or captured as photos from the in-house drone and then processed into a 3D reality mesh, or even from iPhone LiDAR scans of temporary indoor scaffolding, that can be imported into the Fabrication Yard 4D Model for enhanced context. The possibilities are endless, and we are getting ahead of the curve and moving along with the rest of the world.

The Group has also moved into e-payment (electronic payment) to replace the traditional method of paper-based and eliminates the need of using physical cheque. Further, e-signature known as electronic signature has been adopted by the Company. It is legally recognized and provide a secure and efficient way to conduct various type of transactions and official process with security and tracking. This initiative has saved time and money for KKB Group in doing business.

KKB Group will implement e-Invoicing to be in compliance with Lembaga Hasil Dalam Negeri Malaysia (LHDNM). All businesses with an annual turnover of RM100 million and above will be mandatory to implement e-Invoicing effective 1 August 2024. Second phase of implementation for businesses with annual turnover between RM25 million and RM100 million will be mandatory with effect from 1 January 2025. The implementation of e-Invoicing will be mandatory for all tax payers with effect from 1 July 2025.

KKB Group has implemented facial recognition as part of the mitigation effort to combat COVID-19 pandemic. At KKB Group, facial recognition has been utilized as contactless identification and authentication, mask detection and compliances, temperature scanning and enhanced security and access control. Besides that, online meeting via platform like Zoom, Microsoft Teams, Google Meet has become essential tools for KKB Group, especially during the COVID-19 pandemic when remote work and virtual collaboration become the norms. Online meeting enables KKB management teams to collaborate effectively.

As part of the ongoing efforts of going into paperless operation, KKB has invested e-leave cloud application to manage employees' leave requests and approvals. It provides and streamline an efficient way for employees to apply for leave and HR to review, approve and track leaves in real time without the traditional method of filling in and submitting hard copies of application forms.

Whistle Blowing, Code of Ethics, Anti-Bribery and Corruption

KKB Group continuously emphasizes on ethical business practices among all Directors, Management, Staff and Stakeholders to promote sustainable growth and performance. KKB Group recognizes the corporate liability on corruption and understands the consequence of severe penalty on fines and imprisonment imposed on KKB Group, its directors, employees and persons associated. The consequences of an individual or Company being involved in corruption, whether directly or indirectly are potentially serious. An individual may face imprisonment. A Company may face damage to reputation, financial loss and/or debarment. There is also now far greater pressure for corruption to be detected and prosecuted.

KKB Group is committed to maintain honesty and integrity. The Human Resource Policy and Procedures Manual (HRPPM) has incorporated the Whistle Blowing Policy, Code of Business Conduct and Ethics also Anti-Bribery & Corruption by the Human Resource and Business Services Department. All employees, contractors, vendors and suppliers will be briefed on the Anti-Bribery & Corruption Policy, Code of Business Conduct and Ethics ("the Code") and the contents of the Policy and Code. Employees who do not comply with the Code may be subject to disciplinary action including termination of employment and/or criminal prosecution. This Code is not comprehensive and employees should seek guidance from their Superior or Head of Human Resource Department.

KKB Group has put in place a Whistle Blowing Policy & Procedures to uphold the highest standards of professionalism, integrity and ethical behaviour in the conduct of its business and operations. The policy sets out procedures which enables employees and members of the public to raise genuine concerns regarding actual or suspected unethical, unlawful, illegal, wrongful or other improper conduct. The Policy also sets out the process for actions to prevent intimidation or harassment against whistle-blower.

Besides, it is unacceptable for KKB Group, employees, or their business partners to be involved in corrupt practices. Employee must not offer, give solicit or accept any bribes in order to achieve a business advantage or personal advantage for themselves or others. They shall not engage in any transactions that contravenes any anti-bribery and corruption and anti-money laundering laws. Please refer to KKB's Anti-Bribery & Corruption Policy at https://kkbeb.com.my/about-us/corporate-governance/ for more details.

SUSTAINABILITY STATEMENT (CONT'D)

It is the policy of KKB Group that its directors, managers, employees and agents should receive appropriate training on the anti-bribery and corruption programs. Where appropriate, contractors and suppliers are also encouraged to receive their training on the programs.

Percentage of employees who have received training on anti-corruption by employee's category for three consecutive years for 2021, 2022 and 2023 are shown on the table below.

Employee Category	Anti-Bribery & Corruption Training Attended								
	FY2021			FY2022			FY2023		
	Total No.	Attendance Record	%	Total No.	Attendance Record	%	Total No.	Attendance Record	%
Management	89	85	95.5	83	80	96.3	87	84	96.6
Executive	170	168	98.8	158	157	99.4	232	230	99.1
Non-executive/Technical Staff	399	352	88.2	283	268	94.7	635	628	98.9
General Workers	105	93	88.6	101	75	74.3	216	161	74.5

There was no report received from whistle-blower on any malpractice activities from FY2021 to FY2023. There is ZERO incident of corruption and bribery in the Group being reported.

Corruption-Related Risk Areas	Corruption & Bribery					
	FY2021		FY2022		FY2023	
	Total	%	Total	%	Total	%
Purchasing Department	0	0	0	0	0	0
Commercial Department	0	0	0	0	0	0

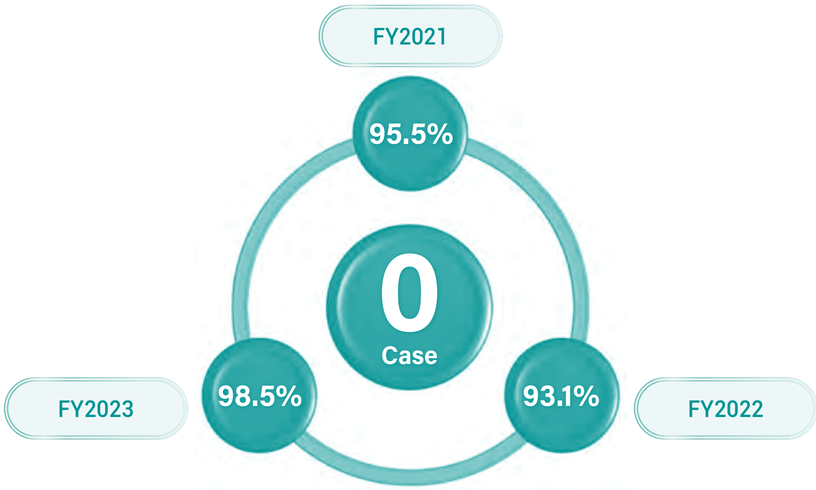
Data Privacy and Security

Cyber threats have an impact on the business operation, reputation and image of the Group. Data privacy and security is an important matter to us as technological systems are used to store information related to products, suppliers, customers and employees. We take accountability in protecting data related to our stakeholders and business information.

KKB Group's IT Department and IT Committee ("ITC") are continuously exploring, where practical, with relevant service providers and/or insurance companies to provide products and services on data privacy and security matters. Thus, appropriate measures have been taken to combat intrusion by outsiders: -

- Initiated and implemented a Cyber Risks Policy and Procedures. The Policy among others highlight on internet access level based on the job, the requirement of duty and seniority of the position.
- Installation of Firewall, Anti-Spam and Antivirus applications, with monthly checks for any hacking activity and ensuring systems are updated with the latest patch in order to function well.
- Monitoring Antivirus status for all users' computers/notebooks to ensure the devices are secured and free of risk from any cyber-attack. Notifications are also monitored daily for any highlighted indicator of cyber-attack risk.
- Cyber Security training on types and methods of attack for employees. An awareness talk on email security was organized in 2020 to create awareness of phishing and scams via email. There were no cases of data privacy and security breach for FY2022 and we maintained the record of zero data privacy and security breach for FY2023.

SUSTAINABILITY STATEMENT (CONT'D)



Backup Frequency and Success Rate/Completeness

Two areas have been identified under Data Privacy and Security.

(a) Security incidence detected and resolved within a specific period.

KKB Group's security system such as Firewall, Antivirus, intrusion detection, email scanning and filtering have successfully mitigated and prevented security breaches. Therefore, there is ZERO case of security incidents each year from 2021 to 2023. No damage was caused to company's IT infrastructure and company data.

(b) Frequency and success rate/completeness of backup.

KKB Group practises backup of our JDE business data plus operational data on daily, monthly, and yearly basis. We have set the Key Performance Index (KPI) for the success rate of each backup job. Our KPI is set at 90%. The backups are monitored and the outcome is recorded. It is then consolidated and calculated to ensure the success rate is more than 90%. Any shortfall of the KPI, IT will assess and carry out improvement plans on the backup system. There is a drop of backup frequency in June and August 2022 due to public holidays.

During the year under review, the Group has taken the initiative to counter and mitigate occurrence of possible cyber-attacks as follows:

(i) An audit was conducted by Internal Auditors on KKB Group of Companies' Cyber Security. The audits concluded that KKB Group is adequately protected. However, continuous Cyber Security measures by IT Department are still required and ongoing. Preventive measures to mitigate any cyber-attack is better than remedies and corrective actions after attack. The damages caused by cyber-attack can be very costly and sometimes it is not possible to recover lost or stolen data.

(ii) ITC had explored proposals from a few selective Cyber Security companies. A report had been presented to the Board for review and discussion.

(iii) Multifactor Authentication (MFA) for JDE system is currently under on-going review by ITC as the next proposed Cyber Security measure for the Group of Companies.

(iv) IT Department upgraded the Trendmicro Hosted Email Security to the latest version Trendmicro Email Security (TMES) for the Company in order to provide better protection and security on Enterprise Email against viruses, malware and etc.

B. ENVIRONMENTAL

KKB Group has undertaken various measures to mitigate the adverse impact on its operations. In minimizing the impact caused by our factory operations, appropriate actions have been taken to ensure the environmental sustainability as well as to meet the applicable legal requirements. Environmental risks which are being mitigated during the year are as follows:

SUSTAINABILITY STATEMENT (CONT'D)

Energy Management

Energy management is the set of actions and processes aimed at optimizing energy consumption in order to rationalize and reduce costs without affecting consumers. Energy management involves the planning of energy production and consumption.

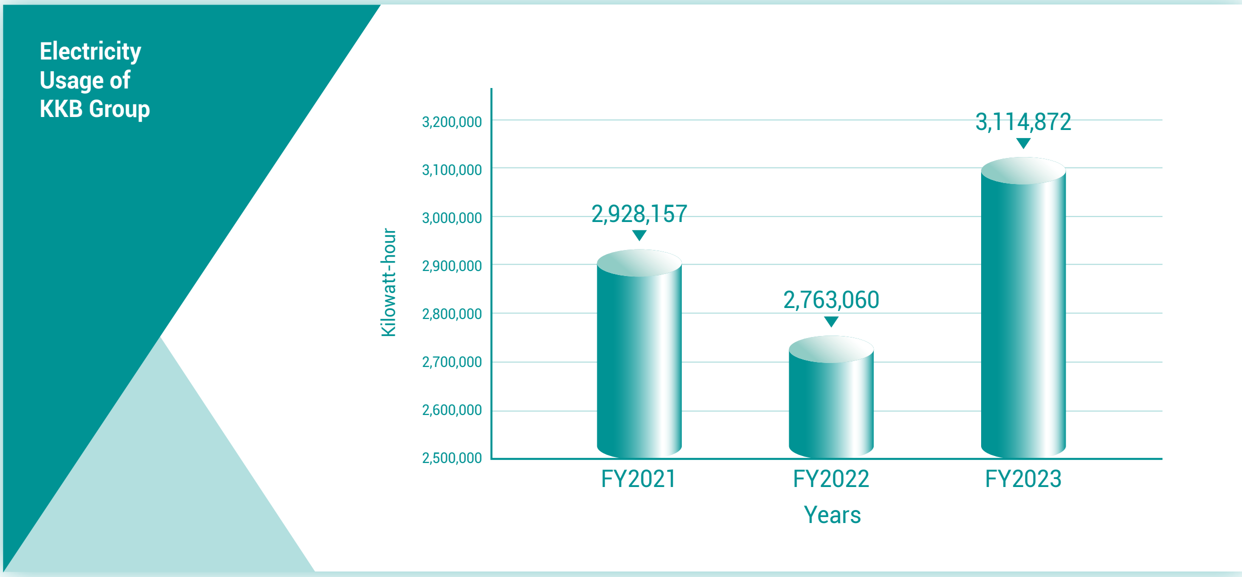
In ensuring access to clean and affordable energy, KKB Group manufactures domestic and industrial LP Gas Cylinders and supply according to client's requirements using advanced, sophisticated production systems for clean and safe cooking fuels and technologies throughout Malaysia and overseas. Today, domestic LP Gas Cylinder is the basic thing for every household needs. Being an affordable and excellent cooking solution, it produces significantly fewer emissions, including greenhouse gases, nitrogen oxides, and sulphur dioxide. This makes it an eco-friendly choice that contributes to a healthier environment. Additionally, LP Gas Cylinder produces less soot and ash, reducing the need for maintenance and cleaning.

Besides, KKB also fabricates street lighting columns and steel distribution poles for clients. We are ready to supply and respond for Sarawak's vision to be a thriving society driven by data and innovation where everyone enjoys economic prosperity, social inclusivity and sustainable environment by its Post Covid-19 Development Strategy 2030.

Energy conservation is the decision and practice of using less energy. Turning off lights when leaving the room, unplugging appliances when they are not in use and walking instead of driving are all examples of energy conservation that all employees are encouraged to emulate.

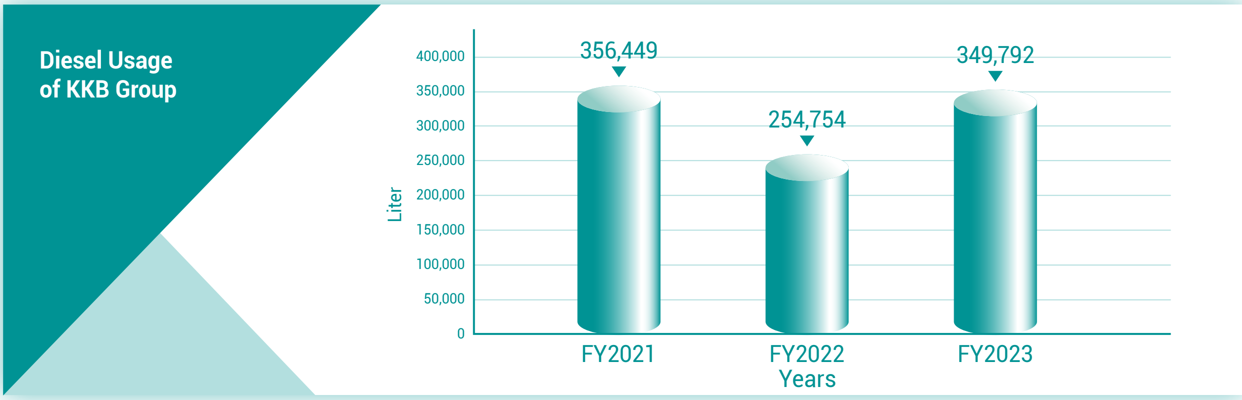
Energy efficiency is the use of less energy to perform the same task or produce the same result. Energy-efficient homes and buildings use less energy to heat, cool, and run appliances and electronics, and energy-efficient manufacturing facilities use less energy to produce goods. Examples include replacing incandescent light bulbs with compact fluorescent bulbs, replacing older model appliances with newer, energy-efficient models, adding insulation, replacing drafty windows with new, energy-efficient windows and adding more natural lighting through skylight.

KKB Group's Total Energy Consumption



In order to minimize the cost of electricity for lighting, the roof has been partially installed with transparent roofing to introduce more natural light into the factory. Besides, use of solar and wind powered for factory's street lamp and sport light are installed to conserve energy. Further more, advance machineries such as CNC Metal Cutting and Metal Inert Gas (MIG) welding system are used for better efficiency.

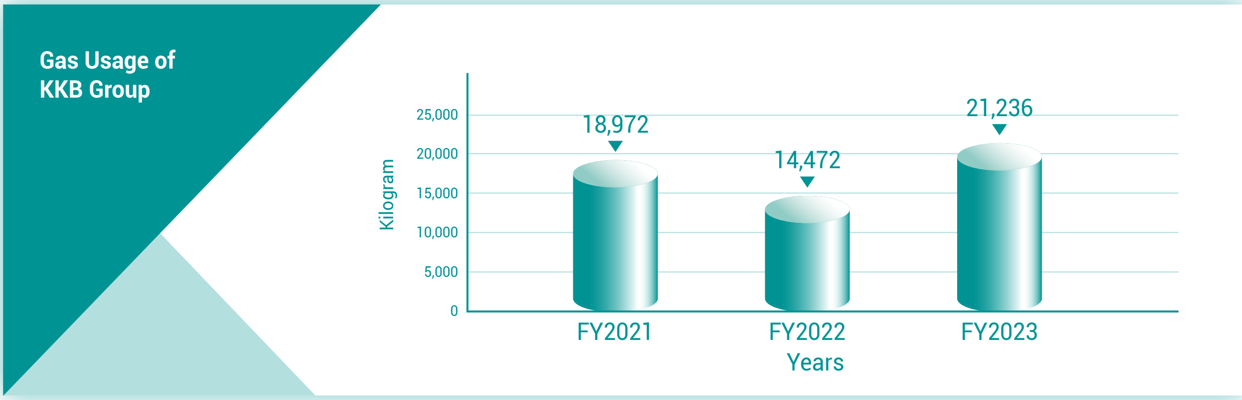
SUSTAINABILITY STATEMENT (CONT'D)



Maximizing our raw material usage is another key practice so that there are less wastages. Example is our zig-zag steel blanking line, where the corners of steel are cut out for other uses. Besides, used bituminous enamel is used to coat our products which are mild steel pipes and pipe specials. In the process of coating the pipes, some of the molten bitumen will end up as a waste which will then be re-melted for the coating of the next batch's pipes. This also minimizes the consumption of the raw materials.

Cost saving on diesel consumption comparison on the before and after installation of the AGITATOR for the Bitumen Decanter was adopted by KKB Industrial (Sabah) Sdn. Bhd.

Spent hydraulic oil is being reused as lubricant for heavy-duty machineries such as shovel trucks and forklifts. Machine parts which are constantly soiled by cement waste water are coated with this spent oil as a release agent to minimize effort in doing the cleaning.



As an ongoing practice, employees are also urged and reminded to conserve energy by using more natural light, switch off lights and air-conditioner when not in the office, and minimize printing by increased use of softcopies to reduce paper consumption and using recycled papers to print-out informal matters.

Water Management

Water Resources Management is the process of planning, developing and managing water resources, in terms of both water quantity and quality. It includes the institution, infrastructure, incentives and information systems that support and guide water management.

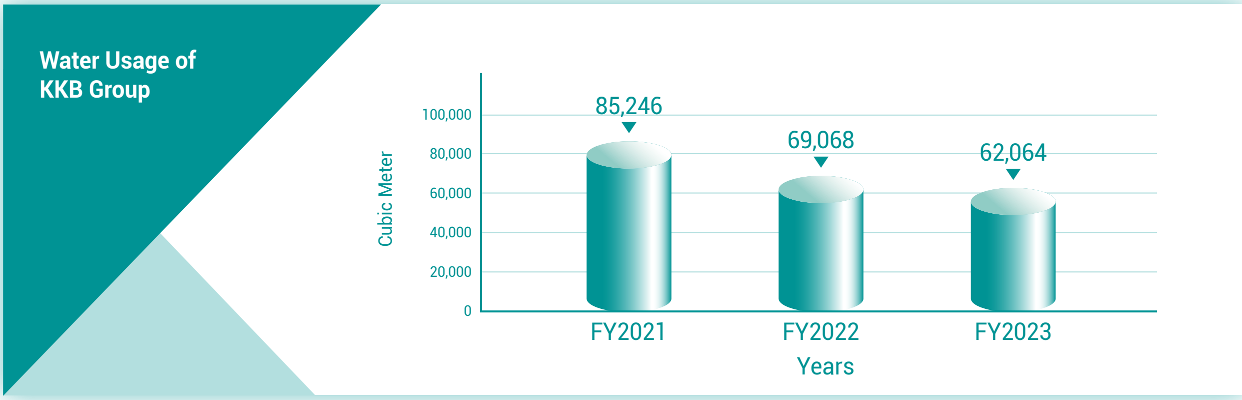
Access to safe water, sanitation and hygiene is the most basic human need for health and well-being. Investments in infrastructure and sanitation facilities are among the steps necessary to ensure universal access to safe and affordable drinking water. Being the manufacturers of Mild Steel Concrete Lined (MSCL) pipes and Mild Steel Polyurethane Lined (MSPUL) pipes for water and sewage delivery system, KKB Group is fully aware of its role and responsibility in securing the human right of access to clean water and sanitation.

KKB Group is one of the pioneers involved in Samalaju Water Supply and Sarawak Water Supply Grid System project in Sarawak since 2009. In response to the Sarawak State aspiration "to achieve full water supply coverage by the year 2030", we are committed to manufacture high-quality products, ensure that the pipes we manufacture are certified by Ikram QA Services for Product Conformity, LQRA for Quality Management System and certification for Occupational, Health and Safety Management System. Till today, KKB Group has shown its full commitment to ISO 9001:2015, ISO 45001:2018, IKRAM and SIRIM Certifications in providing its local and international customers quality products and services.

SUSTAINABILITY STATEMENT (CONT'D)

The water quality at Project Sites may be affected temporarily as there were ongoing construction works. Therefore, there are precautions taken to ensure the water quality of nearby waterways is not affected. Water samples are taken and analyzed from the sampling stations chosen. Mitigation measure is also taken to ensure no sewage or wastewater is discharged directly into waterways which would affect public health and safety. Furthermore, a green corridor along natural waterways is also built. All vehicles and machinery are serviced at a designated places equipped with proper facilities such as collection drain, oil and grease trap etc., to prevent oil waste from flowing into all waterways.

Total volume of water used for three consecutive years for 2021, 2022 and 2023 shows a decreased trend of consumption by the Group. Use of rainwater catchment and less activities using water in the plant caused of downtrend of water volume consumption in the Group.



The Group practises water resources management in the office, canteen, factory, quarters and project site. This practice among employees helps to eliminate water waste and keep the water infrastructure operating in peak condition. All employees are encouraged to use water efficiently to save the environment.

Waste Management

Implementing a waste management system does not only benefit the Group for legal compliance purposes and in conserving resources, it can also be cost-saving strategy for the Group. Additionally, managing waste properly allows businesses to contribute to the bigger picture of reducing the world's greenhouse gas emissions.

Sustainable waste management practices such as reusing, recycling and compositing are generally considered ideal since they are more environmentally friendly and efficient. The most suitable method for the Group, however, will still depend on factors such as type of waste, local regulation and other pre-determined requirements.

Waste diversion of the Group were carried out as follows:

Waste (metric tonnes)	FY2021	FY2022	FY2023
Total Waste Generated	75.90	53.73	177.19
Total Waste Disposal	73.03	72.13	187.15

In the context of waste management, waste diversion is the process of diverting and redirecting waste from landfills. We can redirect waste from landfills via recycling or reusing. Recycling is the process of using used material to make new products and reusing is the act of utilizing the full potential of a product.

The Group practises three essential steps to properly manage its business operation waste. Initially, identifying the type of waste produced whether it is nonhazardous solid waste, recyclable waste or hazardous waste. Then, evaluate a waste for its physical, chemical and biological characteristics to determine how it is to be properly managed. Once wastes have been identified and evaluated, this waste are managed according to waste management instructions that have been developed to keep the Group in compliance with all applicable laws and regulations and to promote a safe and healthy workplace.

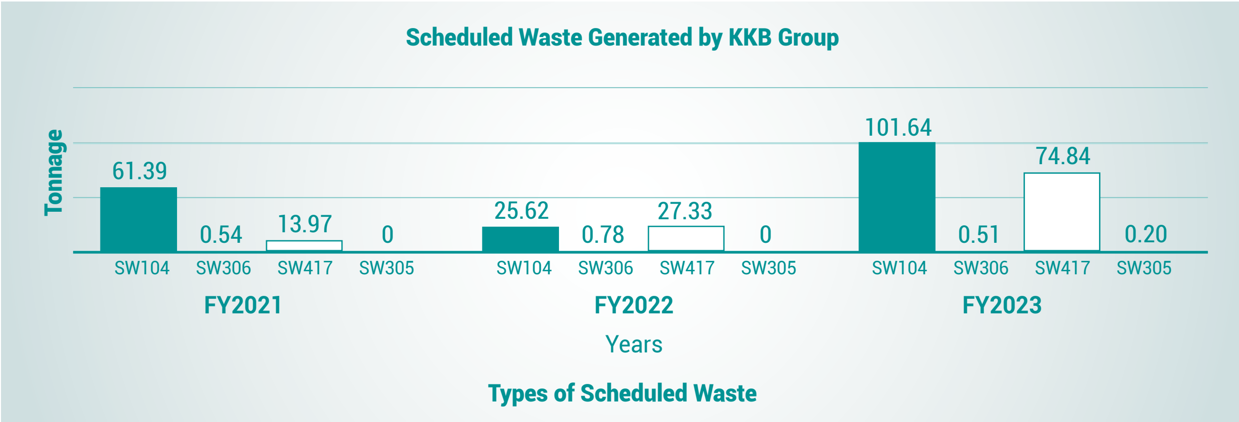
The notification of scheduled waste under Second Schedule (Regulation 3) Environmental Quality Act 1974, Environmental Quality (Scheduled Wastes) Regulation 2005, for KKB Group's list of scheduled wastes generated are as below:

SUSTAINABILITY STATEMENT (CONT'D)

Scheduled Waste Generated

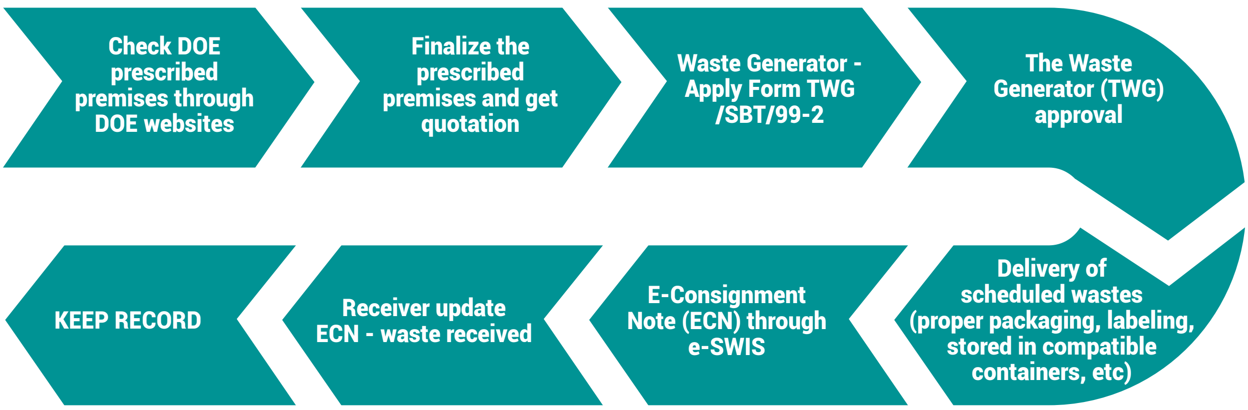
Activity	Waste generated
Heavy machinery (hydraulic machine, bending machine, etc.)	• SW 306, Spent Hydraulic Oil • SW 305, Used Lubricating Oil
Manufacturing of Hot-Dip Galvanising & LP Gas cylinders	• SW104, Zinc Ash/Dross/Blowing dust waste • SW417, Paint waste

In compliance with EQA 1974, under Scheduled Wastes Regulations 2005, we monitor the monthly generated wastes and report through DOE system ESWIS. Refer to the graph shown below:



The graph shows scheduled waste generated in tonnage for year 2021, 2022 and 2023. SW104 waste generated 61.39 tons in year 2021 and decreased to 25.62 tons as at 2022. However, in year 2023 the waste generated increased to 101.64 tons while for SW417 waste recorded 13.97 tons in year 2021. In 2022, it increased to 27.33 tons and shot up to 74.84 tons in year 2023. Waste generated for SW306 in year 2021, 2022 and 2023 recorded 0.54, 0.78 and 0.51 tons respectively. In year 2023, it recorded 0.2 tons SW305 waste generated.

Scheduled Waste Disposal Flowchart

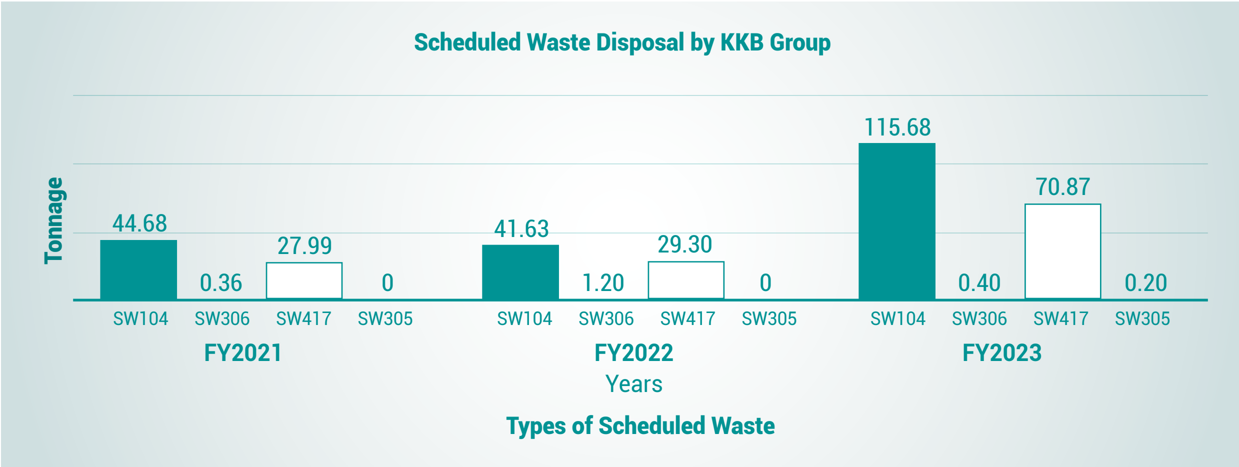


KKB Group has in place a structural waste management process flow to disposal of the Scheduled Waste as depicted in the flowchart shown above. A qualified waste scheduled disposer is hired to reduce any potential environment risks with appropriate reporting to Department of Environment ("DOE"). Below is data for the disposal of the scheduled waste to prescribed premises.

Management of industrial scheduled waste, from "cradle to grave" concept is compliant to Environment Quality Act and Regulations. Industrial wastes are identified, registered with DOE and properly stored. Disposal of the waste is through competent company registered and approved by DOE.

In compliance with Environment Quality Act 1974 Section 49A, a competent person is appointed to manage the waste management. The person in charge is registered with DOE for Certified Environmental Professional in Scheduled Waste Management (CePSWaM).

SUSTAINABILITY STATEMENT (CONT'D)



The bar graph shows scheduled waste disposal for three consecutive years. There is a slight decrease in disposal of SW104 waste for year 2022 and slight increase in disposal of SW417 waste. However, all types of scheduled waste disposed increased drastically in year 2023 due to increased activities and for manufacturing of LP Gas Cylinders and hot-dip galvanising.

The Group also segregated cement waste during the process of lining the pipe's internal with cement solution. Some portion of the cement solution will become waste which will then be washed away. In order to prevent the waste cement solution from entering the drainage system or polluting the surroundings, a Cement Waste Water System has been installed to collect all the cement water and accumulate them at designated location where it will be left for drying. Thereafter, it can be disposed as dry soil.

The generation of waste from various construction activities may downgrade the aesthetics quality of the area and pose health hazards. Therefore, proper management and disposal of waste is vital. Wastes generated at the construction site is disposed according to appropriate and legal disposal method. Any scheduled wastes generated such as used oil and lubricants is disposed as per the Environmental Quality (Scheduled Wastes) Regulations 2005. There is no open burning of any vegetation or wastes unless with Natural Resources and Environmental Board Sarawak (NREB) approval. All waste biomass ought to be stockpiled for reuse and proper disposal at approved dump site. All stockpiles are kept away from traffic. There is to be no discharge of oil and grease, fuel or any other type of waste in waterways in or near the project site.

Waste Diverted from Disposal

Electronic waste or e-waste describes discarded electrical or electronic devices. It is also commonly known as waste electrical and electronic equipment (WEEE) or end-of-life (EOL) electronics. E-waste can be toxic, is not biodegradable and accumulates in the environment, in the soil, air, water and living things. For example, electronic scrap components, such as CPUs, contain potentially harmful materials such as lead, cadmium, beryllium, or brominated flame retardants. Recycling and disposal of e-waste may involve significant risk to the health of workers and their communities.

KKB Group takes the initiative by recycling all its e-waste like desktop CPU, desktop scanner, desktop printer, UPS backup battery and so on. Besides, all office waste such as cardboards, papers, newspapers, plastic, glass and aluminum are also being recycled. The Group engaged proper waste management company to properly dispose and recycle that e-waste and office waste in a safe, ethical, and responsible manner. Good waste management helps to reduce the negative impacts of the environment. Waste management procedures are carried out with regularity to help ensure that fewer waste materials go to the general waste stream.

Table below shows KKB Group e-waste recycled tabulation for three consecutive years from year 2021 to year 2023.

e-Waste Management

e-Waste Recycle (unit)	FY2021	FY2022	FY2023
Desktop CPU	37	0	12
Desktop Scanner	3	0	0
Desktop Printer	7	0	2
UPS Backup Battery	12	0	2
LCD & CRT Monitor	6	0	2
Server	1	0	0

SUSTAINABILITY STATEMENT (CONT'D)

e-Waste Recycle (unit)	FY2021	FY2022	FY2023
Digital Camera	11	0	0
CCTV Camera	3	0	1
Old Hard Disc	22	0	0
Fiber Media Converter	8	0	0
Photocopier	2	0	6
Fax Machine	1	0	0
Analog Phone	1	0	0
Others	0	0	2
Total	**114**	**0**	**27**

There is a drastic decrease in e-waste by KKB Group as can be seen in year 2023 when only 27 items were recycled compared to year 2021. For FY2022, there was no e-waste item has been recycled or disposed.

Emission Management

Climate change is caused by human activities and threatens life on earth as we know it. With rising greenhouse gas emissions, climate change is occurring at rates faster than anticipated. Its impacts can be devastating and include extreme and changing weather patterns and rising sea levels.

KKB Group complies with EQA 1974 – Environmental Quality (Clean Air) Regulations 2014 and the Environmental Quality (Scheduled Wastes) Regulations 2005. The Group is concerned about emission across the entire value chain, which we share with our suppliers, from raw material procurement to vehicle transportation and operation.

Scope 1 emissions

Bi-annually, KKB Group monitors the air emission and engaged third party environmental consultant to conduct the stack sampling for the chimney of burner and spray booth (SB). Details of the stack sampling for year 2021, 2022 and year 2023 are shown below.

AIR EMISSION STACK SAMPLING RESULT

YEAR 2021 – 1st QUARTER REPORT

Description		**Burner C6**	**SB C2**	**SB C3**
Dust Particulate Emission	mg/m^3,dry @ 12% CO_2	104 mg/m^3	95 mg/m^3	87 mg/m^3
Standard Limit of Environmental Quality (Clean Air) Regulations 2014	mg/m^3,dry @ 12% CO_2	**150 mg/m^3**		

YEAR 2021 – 2nd QUARTER REPORT

Description		**Burner C6**	**SB C2**	**SB C3**
Dust Particulate Emission	mg/m^3,dry @ 12% CO_2	117 mg/m^3	105 mg/m^3	94 mg/m^3
Standard Limit of Environmental Quality (Clean Air) Regulations 2014	mg/m^3,dry @ 12% CO_2	**150 mg/m^3**		

YEAR 2022 – 1st QUARTER REPORT

Description		**Burner C6**	**SB C2**	**SB C3**
Dust Particulate Emission	mg/m^3,dry @ 12% CO_2	103 mg/m^3	93 mg/m^3	101 mg/m^3
Standard Limit of Environmental Quality (Clean Air) Regulations 2014	mg/m^3,dry @ 12% CO_2	**150 mg/m^3**		

SUSTAINABILITY STATEMENT (CONT'D)

YEAR 2022 – 2nd QUARTER REPORT

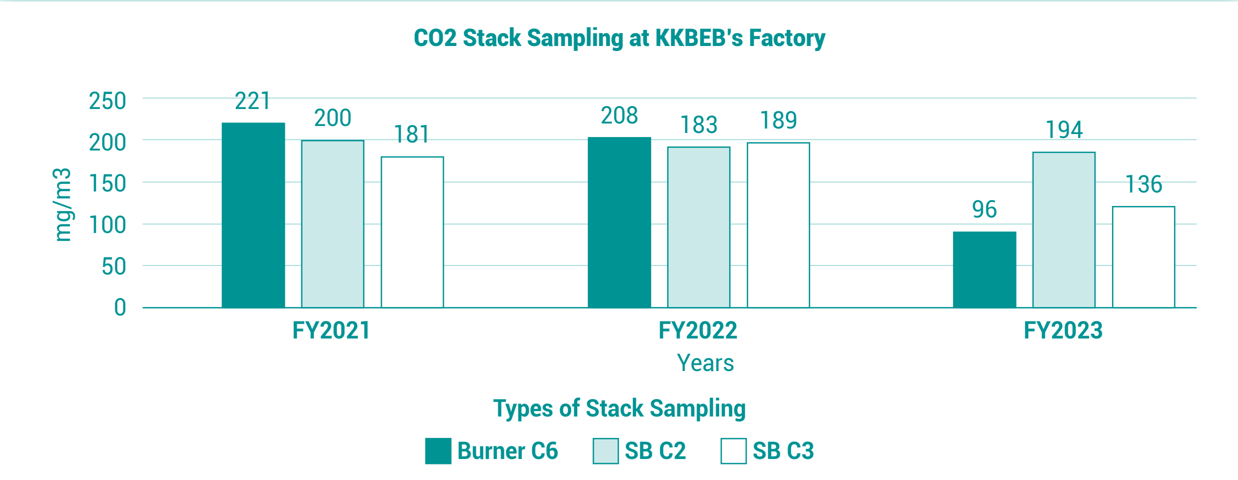
Description		Burner C6	SB C2	SB C3
Dust Particulate Emission	mg/m³,dry @ 12% CO_2	105 mg/m³	90 mg/m³	88 mg/m³
Standard Limit of Environmental Quality (Clean Air) Regulations 2014	mg/m³,dry @ 12% CO_2	**150 mg/m³**		

YEAR 2023 – 1st QUARTER REPORT

Description		Burner C6	SB C2	SB C3
Dust Particulate Emission	mg/m³,dry @ 12% CO_2	48 mg/m³	97 mg/m³	68 mg/m³
Standard Limit of Environmental Quality (Clean Air) Regulations 2014	mg/m³,dry @ 12% CO_2	**150 mg/m³**		

YEAR 2023 – 2nd QUARTER REPORT

Description		Burner C6	SB C2	SB C3
Dust Particulate Emission	mg/m³,dry @ 12% CO_2	48 mg/m³	97 mg/m³	68 mg/m³
Standard Limit of Environmental Quality (Clean Air) Regulations 2014	mg/m³,dry @ 12% CO_2	**150 mg/m³**		



The quarterly data collected for three consecutive years shows that the dust particulate emission i.e., CO2 for Burner C6, SB C2 and SB C3 was below 150 mg/m3 standard limit of Environmental Quality (Clean Air) Regulations 2014 and the Group complies to regulations. Furthermore, there is a downward trend in CO2 emission starting from FY2021 to FY2023 for Burner C6, SB C2 and SB C3. These results strengthen KKB Group commitment to practise sustainability in our daily business operation and endeavor to align with Malaysia's journey towards Carbon-Neutral by 2050.

The Group also implements an effective production shift scheduling which in turn reduces unnecessary energy consumption and pollution. Emission of smoke from Bitumen Decanter has been significantly reduced by the introduction of new type of decanter. The very small amount of smoke emitted from the decanter is properly channeled through the ducting and dispersed through the chimney. Monitoring and ensuring that our fuel burning system discharge comply with the Environmental regulation is part of the Company's practices. All fuel burning equipment are registered with DOE with periodic monitoring of discharge conducted by third party.

The Group has taken active and proactive approach in managing the air quality and at project sites to prevent all air pollution created by the construction works for the protection of health of workers and nearby communities. Furthermore, wheels of vehicles are washed and cleaned before entering public roads. Contractors conduct regular scooping and cleaning of any spilled materials onto public roads. Besides, regular servicing and maintenance of vehicles to ensure they are in good condition and minimal dark smoke is emitted. The Group also ensures compliance to speed limits (40km/hour) by construction vehicles to minimize dust dispersion. Loaded construction vehicles will be covered with tarpaulin sheets/ canvases to prevent spillage and to minimize dust dispersion from the load.

SUSTAINABILITY STATEMENT (CONT'D)

Noise Management

Noise monitoring is necessary during construction activities such as drilling to ensure noise level is kept within the limits of 65dB(A) and if exceeded, to take necessary steps to reduce the noise emitted. Noise above the limits specified can create hazards to workers and nuisance to nearby communities. To ensure noise level is acceptable and have minimal impact on the surrounding to protect the public and workers health and safety, the Occupational Safety and Health Act (1994) and Regulations are followed closely and complied with. Workers are protected from exposure to impulsive noise above 115dB(A). Ear plugs are made available for use at the project site.

C. SOCIAL

Social sustainability is a proactive way of managing and identifying business impacts on employees, workers in the value chain, customers, and the local community. With the importance of social sustainability, KKB Group recognizes the significance of their relationship with people, communities and society.

The RSC is formed to ensure that corporate social responsibility activities are carried out responsibly and voluntarily taking into consideration the impact of the business on its customers, shareholders, suppliers and employees. The RSC sits on a quarterly and/or regular basis to consider all corporate social responsibility matters. During the year under review, KKB undertook various initiatives as part of its sustainability social responsibility towards employees, communities and customers.

Labour Practices and Standards

Employees and Employment

The Group values its employees as its most important asset. By providing decent work to all our employees means giving opportunities for everyone to get work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration.

Our hiring practices are based on capability and suitability and there is no discrimination in the hiring policies. Appointment and recruitment processes provide equal opportunities and the Group continuously seeks to promote it regardless of religion, belief, age, creed, marital status, gender, family status or any disability. Our commitment to that respect applies to all areas of the working environment for all the employees. The well-being of the Group's employees remains a priority as their strength and contributions are the Group's result.

The Group also complies with the various local statutory requirements and regulations on minimum wages order, employees' provident fund, SOCSO and employ only those 18 years and above in our recruitment exercise in line with the Children and Young Persons (Employment) (Amendment) Act 2010.

It is a priority of KKB Group to ensure that all employees remuneration and benefits packages, meet the enforceable statutory minimum. The pay rates and benefits are reviewed regularly to ensure that they are in line with the job market.

By practising all the above, the Group takes a step further in an effort to reduce inequalities as per SDG's Goal 10. Inequality threatens long-term social and economic development, harms poverty reduction and destroys people's sense of fulfillment and self-worth. Discrimination has many forms from religion, ethnicity to gender and sexual preference. At KKB Group, there is no such discrimination. The Group has not received any complaints concerning human rights violations for year 2021, 2022 and 2023.

The Group has a succession plan in place as part of its risk management to ensure there is enough qualified and competent employees who are ready to fill up critical positions should the need arise. The Five Years Succession Plan Strategy of the Employee is reviewed yearly by the Management.

KKB Group's Total number of employee turnover

Employee	Employees Turnover		
	FY2021	FY2022	FY2023
Resigned (headcount)	320	159	138
Average per month (%)	4.97	3.13	1.95

Employee turnover rate is a measure of how many employees leave a company in a given period, usually a year. It's calculated by dividing the number of employees who left by the average number of employees, then multiplying by 100. This rate helps assess the company's retention and overall management effectiveness. Understanding how to calculate this value can help gain insight into a company's workplace culture and enhance retention rates.

SUSTAINABILITY STATEMENT (CONT'D)

The Group's employees' turnover rate is decreased yearly. Starting at 4.97% for year 2021, the turnover rate continuously decreased to 3.13% and 1.95% for year 2022 and year 2023 respectively. Reduction in employee turnover measures the effectiveness of the human resources team and the overall management of the Group. It means that Group's employees tend to stay with the company for a long time, which can indicate high satisfaction, loyalty, and engagement. It provides a comprehensive assessment of the company culture, recruiting efforts and employer brand.

Employees Diversity

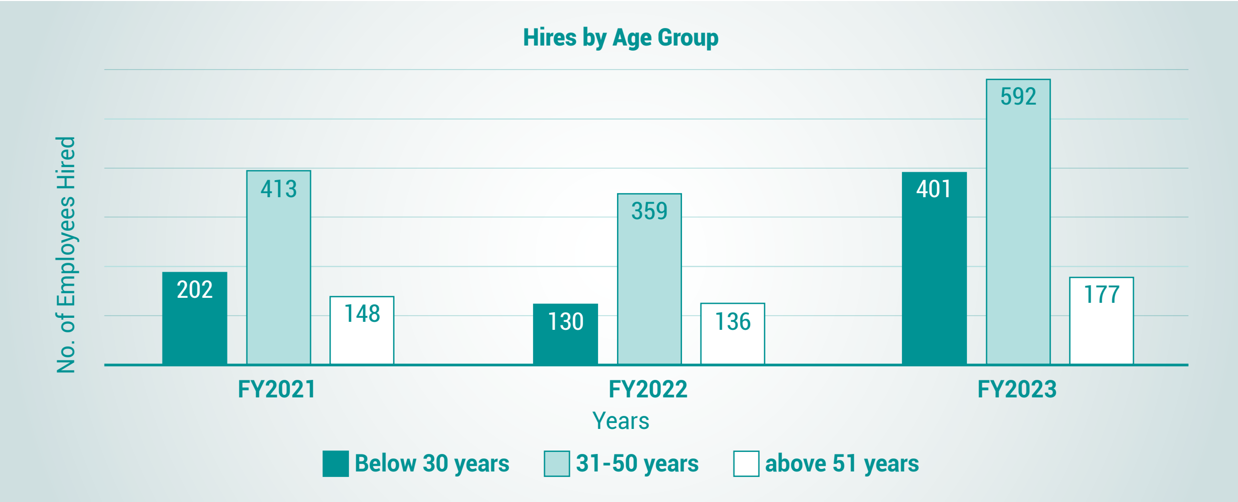
KKB Group is mindful of a diverse workforce to outperform and boost profitability, culture and public perception. Gender equality is not only a fundamental human right but a necessary foundation for a peaceful, prosperous and sustainable world. Gender equality promotes balanced participation of female and male employees in our business and the Group hopes this initiative will discourage gender discrimination and abuse, mental or physical against the fairer sex. KKB Group continues to ensure a fair equitable hiring process to meet the human resource needs of Group's operation and in line with SDG's Goal 5: Gender Equality. Workplace gender equality will be achieved when people are able to access and enjoy equal rewards, resources and opportunities regardless of gender. It will provide equal pay for work of equal or comparable value and removal of barriers to the full and equal participation of women in the workforce.

Gender Group by Employee Category

	Male (%)			Female (%)		
Employee Category	**FY2021**	**FY2022**	**FY2023**	**FY2021**	**FY2022**	**FY2023**
Management	79.78	75.90	78.16	20.22	24.10	21.84
Executive	74.12	76.58	79.31	25.88	23.42	20.69
Non-Executive/Technical Staff	92.86	85.48	86.38	7.14	7.92	13.12
General Workers	86.51	86.87	94.44	13.49	13.13	5.56

Since the core business of the KKB Group is manufacturing and engineering, male employees are more predominant at all employee categories compared to female employees. Statistic recorded that Male Non-Executive/Technical Staff is the highest category being hired in year 2021. The category of Male General Workers records the highest employment for year 2022 and year 2023 representing 86.87% and 94.44% respectively. Meanwhile, Female Executive category is the highest Female employment for year 2021 and Female Management is the highest category being hired compared to other employee categories for years 2022 and 2023 representing 24.10% and 21.84% respectively.

Age Group by Employee Category (headcount)



Creating an age diverse workplace encourages a productive and inclusive work culture. Furthermore, it improves employee turnover rates, meaning more skilled and experienced employees with a different perspective can become a source of innovation. By pulling the various strengths of all employees together, KKB Group will foster creative and forward-thinking ideas which benefit the Group.

During FY2021, the Group had a total of 763 employes, 625 employees as at end of FY2022 and 1170 employees as at end of FY2023. A significant decrease spotted in the total of employees as at FY2022 is due to constricted labour pool during the Covid-19 pandemic restriction. However, the hiring of employees rose 87.20% to 1170 total employees for year 2023. The increase in employees is due to more incoming projects awarded during the financial year under review.

SUSTAINABILITY STATEMENT (CONT'D)

	Below 30 years (%)			31 – 50 years (%)			Above 51 years (%)		
Employee Category	**FY2021**	**FY2022**	**FY2023**	**FY2021**	**FY2022**	**FY2023**	**FY2021**	**FY2022**	**FY2023**
Management	1.12	1.20	2.30	49.44	51.81	49.43	49.44	46.99	48.28
Executive	20.59	18.35	21.98	62.94	61.39	58.62	16.47	20.25	19.40
Non-Executive / Technical Staff	35.71	26.50	43.77	48.63	56.54	44.86	15.66	16.96	11.37
General Workers	25.40	25.25	31.02	59.52	57.58	57.87	15.08	17.17	11.11

Age diversity is an important piece of an inclusive and effective workplace. The table above shows there were three main age groups at KKB Group that is Group Age below 30 years, Group Age 31-50 years and Group Age 51 years and above.

Creating an age diverse workplace encourages a productive and inclusive work culture. Furthermore, it improves employee turnover rates, meaning more skilled and experienced employees with a different perspective can become a source of innovation. By pulling the various strengths of all employees together, KKB Group will foster creative and forward-thinking ideas which benefit the Group.

Each Group Age brings its own unique skillsets to business. Group Age below 30 years, younger employees may have a tighter grasp on technology while older workers Group Age above 51 years, may have strong interpersonal skills. Hiring older workers provides the Group with traditional business skills that help reach different types of customers more effectively. An older worker with tried-and-true business techniques may have more experience with customers who prefer traditional forms of contact.

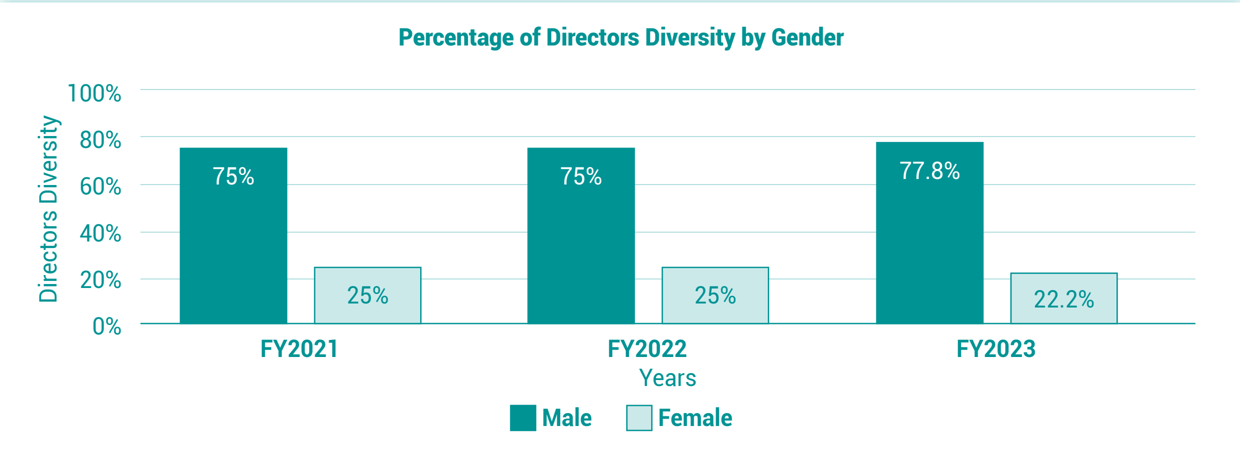
Mixed-age work teams at organization encourage mentoring. Younger and middle group age employees can teach new technology or industry-related skills to older workers. Subsequently, older workers can use their years of experience in the workforce to teach younger employees the ropes. The Group values continued learning and skill building so employees of all ages have the opportunity to teach and work towards becoming age smart employees.

Workforce of the Group comprises a variety of ethnicities and generations, reflecting the cultural diversity of Malaysia. We strongly believe that a multicultural and diverse workforce will broaden our employees' exposure and encourage our people to embrace different perspectives.

Directors Diversity

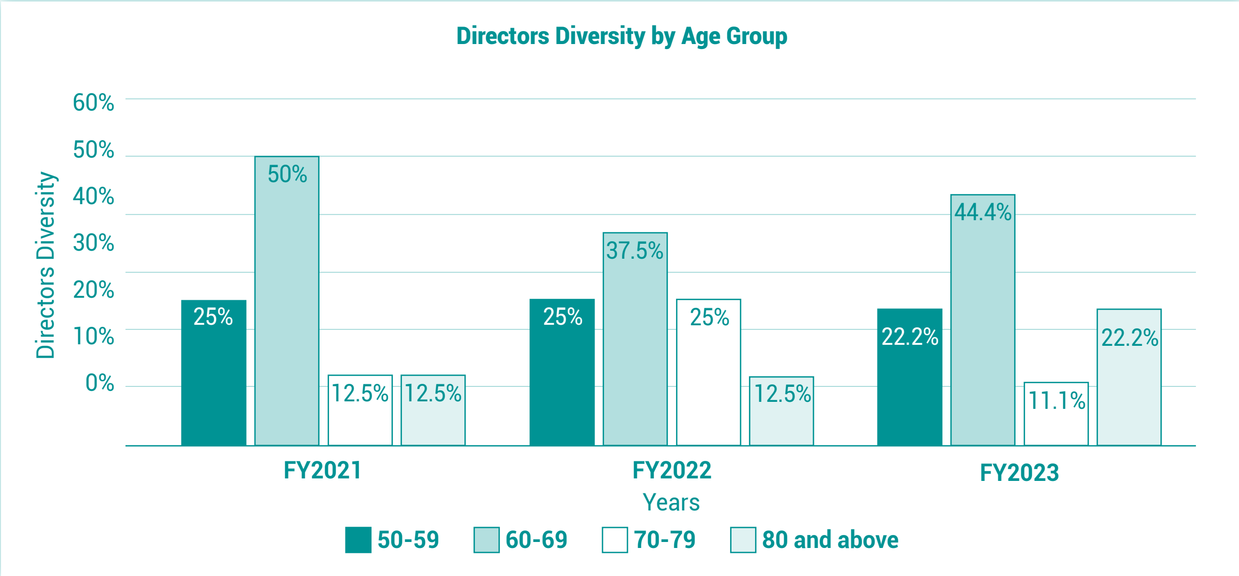
The right board composition influences the ability of the board to fulfil its oversight responsibilities. An effective board includes the right group of people, with an appropriate mix of skills, knowledge, experience and independent elements that fit the company's objectives and strategic goals.

Diversity requirements of the Board with regards to gender, age, ethnic, skills and experience are assessed and evaluated annually through its Assessment and Succession Plan. Furthermore, establishment of "Gender Diversity Policy" in pursuing its gender diversity agenda proves that Company is committed in enhance diversity on the Board.



During the year under review, there is a total of nine (9) Directors on the Board. It comprises three (3) Executive Directors, three (3) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. The Board through the NRC also considers woman candidates as part of recruitment exercise to ensure gender diversity. Out of nine (9) Directors, two (2) Directors are female. It will review yearly its Succession Plan to ensure an effective and suitable composition, including the right Board size.

SUSTAINABILITY STATEMENT (CONT'D)



The graph bar above shows directors diversity by age group of 50 – 59 years, 60 – 69 years, 70 – 79 years and 80 years and above for three consecutive years of 2021, 2022 and 2023. Age Group of 60 – 69 has the most Directors that is 50% of Directors for year 2021, 37.5% of Directors for year 2022 and 44.4% of Directors for year 2023.

Employees Wellness and Benefits

Healthy people are the foundation for healthy economies. KKB Group will promote SDG's Goal 3: Good Health and Well-being by ensuring the health and well-being of the workforce is looked after.

KKB Group offers employees ongoing health screening activities to help mitigate health-related issues and the risks of major or harmful illnesses particularly those who are likely to be exposed to certain work hazards. Health screening has been undertaken annually and it includes Audiometry Screening, ECG Test, Hearing Test, Blood and Urine Test, Physical Check-Up and Chest X-Ray Test.

Well-being is not just the absence of disease or illness. It is a complex combination of a person's physical, mental, emotional and social health factors. Well-being is strongly linked to happiness and life satisfaction, and could be described as how you feel about yourself and your life. Therefore, the Group encourages employees to living a healthy lifestyle by organizing outdoor activities such as Bengoh Dam Hiking Trip on 16 July 2023, Kuching Marathon Run on 1 October 2023 and held a Hari Raya Open House cum Labor Day celebration on 28 April 2023. Besides, the Group continues to establish teamwork activities such as badminton tournament, teambuilding, blood donation, tele-matches and running. These programs will forge more productive relationships among employees, to become the best version of themselves, to challenge themselves and to fulfil their true potential.

Other employee benefits include travel allowance, hospitalization and surgical coverage and group personnel accident insurance, uniform, and personal protective appliances, staff compensation leave, festive gifts and events. This is to express our Group's commitment to optimal work-life integration and personal effectiveness.

Employees Development

The Group provides training, courses and seminars to enhance skills and knowledge of employees. Training and developing employees can be an effective way to keep employees motivated and interested in their job. Employees that engage in the workplace increase their overall productivity and build trust in the company. Besides, a fruitful team building event was carried out for employees.

Followings are the trainings, courses and seminars arranged by the Human Resource Department and attended by the employees throughout the financial year under review.

SUSTAINABILITY STATEMENT (CONT'D)

Training Particular	Training Date
• The Art of Collaboration	January 2023
• Business English Grammer and Vocabulary at Workplace	February 2023
• PETROS Connect with Chambers of Commerce, Sarawak	February 2023
• Run & Gun: Network Penetration Testing	February 2023
• Program Hand-Holding SST 'Ikrar Betul, Bayar Betul'	February 2023
• Ideas for Cost Reduction & Profitability Increase in Manufacturing	February 2023
• Workshop on Key Changes to the Employment Act 1955: Reflection Towards Labour Ordinance Sabah & Sarawak	February 2023
• Positive Mental Attitude & Behaviours	February 2023
• Budget and Tax Conference	March 2023
• Asia Pacific Cyber Security Conference 2023	May 2023
• Useful Excel Formulas and Functions	May 2023
• Empowering Big Dreams	July 2023
• AI Transforms SMEs: Usage & Practical	July 2023
• Digitizing The Economy: Driving The Niche IOT, AR, Mixed Reality and Other Innovative Technologies to Mainstream Business Practices	July 2023
• Microsoft Excel (Intermediate)	July 2023
• Sesi Webinar Berkenaan Taklimat Penambahbaikan Proses Pengeluaran Certificate of Approval (COA) Melalui Sistem e-Permit	July 2023
• Digital Village Accelerator (DiVA) Demo Day	August 2023
• Sustainability (Environmental, Social & Governance) Accelerator Training	September 2023
• Navigation Tax Risks and Evolution: SVPD 2.0 Transfer Pricing and e-Invoicing	September 2023
• Seminar Percukaian Kebangsaan 2023	October 2023
• 2024 Budget and Tax Conference	November 2023
• Confidence in Sustainability Reporting	December 2023
• The Combat of Web Application Hacker vs Developer	December 2023

The Group continuously invests in the development of its people. In its quest to provide regular training to its employees, in-house trainings, seminars and courses are conducted to increase productivity in various relevant fields and to equip employees with required skills. Training is very important to ensure that our employees have the required competencies to perform their work and deliver their best. Therefore, employees are encouraged to expand their knowledge and to foster personal growth and development by taking on new roles and responsibilities. This will benefit not only the personal growth and development of the employees but also the Group's growth as a whole.

Total training hours by employee category

Employment Category	Total Hours Training of Employees			
	FY2021	FY2022	FY2023	Total
Management	862	1485	1370	**3717**
Executive	818	809	917	**2544**
Non-Executive/Technical Staff	44	264	301	**609**
General Workers	416	268	144	**828**
Total Hours	**2140**	**2826**	**2732**	**7698**

SUSTAINABILITY STATEMENT (CONT'D)

Occupational, Health and Safety ("OHS")

Safety awareness is the habit of thinking about the possibility that someone can get hurt or property can get damaged before a task is started. It is the proactive practice of protection. Employers and employees need to recognize hazards and be willing to take action to control or eliminate those hazards.

KKB Group believes that a lack of good safety and health practice may lead to incidents that would affect the health and safety of our employees, operational efficiency and reputation and in the long run impact our profitability. Managing our employees' safety and health is particularly important given our plan for expanding into the developed markets of Malaysia where stricter compliance is required particularly industry involving heavy machineries.

KKB Group's ISO 45001:2018 accreditation is an endorsement of its commitment towards Group's health and safety. The Group's commitment to operate responsibly in a safe and healthy workplace for employees is reflected in the establishment of the Health, Safety and Environment Committee ("HSE") which comprises representatives from several levels of the organizations and is guided mainly by the Occupational Safety and Health Act 1994 (Act 514) and Factories and Machinery Act (Act 139). Recognition of Workplace Inspection Grade with "A" level of compliance and achievement level of 95.74% by Department of Occupational Safety and Health Ministry of Human Resources as at 17 February 2022 proves that the Group is successful in providing safe working stations in the workplace for the employees.

The existence of ISO 45001:2018 by Bureau Veritas Certification (Malaysia) Sdn Bhd (BVC) proves that KKB Group is accredited with specific requirements for an Occupational Health and Safety Management System, which gives guidance for its use, and enable organizations to provide safe and healthy workplaces by preventing work-related injury and ill health, as well as by proactively improving its OH&S performance.

To this end, we have established Group HSE Task Force, Individual HSE Committee and Sub-Committee to brainstorm areas of high risks and come up with best procedures and policies to standardize all safety practices for the whole Group. The HSE Committee is chaired by the Group Managing Director and the Committee regularly reviews the Group's HSE policies, HSE objectives and operational activities to ensure due safety observance at all times. To be "a good Corporate Citizen, who is committed to a high standard of protection of HSE at all times" is one of KKB's missions that demonstrates its total commitment towards better quality health and improved safety.

Safety & Health Policy

It is the policy of KKB Group to give the HIGHEST PRIORITY to the safety and health of employees at all times. This is practised and extended to the Company's work premises to protect its property from damage and also to provide for the safety and health of the public in connection with its Group Operations and when using its facilities.

- Preventive Measures
- Protective Measures
- Education / Training Program
- Complying to applicable legal requirement
- Environment Protection

We have in place an occupational safety and health policy that highlights our commitment to:

- prevent injury and ill health to our employees;
- ensure compliance to laws and regulations in relation to occupational safety and health;
- require contractors to meet our occupational safety and health standards across all operations;
- set targets and measures to drive occupational safety and health performance across the organization; and
- promote a culture where all employees share the commitment to prevent harm to the safety and health of our employees, contractors and general public.

KKB Group's Occupational, Safety and Health Statistic

Description	FY2021	FY2022	FY2023
Number of work-related fatalities	0	0	0
Lost Time Incident Rate (%)	2.15	3.14	1.19

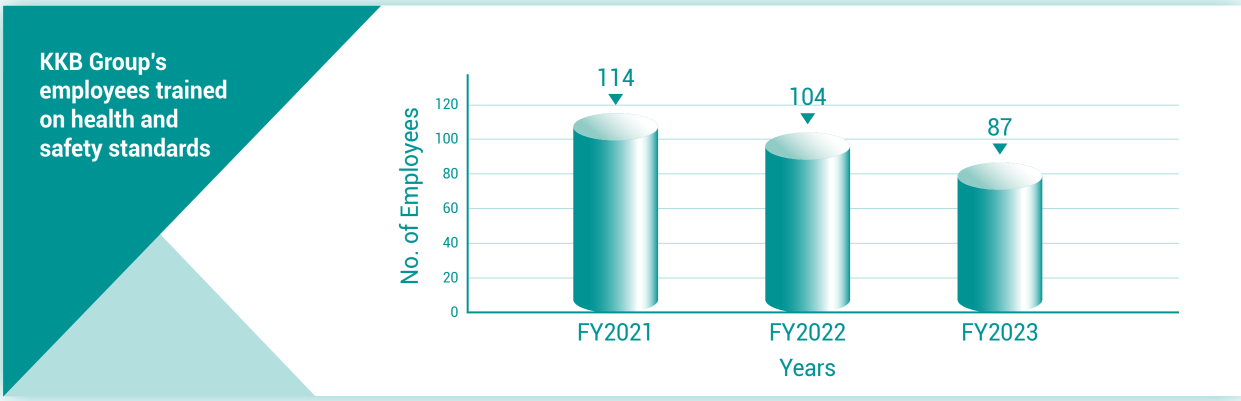
There is zero of work-related fatalities reported for year 2021, 2022 and 2023 at workplace for KKB Group. Meanwhile, lost time incident rate recorded 2.15%, 3.14% and 1.19% for FY2021, FY2022 and FY2023 respectively and OMSB maintained its zero Lost Time Incident Rate for 7.7 million manhours.

SUSTAINABILITY STATEMENT (CONT'D)

During the year under review, employees have been provided with the occupational health and safety training to equip employees with the necessary knowledge and skills to identify potential hazards and take appropriate preventive measures. By understanding safety protocols and procedures, employees can actively contribute to maintaining a secure work environment, help resolve or minimize those safety issues and keep the Group in compliance with all laws and regulations.

Followings are health and safety trainings, courses and seminars attended by KKB Group's employees throughout the financial year.

Training/Course/Seminar
• Hari Bertemu Pelanggan MYKKP 2023 • BS 466:1984 & BS 2573 – Part 1: Overhead Travelling Crane Structural Design Training • Working Safely at Height Training • Seminar Peraturan-peraturan Kualiti Alam Sekeliling (Buangan Terjadual) 2005 & Penyerahan Lesen PYDT Buangan Terjadual 2023/2024 Sempena Hari Alam Sekitar Dunia Tahun 2023 • Effective Defensive Driving & Vehicle Handling Skills – Competency Training Programme • Effective OSH Workplace Inspection • Basic First Aid & CPR Refresher Course • Seminar KKP Peraturan Kendiri Majikan dan Pekerja Tema: Membudayakan Mindset Bekerja Tanpa Kemalangan • CREAM Webinar Series 2023: Enforcement on Scaffolding and Falsework for Safer Construction Sites • Seminar Keselamatan dan Kesihatan Pekerja (KKP) Peringkat Kebangsaan 2023 • Course for Certified Environmental Professional in Scheduled Waste Management (CePSWaM) • Seminar on Preventing Accidents in Low Heights & Confined Space Rescue • Basic H2S Training (OPITO Approved Course Code:9014) • Tropical Basic Offshore Safety Induction & Emergency Training with CA-EBS and Travel Safely by Boat • Respirator Fit Tester (Half Mask) • Assistant Medical Review Officer (AMBO) Certification Course • Safety Handling of Forklift • Seminar Berkaitan Kesihatan, Pekerjaan dan Higien Industri di Perusahaan Kecil Sederhana 2023 • Workplace Mental Health Awareness • ISO 45001:2018 Internal Auditor



Safety Campaign

A safety campaign is a way for organizations to share what they are doing to promote workplace safety and encourage employees to take ownership of the risks present in their day-to-day lives.

Safety awareness campaigns aim to educate employees about the potential hazards they may face in the workplace. By providing information and resources, employees can better understand the risks associated with their specific job tasks and the measures they can take to stay safe.

Promoting safety in the workplace is more than just having policies in place; it's about creating a culture of safety, engaging employees with clear signage, informative posters, and regular safety talks, providing the right personal protective equipment (PPE) and involving employees in safety protocol development.

SUSTAINABILITY STATEMENT (CONT'D)

During the year under review, OMSB has organized "Hand and Finger Safety Campaign" from 14 June to July 2023 and continued with "Working at Height & Drop Object Prevention Campaign" till month of September. First campaign aims to raise awareness through trainings and toolbox talks on suitable and appropriate PPE for hand protection, safe use of portable powered tools and equipment, machinery and machine guarding and common causes of hand injuries – all of which contributes to the prevention of hand and finger injuries. While second campaign aims to gain a basic level of understanding of the applicable legislation, the potential hazards and PPE requirements related to Working at Height.

Many HSE activities was held during the campaign period. Among others are as followings:

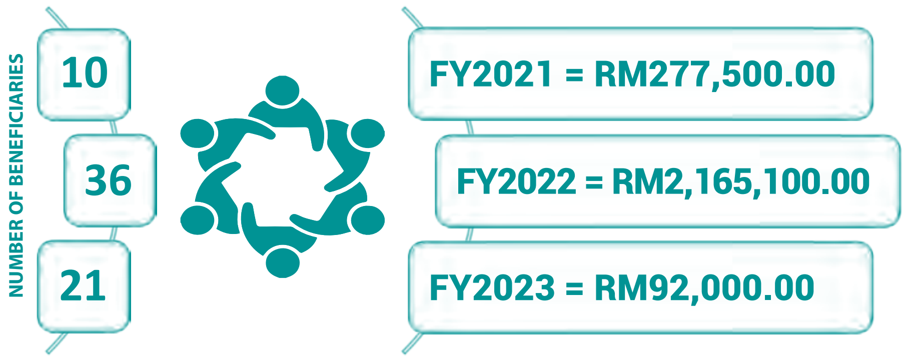
- Hand & Finger awareness display at rest area
- Hand & Finger random quiz on 20 June 2023
- Hand & Finger injury sharing (LFI) during daily pre-job briefing
- Random PPE inspection
- Grinding safety awareness training on 24 June 2023
- Lead by example recognition
- Hand & Finger random quiz on 4 July 2023
- Hand & Finger safety campaign poster on 1 August 2023
- Working at height training theory & practical on 28 July 2023
- Working at height Emergency Rescue Drill on 7 August 2023
- HSE recognition during MTB on 22 & 29 August 2023
- Health check screening by SOCSO Panel Clinic on 17 August 2023
- Safety harness & lanyard inspection by Scaffolders on 24 August 2023
- Daily BP Test by Medic on 30 August 2023

KKB Group also supports and participates in all events or activities organized by the Members of Injury Free Club (IFC). The Injury Free Club (IFC) is implemented at the start of project site activities and their programme aims to develop a sense of belonging to the individual, to create a desire for an improved safety culture, to empower workers to take ownership of workplace safety and anchored upon the concept of care and empowerment to instill change in the HSE culture of the workforce. On 28 November 2023, the IFC for Shell's project organized an event to show and appreciate the workers contribution towards an injury free workplace and to sustain all the aims above.

Community / Society

KKB Group continues to be a trusted and responsible corporate citizen to the communities in which we operate. To deliver on SDG's Goal 4: Quality Education, we invest in education and welfare to improve community well-being as part of the development of sustainable communities.

Every year, the Group is involved in fund raising for special needs children as provision of quality education and reducing inequality. Donations and contributions were made to support the local community welfare activities and to improve standard of living in our community. Total amount invested in the community and total number of beneficiaries of the investment in communities for respective financial years are shown below:



KKB Group is aware that continuous blood donation campaign for the Blood Bank could save lives. This blood donation collaboration with health authority is carried out yearly whenever appropriate. Year 2023 recorded two Blood Donation Campaigns for the Sarawak General Hospital. It was held on 9 February 2023 and 26 October 2023.

The Group provides work opportunities and offers practical on-job training to students from local colleges, universities and institutions, contributes to the Higher Education Institution by providing industry's feedback and collaborations with Council Member of PPKS/Sarawak Skills Committees. This programme is to expose the students on the know-how and know-skills of working environment especially in steel fabrication, LP Gas manufacturing, pipes and pipe specials manufacturing and others towards sustainability in human resources in this type of industry. Those students may also apply and be one of the KKB Groups' employees after they finished their study. During the FY2023, seven students participated in the Industrial Training Programme compared to only five students during FY2022.

SUSTAINABILITY STATEMENT (CONT'D)

KKB Group continuously encourage and promote its employees and their children to study and gain welding skills at PPKS and i-CATS. In return in this partnership, the students are given discounts in their studies at these institutes and education centre. With the establishment of AWISAR, KKB Group as a steel fabricator will be able to keep the benefit of welders having gained practical skills from such institutes.

The following table shows a list of institutions that is involved in Group's Industrial Training Programme throughout the year.

Institution	Department/Division
• MARA Technological University (UiTM), Shah Alam • Polytechnic Kuching • MIWT Global Resources Sdn. Bhd. • University Malaysia Sarawak (UNIMAS) • University of Cyberjaya	- Quality Assurance/Quality Control Department - Fabrication & LPG Department - Fabrication Department - FOG Department - HSE Department

Annually, the Group together with Sarawak Association for the Welfare of Intellectually Disabled Children ("PERKATA") organized an Open Day Sales in raising funds to support the school. All the funds raised are for disabled children to continue their learning process, training and education of special needs children in our community as provision of quality education and reducing inequality.

Besides that, KKB Group practises corporate social responsibility partnership with our main contractors or sub-contractors towards nearby communities.

- KKB Group Hari Raya Open House cum Labor Day Celebration "Together We Celebrate Hand in Hand" held on 28 April 2023.
- Joint community engagement or outreach program with REPSOL (Malaysia) Sdn. Bhd. and OMSB on Safety Awareness to School Children in Kampung Goebilt.
- PETRONAS and OMSB joint Celebrations of Health, Safety and Environment Achievements for health and safety awareness and LTI to improve work processes, reduce risk and for overall operation efficiency to demonstrate its highest commitment on Health, Safety and Environment.
- PETRONAS collaborating with OMSB for cleaning up the Buntal Esplanade.
- OMSB and SHELL community outreach program during festive season such as Donation of Bubur Lambuk and community activities with Kampung Goebilt communities.

Sustainable Industry Initiatives

Business associations are able to serve as key platforms for sharing knowledge and know-how on integrating sustainability measures into Group operations. It is a level-playing field to facilitate information flows and to promote cooperation in order to resolve common problems within the industry.

KKB Group actively participates in and supports the development of the manufacturing and welding industry on a local and regional scale through involvement with business associations to access information and stay up-to-date with the latest trends in the industry.

No.	Association
1.	Federation of Malaysian Foundry & Engineering Industries Association (FOMFEIA)
2.	Sarawak Foundry & Engineering Industries Association
3.	Federation of Malaysian Manufacturers
4.	Kuching & Samarahan Divisions Welding & Engineering Association
5.	Sarawak Chamber of Commerce & Industry
6.	Sarawak Manufactures' Association
7.	i-CATS University College, Sarawak
8.	Kuching Chinese General Chambers of Commerce & Industry
9.	The Federation of Kuching and Samarahan Division Chinese Association
10.	Kuching Samarahan Divisions Building & Civil Engineering Contractors Association
11.	Kuching China Trades Importers & Exporters Association
12.	Kuching Importers of Chinese Goods Association, Sarawak

SUSTAINABILITY STATEMENT (CONT'D)

PERFORMANCE DATA TABLE from ESG Reporting Platform

Indicator	Measurement Unit	2021	2022	2023
Bursa (Anti-corruption)				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Management	Percentage	95.50	96.30	96.60
Executive	Percentage	98.80	99.40	99.10
Non-executive/Technical Staff	Percentage	88.22	94.70	98.89
General Workers	Percentage	88.57	74.25	74.50
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	0.00	0.00	0.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0	0	0
Bursa (Community/Society)				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	277,500.00	2,165,100.00	92,000.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	10	36	21
Bursa (Diversity)				
Age Group by Employee Category				
Management Under 30	Percentage	1.12	1.20	2.30
Management Between 30-50	Percentage	49.44	51.81	49.43
Management Above 50	Percentage	49.44	46.99	48.28
Executive Under 30	Percentage	20.59	18.35	21.98
Executive Between 30-50	Percentage	62.94	61.39	58.62
Executive Above 50	Percentage	16.47	20.25	19.40
Non-executive/Technical Staff Under 30	Percentage	35.71	26.50	43.77
Non-executive/Technical Staff Between 30-50	Percentage	48.63	56.54	44.86
Non-executive/Technical Staff Above 50	Percentage	15.66	16.96	11.37
General Workers Under 30	Percentage	25.40	25.25	31.02
General Workers Between 30-50	Percentage	59.52	57.58	57.87
General Workers Above 50	Percentage	15.08	17.17	11.11
Management Male	Percentage	79.78	75.90	78.16
Management Female	Percentage	20.22	24.10	21.84
Executive Male	Percentage	74.12	76.58	79.31
Executive Female	Percentage	25.88	23.42	20.69
Non-executive/Technical Staff Male	Percentage	92.86	85.48	86.88
Non-executive/Technical Staff Female	Percentage	7.14	7.92	13.12
General Workers Male	Percentage	86.51	86.87	94.44
General Workers Female	Percentage	13.49	13.13	5.56
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	75.00	75.00	77.78
Female	Percentage	25.00	25.00	22.22
Under 30	Percentage	0.00	0.00	0.00
Between 30-50	Percentage	0.00	0.00	0.00
Above 50	Percentage	100.00	100.00	100.00
Bursa (Energy management)				
Bursa C4(a) Total energy consumption	Megawatt	6,504.67*	5,319.20*	6,624.62*
Bursa (Health and safety)				
Bursa C5(a) Number of work-related fatalities	Number	0	0	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	2.15	3.14	1.19
Bursa C5(c) Number of employees trained on health and safety standards	Number	114	104	87
Bursa (Labour practices and standards)				
Bursa C6(a) Total hours of training by employee category				
Management	Hours	862	1,485	1,370
Executive	Hours	818	809	917
Non-executive/Technical Staff	Hours	44	264	301
General Workers	Hours	416	268	144
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	63.48	55.68	76.30
Bursa C6(c) Total number of employee turnover by employee category				
Management	Number	8	10	11
Executive	Number	37	22	23
Non-executive/Technical Staff	Number	193	92	86
General Workers	Number	233	90	85
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	0	0

Internal assurance External assurance No assurance (*)Restated

SUSTAINABILITY STATEMENT (CONT'D)

PERFORMANCE DATA TABLE
from ESG Reporting Platform (cont'd)

Indicator	Measurement Unit	2021	2022	2023
Bursa (Supply chain management)				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	63.00	90.00	87.00
Bursa (Data privacy and security)				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0
Bursa (Water)				
Bursa C9(a) Total volume of water used	Megalitres	85.246000	69.068000	62.064000
Economic Performance				
Economic value generated (i.e., revenue and other income)	MYR	397,549,722.69	393,488,584.59	483,520,736.81
Economic value distributed (i.e., operating costs, employee wages and benefits, payments to providers of capital, payments to government, and community investments)	MYR	366,846,911.07	381,883,813.34	452,664,273.26

Internal assurance External assurance No assurance (*)Restated

SUSTAINABILITY STATEMENT (CONT'D)

GRI Content Index

Statement of use	KKB Engineering Berhad has reported the information cited in this GRI content index for the period of 1st January 2023 – 31st December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	Corporate Profile, Page 2 Corporate Information, Page 4
	2-2 Entities included in the organization's sustainability reporting	Reporting Scope and Period, Page 24
	2-3 Reporting period, frequency and contact point	Reporting Scope and Period, Page 24
	2-4 Restatements of information	Information unavailable - NIL
	2-5 External Assurance	Sustainability Statement of Assurance, Page 56
	2-6 Activities, value chain and other business relationships	MD&A, Pages 9 - 13 Stakeholder Engagement, Page 29 Supply Chain Management, Pages 30 - 31
	2-7 Employees	Sustainability Statement: Economic, Page 30 Sustainability Statement: Labour Practices and Standards, Pages 42 - 44
	2-8 Workers who are not employees	Information unavailable - NIL
	2-9 Governance structure and composition	Sustainability Governance, Pages 25 - 26 Corporate Governance Framework, Pages 64 – 67 Board Composition, Page 72
	2-10 Nomination and selection of the highest governance body	Board Leadership and Effectiveness, Pages 65 - 67
	2-11 Chair of the highest governance body	Board Leadership and Effectiveness, Pages 65 - 66
	2-12 Role of the highest governance body in overseeing the management of impacts	Sustainability Governance, Pages 25 - 26 Corporate Governance Framework, Pages 64 – 67
	2-13 Delegation of responsibility for managing impacts	Sustainability Governance, Pages 25 - 26 Corporate Governance Framework, Pages 64 – 67
	2-14 Role of the highest governance body in sustainability reporting	Sustainability Governance, Pages 25 - 26
	2-15 Conflicts of interest	Board of Directors' Profile, Pages 57 – 61 Key Senior Management's Profile, Pages 62 - 63 Board Roles and Responsibilities, Page 65
	2-16 Communication of critical concerns	Corporate Culture, Page 75
	2-17 Collective knowledge of the highest governance body	Directors Training, Page 68
	2-18 Evaluation of the performance of the highest governance body	Assessment and Evaluation, Page 67
	2-19 Remuneration policies	Board Remuneration, Page 74
	2-20 Process to determine remuneration	Board Remuneration, Page 74
	2-21 Annual total compensation ratio	Confidentially constraints - NIL
	2-22 Statement on sustainable development strategy	MD&A: Pursuing Sustainability and Corporate Governance Principles, Page 12 MD&A: Risk, Pages 20 - 22 Sustainability Policy-Sustainability Strategies, Pages 26 - 27 Risk & Sustainability Committee, Page 26 and Page 70
	2-23 Policy commitments	Corporate Culture, Page 75 Board Leadership and Effectiveness, Page 65 Gender Diversity Policy, Page 73 Sustainability Policy, Page 26
	2-24 Embedding policy commitments	Board Roles and Responsibilities, Page 65
	2-25 Processes to remediate negative impacts	Risk Management Framework, Page 28
	2-26 Mechanisms for seeking advice and raising concerns	Corporate Culture, Page 75

SUSTAINABILITY STATEMENT (CONT'D)

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-27 Compliance with laws and regulations	Corporate Governance Overview Statement, Page 64 Sustainability Statement, Page 24 Statement on Risk Management and Internal Control, Page 81
	2-28 Membership associations	Sustainable Industry Initiative, Page 50
	2-29 Approach to stakeholder engagement	Stakeholder Engagement, Page 29
	2-30 Collective bargaining agreements	Information unavailable - NIL
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality and Sustainability Priorities, Page 27
	3-2 List of material topics	Materiality Matrix, Page 28
	3-3 Management of material topics	Materiality and Sustainability Priorities, Page 27
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Statements, Pages 87 - 163
	201-2 Financial implications and other risks and opportunities due to climate change	Information unavailable - NIL
	201-3 Defined benefit plan obligations and other retirement plans	Financial Statements, Pages 87 - 163
	201-4 Financial assistance received from government	Information unavailable - NIL
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Supply Chain Management, Page 30
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Information unavailable - NIL
	205-2 Communication and training about anti-corruption policies and procedures	Whistle Blowing, Code of Ethics, Anti-Bribery and Corruption, Page 32
	205-3 Confirm incidents of corruption and actions taken	Whistle Blowing, Code of Ethics, Anti-Bribery and Corruption, Page 32
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Management, Pages 35 - 36
	302-2 Energy consumption outside of the organization	Not applicable - NIL
	302-3 Energy intensity	Not applicable - NIL
	302-4 Reduction of energy consumption	Energy Management, Pages 35 - 36
	302-5 Reductions in energy requirements of products and services	Energy Management, Pages 35 - 36
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Management, Page 37
	303-2 Management of water discharge-related impacts	Information unavailable - NIL
	303-3 Water withdrawal	Information unavailable - NIL
	303-4 Water discharge	Information unavailable - NIL
	303-5 Water consumption	Water Management, Page 37
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Emission Management, Pages 40 - 41
	305-2 Energy indirect (Scope 2) GHG emissions	Emission Management, Pages 40 - 41
	305-3 Other indirect (Scope 3) GHG emissions	Information unavailable - NIL
	305-4 GHG emissions intensity	Information unavailable - NIL
	305-5 Reduction of GHG emissions	Emission Management, Pages 40 - 41
	305-6 Emissions of ozone-depleting substances (ODS)	Not applicable - NIL
	305-7 Nitrogen oxides (NOx), sulfur oxides (Sox) and other significant air emissions	Not applicable - NIL
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste Management, Pages 37 - 40
	306-2 Management of significant waste-related impacts	Waste Management, Pages 37 - 40
	306-3 Waste generated	Waste Management, Pages 37 - 40
	306-4 Waste diverted from disposal	Waste Management, Pages 37 - 40
	306-5 Waste directed to disposal	Waste Management, Pages 37 - 40
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Sustainability Statement, Page 30 Labour Practices and Standards, Pages 42 - 44

SUSTAINABILITY STATEMENT (CONT'D)

GRI STANDARD	DISCLOSURE	LOCATION
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Information unavailable - NIL
	401-3 Parental leave	Information unavailable - NIL
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Occupational, Health and Safety, Pages 47 - 49
	403-2 Hazard identification, risk assessment and incident investigation	Information unavailable - NIL
	403-3 Occupational health services	Occupational, Health and Safety, Pages 47 - 49
	403-4 Worker participation, consultation and communication on occupational health and safety	Occupational, Health and Safety, Pages 47 - 49
	403-5 Worker training on occupational health and safety	Occupational, Health and Safety, Pages 47 - 49
	403-6 Promotion of worker health	Occupational, Health and Safety, Pages 47 - 49
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational, Health and Safety, Pages 47 - 49
	403-8 Workers covered by an occupational health and safety management system	Occupational, Health and Safety, Pages 47 - 49
	403-9 Work-related injuries	Information unavailable - NIL
	403-10 Work-related ill health	Information unavailable - NIL
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Employees Development, Pages 45 - 46
	404-2 Program for upgrading employee skills and transition assistance programs	Employees Development, Pages 45 - 46
	404-3 Percentage of employees receiving regular performance and career development reviews	Information unavailable - NIL
GRI 413: Local Communities 2016	413-1 Operations with local community engagements, impact assessments and development programs	Community/Society, Pages 49 - 50
	413-2 Operations with significant actual and potential negative impacts on local communities	Information unavailable - NIL

SUSTAINABILITY STATEMENT (CONT'D)

SUSTANAINABILITY STATEMENT OF ASSURANCE

Review of the statement by External Auditors / Internal Auditors

Pursuant to Section 9 of the Capital Markets and Service Act 2007 (CMSA), Bursa Malaysia Securities Berhad has amended the Main LR to enhance the Sustainability reporting framework with the aim to elevate the sustainability practices and disclosures of listed issuers (Enhanced Sustainability Disclosures).

This report has not been subjected to independent assurance in accordance with recognized standards and may contain opinions, external referenced information, and unaudited non-financial data. Nevertheless, KKB Group's Internal Auditor, Crowe Corporate Services has conducted an audit work on selected material sustainability matters as part of their regular internal audit cycle for financial year ended 2023 as followings: -

(i) Health, Safety and Environment (HSE) for OceanMight Sdn. Bhd during the 2Q2023.

(ii) Quality Assurance and Quality Control and Health, Safety and Environment for KKB Industries (Sabah) Sdn. Bhd during the 3Q2023.

(iii) Company's Readiness of ESG Sustainability Reporting during the 4Q2023.

The contents of this Sustainability Statement have been reviewed by the Board, Audit Committee, Management Executive Committee (MANCO) and Risk & Sustainability Committee (RSC) for consistencies, reasonableness, and compliance. Their review however does not constitute as an assurance for investors or investment decisions. Whilst efforts were made to ensure these are reasonable at the time extracted, the actual or future outcomes may differ.

Conclusion

This Statement captures how KKB Group strives to be more socially and environmentally responsible and get into specifics that are relevant to our industry. As we continue on this sustainable journey, we will keep abreast of developments in our industry and seek to further embedding sustainable practices within our businesses so as to improve our overall sustainability performance.

BOARD OF DIRECTORS' PROFILE

DATO SRI KHO KAK BENG

Executive Chairman

Male
AGE 80

Malaysian
Joined on 20 February 1976

Dato Sri Kho Kak Beng is the founder of KKB Engineering Berhad who started his own business in 1962 in welding works. On 1 March 2023, Dato Sri was re-designated as Executive Chairman. His vast experience in steel works and other related engineering and construction activities coupled with his technical and managerial skills have strongly positioned him as Executive Chairman. Dato Sri's entrepreneurship has steered the Group of Companies to greater heights over the last six decades and continuously facilitate the operations and deliberations of the Board's functions and responsibilities. He is responsible in the development and implementation of strategic initiatives and business development. Dato Sri reports to the Board and he also sits on the Board of various other private companies.

He was awarded Master Entrepreneur of the Year 2004 by the Ministry of Industrial Development Sarawak on 7 September 2004. On 29 July 2010, he received the Outstanding Entrepreneurship Award from Asia Pacific Entrepreneurship Awards 2010 Malaysia. Further, Dato Sri was adjudged one of the three (3) Top Nominees for the Master Entrepreneur Category of EY Entrepreneur of the Year 2014 Malaysia Awards. He was also awarded Pingat Terpuji Jubli Emas (P.T.E) by The State Government of Sarawak in conjunction with Memorial Awards Ceremony of Sarawak Independence Golden Jubilee Celebration on 28 August 2014. On 5 November 2015, he was conferred The BrandLaureate Great Entrepreneur Brand ICON Leadership Awards by Asia Pacific Brands Foundation (APBF). On 23 November 2018, Dato Sri was conferred the coveted Sarawak State Outstanding Entrepreneur Award 2018 by the Ministry of Industrial Development, in association with the Sarawak Chamber of Commerce and Industries (SCCI) and Ernst & Young in recognition of his contribution towards the State's economic development. On 9 October 2021, Dato Sri was awarded Panglima Negara Bintang Sarawak (P.N.B.S.) which carries the title "Dato Sri" by the State of Sarawak.

Dato Sri is the Chairman of Sarawak Foundry & Engineering Industries Association. He is also the Honorary Chairman of Kuching Samarahan Division Building & Civil Engineering Contractors Association and the Honourable Advisor of The Federation of Kuching and Samarahan Division Chinese Association including various other local community associations. He is also the Vice President of Federation of Malaysian Foundry & Engineering Industries Associations.

Dato Sri Kho Kak Beng does not sit on any Board Committees of the Company. He does not hold any directorship in other public companies. He is the father to Directors, Kho Pok Tong and Kho Poh Lin and is a shareholder of Kho Kak Beng Holding Company Sdn. Bhd. He has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. Except for certain recurrent related party transactions of a revenue nature for which he is deemed interested by virtue of his deemed indirect interests, he has no conflict of interest with the Company.

During the financial year ended 31 December 2023, he attended 4 out of 4 Board meetings.

As at 25 March 2024, his shareholdings in the Company are as follows:

Direct Shareholding	Indirect Shareholding
5,087,780	112,880,700*
1.76%	39.10%

* *Deemed interested by virtue of his substantial interest in Kho Kak Beng Holding Company Sdn. Bhd., spouse's and child's shareholdings*

BOARD OF DIRECTORS' PROFILE (CONT'D)

KHO POK TONG

Group Managing Director

Male | Malaysian
AGE 55 | Joined on 14 January 1994

Kho Pok Tong joined the Company as Manager in 1992 and was responsible for the business and operations of various divisions within the Company. He was instrumental in the structuring, pre-public listing and corporate exercise of the Company in 1994. He holds a Bachelor of Laws (Hons.) degree from University of London.

He was appointed as Executive Director in 1994 and as Group Executive Director on 1 October 2006. He is the Chairman of Management Executive Committee (MANCO) and member of the Risk & Sustainability Committee. In 2012, he was a key member in the Group's Oil & Gas Sector and was appointed as Director of OceanMight Sdn. Bhd.

On 1 March 2023, Kho Pok Tong was promoted to and appointed as Group Managing Director.

As Group Managing Director, he is responsible for Planning and Implementing business strategies or transformation and to drive business and revenue growth. He oversees all Group operations, guide and strengthen Leadership Team and new talents, provide strategic guidance to the Board to ensure the Group achieves its Vision, Mission and long-term goals and overall management within the Group of Companies.

On 13 April 2014, he received the Outstanding Entrepreneurship Award for Outstanding & Exemplary Achievements in Entrepreneurship from Asia Pacific Entrepreneurship Awards Malaysia and subsequently, he won the Best CEO for Investor Relation (Small Cap) category from Malaysia Investor Relations Awards (MIRA).

He is a member of the Federation of Malaysian Manufacturers Working Committee (Sarawak) since 30 August 2001. He is also a member of the Establishment Committee and member of the Marketing and Employability Committee of i-CATS University College, Sarawak. He sits on the Board of several subsidiary and associate companies of KKB Engineering Berhad as well as various other private companies.

Kho Pok Tong does not hold any directorship in other public listed companies. He is the son of Dato Sri Kho Kak Beng, brother of Kho Poh Lin and a shareholder of Kho Kak Beng Holding Company Sdn. Bhd. He has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. Except for certain recurrent related party transactions of revenue nature for which he is deemed interested by virtue of his interests in certain companies in which he is a director, he has no conflict of interest with the Company.

During the financial year ended 31 December 2023, he attended 4 out of 4 Board meetings and 4 out of 4 Audit Committee meetings.

As at 25 March 2024, his shareholdings in the Company are as follows:

Direct Shareholding	Indirect Shareholding
844,900	112,392,620*
0.29%	38.93

* *Deemed interested by virtue of his substantial interest in Kho Kak Beng Holding Company Sdn. Bhd.*

KHO POH LIN

Executive Director

Female | Malaysian
AGE 57 | Joined on 14 January 1994

Kho Poh Lin is a member of the Management Executive Committee ("MANCO") and is the Chairman of Risk & Sustainability Committee. She holds a Bachelor of Laws (LL.B) (Hons.) degree from University of Buckingham and also a Certificate in Legal Practice (CLP). She is also a licensed Company Secretary.

She is responsible for the Corporate and Legal Affairs of the Company and its Group of Companies. In addition, she also takes responsibilities in the administration and management of the Company such as human resources, registration and licensing with statutory and regulatory authorities. She also takes charge of all compliance requirements of Bursa Securities and Securities Commission for the Company including all company secretarial practices for the Group. Before appointment as Executive Director, Kho Poh Lin served the Company as Corporate and Legal Affairs Manager and also held the position of Alternate Director. Prior to joining the Company, she was attached to a legal firm. She also sits on the Board of several subsidiaries of KKB Engineering Berhad as well as other private companies.

Kho Poh Lin does not hold any directorship in other public listed companies. She is the daughter of Dato Sri Kho Kak Beng, sister of Kho Pok Tong and a shareholder of Kho Kak Beng Holding Company Sdn. Bhd. She has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year. Except for certain recurrent related party transactions of a revenue nature for which she is deemed interested by virtue of her interests in certain companies in which she is a director, she has no conflict of interest with the Company.

During the financial year ended 31 December 2023, she attended 4 out of 4 Board meetings and 4 out of 4 Audit Committee meetings.

As at 25 March 2024, her shareholdings in the Company are as follows:

Direct Shareholding	Indirect Shareholding
618,500	112,992,620*
0.21%	39.13

* *Deemed interested by virtue of her substantial interest in Kho Kak Beng Holding Company Sdn. Bhd. and spouse's shareholdings*

BOARD OF DIRECTORS' PROFILE (CONT'D)

YONG VOON KAR

Independent Non-Executive Director

Male
AGE 65
Malaysian
Joined on 1 March 2020

Yong Voon Kar is a Chartered Accountant by profession.

He has been a Member of the Institute of Chartered Accountants in Australia (since renamed as Chartered Accountants, Australia & New Zealand) since 1984 and is a Member of the Malaysia Institute of Accountants. He graduated from the Royal Melbourne Institute of Technology with a Bachelor of Business Studies in Accountancy (Distinction) in 1981.

He was appointed as Chairman of the Audit Committee and Chairman of the Nomination & Remuneration Committee ("NRC") on 31 May 2023.

Yong Voon Kar was the Managing Partner of Ernst & Young East Malaysia offices from 2002 to 2018 when he retired from the partnership of Ernst & Young, Malaysia. He joined Ernst & Young Malaysia (formerly Ernst & Whinney) in 1984 and was admitted as a Partner in 1996. His professional career in Ernst & Young spanned over 34 years in the assurance, corporate recovery and corporate finance service lines. He had been the lead audit partner of major East and West Malaysia public and non-public listed companies covering a range of industries such as manufacturing, processing, trading, construction and engineering services, plantations, timber, property development, services, media publishing and utilities.

Yong Voon Kar had served in various governance and advisory roles in the Ernst & Young global and regional network from 2008 to 2015. During this period, he served as a member of the Asia Pacific Governance/Advisory Council and was its Finance Sub Committee Co-Chair from 2010 to 2015. He had also served at Ernst & Young's highest governance level – the Global Governance/Advisory Council from 2013 to 2015.

Currently, he is an Independent Non-Executive Director and Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee of Jaya Tiasa Holdings Berhad. Besides, Yong Voon Kar also sits on the Board of Global Shepherds Berhad and is also a Trustee of Yayasan Sin Chew, a company incorporated under the Companies Act, 1965 (predecessor to the Companies Act 2016) for the purpose of carrying out charitable activities.

He does not have any personal pecuniary interests or potential conflict of interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. He also has no relationship with other directors and substantial shareholders and has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

During the financial year ended 31 December 2023 he attended 4 out of 4 Board meetings and 4 out of 4 Audit Committee meetings.

He has no shareholdings in the Company.

IR. HAJI OTHMAN BIN ABDUL KADIR

Independent Non-Executive Director

Male
AGE 68
Malaysian
Joined on 1 June 2023

Ir. Haji Othman is an Engineer by profession. He is a Professional Engineer with a Practising Certificate (Naval Architecture) registered with the Board of Engineers, Malaysia. He is a member of the Institute of Engineers, Malaysia and Chartered Engineer, UK. He is also an active fellow of Royal Institution of Naval Architects and fellow of Institute of Marine Engineers, Science and Technology.

He has over 40 years of combined experience in the Marine, Oil & Gas and general industries in the field of Classification, Inspection, Quality control, Auditing and Consultancy Services. He has served in the Royal Malaysian Navy and left as a Lieutenant Commander, lecturer in UTM, Marine Executive in Petronas, Surveyor and Country Manager in Lloyd's Register and Regional Chief Executive for Bureau Veritas Malaysia and Brunei.

Ir. Haji Othman has also contributed in the marine and oil & gas industries via active involvement with MIGHT, AMIM, MOSVA and MOGSC. He is also actively supporting local universities in the development and monitoring of their courses/syllabus to be in line with the need of the profession and industries.

Ir. Haji Othman does not hold any directorship in other public listed companies. He does not have any personal pecuniary interests or potential conflict of interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. He also has no relationship with other directors and substantial shareholders and has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

During the financial year ended 31 December 2023 he attended 2 out of 2 Board meetings.

He has no shareholdings in the Company.

BOARD OF DIRECTORS' PROFILE (CONT'D)

DATIN MARY SA'DIAH BINTI ZAINUDDIN

Independent Non-Executive Director

Female | Malaysian
AGE 67 | Joined on 3 September 2012

Datin Mary Sa'diah binti Zainuddin is a member of Audit Committee and member of the Nomination & Remuneration Committee ("NRC"). On 31 May 2023, she appointed as Senior Independent Director, to whom concerns may be conveyed.

She holds a Bachelor of Social Science (Honours) degree from University Sains Malaysia, Penang. She has more than 30 years of experience in the oil and gas industry and was the General Manager, Petronas Sarawak Regional Office Kuching since 2009 till her retirement on 31 December 2012. Her 30 years of wide experience in Petronas includes management, public relations, administration, marketing, procurement and corporate affairs.

Currently, she sits on the Board of Naim Holdings Berhad. She is also the President of Hockey Association of Sarawak, Vice President of Malaysia Hockey Confederation and a member of the Kuching North City Commission.

She does not have any personal pecuniary interests or potential conflict of interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. She also has no relationship with other directors and has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

During the financial year ended 31 December 2023, she attended 4 out of 4 Board meetings and 2 out of 2 Audit Committee meetings.

She has no shareholdings in the Company.

DR ARJUNAN SUBRAMANIAM

Non-Independent Non-Executive Director

Male | Malaysian
AGE 82 | Joined on 5 September 1994

On 31 May 2023, Dr Arjunan Subramaniam was re-designated as Non-Independent Non-Executive Director.

He holds a Bachelor of Art (Hons.) degree from University of Malaya, Bachelor of Law (Hons.) degree and a Master of Laws degree from University of London. He is also Doctor of Philosophy (Malaya). He also holds a Certificate in Legal Practice (CLP).

Dr Arjunan Subramaniam joined Inland Revenue Department and was Assistant Director General when he left to be a Tax Director of an International Accounting Firm. Dr Arjunan has extensive experience in corporate tax planning, restructuring, tax investigation and formulating business plans and drafting of tax statutes and is still an active member. He also wrote several books on tax policies and taxation and was an Adjunct Professor at UUM (School of Accounting). Previously, he was an Adjunct Professor of Law at Northern Territory University, Darwin, Australia. He was also formerly an Adjunct Professor at University Tun Abdul Razak.

Currently, he is an advocate and solicitor, and is a partner of Messrs Shanker, Arjunan & Chua.

Dr Arjunan Subramaniam does not hold any directorship in other public listed companies. He does not have any personal pecuniary interests or potential conflict of interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. He also has no relationship with other directors and substantial shareholders and has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

During the financial year ended 31 December 2023, he attended 4 out of 4 Board meetings and 2 out of 2 Audit Committee meetings.

He has no shareholdings in the Company.

BOARD OF DIRECTORS' PROFILE (CONT'D)

CHAI WOON CHEW

Non-Independent Non-Executive Director

Male
AGE 66

Malaysian
Joined on 5 September 1994

On 14 April 2005, Chai Woon Chew was re-designated as Non-Independent Non-Executive Director. He is a member of the Nomination & Remuneration Committee ("NRC").

He holds a Bachelor of Laws (Hons.) degree from the University of Buckingham, Bachelor of Science (Hons.) degree from University of Surrey, UK and qualified as Barrister-at-Law from Lincoln's Inn, England.

Chai Woon Chew is a partner of Messrs Michael Chai & Co., Advocate & Solicitors.

He does not hold any directorship in other public listed companies. He does not have any personal pecuniary interests or potential conflict of interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. He is not related to any of the directors and substantial shareholders and has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

During the financial year ended 31 December 2023, he attended 4 out of 4 Board meetings and 2 out of 2 Audit Committee Meetings.

As at 25 March 2024, his shareholdings in the Company are as follows:

Direct Shareholding	Indirect Shareholding
435,720	14,400,000*
0.15%	4.99%

* *Deemed interested by virtue of his interest in Laman Satria Sdn Bhd*

LAU NAI PEK

Non-Independent Non-Executive Director

Male
AGE 71

Malaysian
Joined on 22 July 2011

Lau Nai Pek is a member of the Audit Committee. He holds a Bachelor of Commerce degree from University of Canterbury, New Zealand. He is a member of the Malaysian Institute of Accountants.

He has over 35 years of professional experience in finance in various locations in Australia, Brunei, China, Malaysia, New Zealand, the Netherlands and the United Kingdom. He retired from Shell Malaysia in August 2011 after serving Royal Dutch Shell Group for about 30 years. His major assignments include the Finance Director for Shell Malaysia, Finance Director for Shell China, Global Controller for the Exploration & Production Division of Royal Dutch Shell, and Vice-President Finance for Shell International Exploration and Production B.V., the Netherlands. He also served over 12 years as an Independent Board member of Axiata Group Berhad and over 11 years as a member of EPF Investment Panel.

Lau Nai Pek is currently an Independent Non-Executive Director and Chairman of the Audit and Risk Management Committee of Heineken Malaysia Berhad and the Chairman of Dialog Axiata PLC, a public listed company in the Colombo Stock Exchange (Sri Lanka). On 15 January 2024, he appointed as Independent Non-Executive Chairman of Boost Bank Berhad.

He does not have any personal pecuniary interests or potential conflict of interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. He also has no relationship with other directors and has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

During the financial year ended 31 December 2023 he attended 4 out of 4 Board meetings and 4 out of 4 Audit Committee meetings.

He has no shareholdings in the Company.

KEY SENIOR MANAGEMENT'S PROFILE

DATO SRI KHO KAK BENG

Executive Chairman

Male
AGE 80
Malaysian
Joined on 20 February 1976

Refer to details on page 57 of the Directors' Profile of this Annual Report.

KHO POK TONG

Group Managing Director

Male
AGE 55
Malaysian
Joined on 14 January 1994

Refer to details on page 58 of the Directors' Profile of this Annual Report.

KHO POH LIN

Executive Director

Female
AGE 57
Malaysian
Joined on 14 January 1994

Refer to details on page 58 of the Directors' Profile of this Annual Report.

DIWEK ANAK DAYUS

Group Chief Financial Officer

Female
AGE 57
Malaysian
Joined on 1 September 1997

Diwek Anak Dayus joined KKB Engineering Berhad ("KKB") as Company Accountant. Since then, she has been promoted to several key positions before being appointed as Group Chief Financial Officer on 1 July 2013.

She is a Chartered Accountant and a member of the Malaysian Institute of Accountants. She has accumulated over 30 years working experience in financial and operational management positions in commercial firms of different industries such as manufacturing, property and construction and services industries.

During the course of her work, she has acquired invaluable experience and knowledge in the area of Accounts & Finance, Risk and Internal Control System, Corporate Tax Planning, Sales & Service Tax, Treasury Management, Implementation of Enterprise Resource Planning and Goods and Services Tax.

She has also attended and passed the examination for the six (6) days course conducted jointly by the Royal Customs of Malaysia and Malaysian Institute of Accountants on Goods and Services Tax (GST) for GST Consultants/ Agents.

On 4 June 2015, she won the Best CFO for investor Relation (Small Cap) category from Malaysia Investor Relations Awards (MIRA).

Currently, she sits on the Board of KKB Industries (Sabah) Sdn. Bhd., Harum Bidang Sdn. Bhd. and KKB Energy Sdn. Bhd., subsidiaries companies of KKB and is a Director of Edisi Optima Sdn. Bhd., an associate company of KKB. She is also responsible for managing the finance and accounting division of the Company and the Group and ensuring that the financial reports are accurate and completed in a timely manner. She works closely with the Executive Chairman, Group Managing Director (GMD) and Executive Director (ED) and directly assists the GMD and ED on all strategic and tactical matters including but not limited to financial planning and reporting, Corporate Tax Planning, risk and internal control, treasury and budget management, cost-benefit analysis, forecasting and the securing of new funding.

As a Senior and key member of the Company, she sits on the Management Executive Committee and Risk & Sustainability Committee. She contributes to the goals setting for the Group.

She does not hold any directorship in public companies and listed issuers. She also does not have any personal pecuniary interests or potential conflict or interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. She has no relationship with other directors and substantial shareholders and has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

As at 25 March 2024, her shareholdings in the Company are as follows:

Direct Shareholding

53,700

0.02%

KEY SENIOR MANAGEMENT'S PROFILE (CONT'D)

LIEW HUP KUI

Chief Operating Officer

Male | Malaysian
AGE 55 | Joined on 6 May 1995

Liew Hup Kui was promoted as Chief Operating Officer on 1 January 2024. He holds an Honours Degree in Manufacturing Management from Open University Malaysia, Advance Diploma in Business Management from Management Institute Department of Singapore and Diploma in Chemical Process Technology from Singapore Polytechnic, Singapore.

Currently, he sits on the Board of KKB Industries (Sabah) Sdn. Bhd., a subsidiary of KKB. He is also responsible for the Group Manufacturing-Business Department's functions and targets. Under Manufacturing, he is principally responsible for the overall business, operations and manufacturing of new LP Gas Cylinders for Malaysia and overseas the reconditioning or requalification of used LP Gas Cylinders for East Malaysia market and related business development.

As a registered Safety & Health Officer, Liew Hup Kui takes charge of the overall group Health, Safety and Environment team and is the Head of the Committee responsible in ensuring the enforcement, compliances and operations of group HSE for all plants and work sites.

As key and senior member of the Company, he sits on the Management Executive Committee and the Risk & Sustainability Committee.

He does not hold any directorship in public companies and listed issuers. He also does not have any personal pecuniary interests or potential conflict of interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. He has no relationship with other directors and substantial shareholders and has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has no shareholdings in the Company.

DOMINIC A/L LAAH

Senior General Manager (Group Commercial & Project)

Male | Malaysian
AGE 56 | Joined on 4 April 1995

Dominic A/L Laah joined the Company as Quantity Surveyor. Since then, he was promoted to several key positions before assuming his present position as Senior General Manager (Group Commercial & Project) since 1 July 2013.

He holds a Diploma in Quantity Surveying from Federal Institute of Technology Kuala Lumpur and Certificate in Quantity Surveying from City and Guilds of London Institute. He has 29 years working experience in Quantity Survey.

Currently, he sits on the Board of KKBWCT Joint Venture Sdn. Bhd., a subsidiary of KKB and also a Director of Edisi Optima Sdn. Bhd., an associate company of KKB. He is also responsible for the Group Commercial Department's functions and targets. He oversees Pre and Post Tendering works, Contract Management, Project Management and its successful completion for Steel Fabrication, Hot-Dip Galvanising and Civil Construction businesses.

As a key and senior member of the Company, he sits on the Management Executive Committee and Risk & Sustainability Committee. He contributes to the goals setting for the Group.

Dominic does not hold any directorship in public companies and listed issuers. He also does not have any personal pecuniary interests or potential conflict of interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. He has no relationship with other directors and substantial shareholders and has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

He has no shareholdings in the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of KKB Engineering Berhad ("the Board") fully support corporate governance compliance of the Malaysian Code on Corporate Governance ("MCCG") issued by the Securities Commission Malaysia ("SC") and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("BURSA").

The Board is pleased to present this Corporate Governance Overview Statement ("Statement") to the shareholders and investors on the application of Corporate Governance Practices of the Group for the financial year ended 2023 ("FYE 2023"). This Statement is to be read together with the Corporate Governance Report 2023 which is available on the Company's website and also through Company's announcement to Bursa Malaysia. It should also be read in tandem with other statements in this Annual Report such as Statement on Risk Management and Internal Control and Sustainability Statement.

GOVERNANCE HIGHLIGHTS

During the year under review, the Board focused on the following areas to ensure good corporate governance culture is practised within the group in tandem with the Company's Mission, Objectives and Goals for sustainability business activities and development of the Group of Companies.

Key Focus Areas	Outcome
Sustainability Matters	• Establishment of Risk & Sustainability Committee. • Plans and directions towards achieving Sustainability and ESG in the Group. • Implementation of ESG Programmes. • Identifying and defining ESG Sustainability. • Embarking on common sustainability issues, materiality and its indicators. • Discuss roles and responsibility of personnel departments/divisions involved.
Restructuring of Board Composition, Board Committees and Management Committees	• Enhancement of "Director's Fit and Proper Policy", Independent Directors. • Appointment of Ir. Haji Othman bin Abdul Kadir as a new Independent Director. • Redesignation of long service Independent Director. • Resignation of Independent Director. • Restructuring of Board Committees. • Restructuring of Management Committees (MANCO, RMC, RSC, CSR and ITC). • Amendment on Terms of Reference for Board Committees. • Amendment on Terms of Reference for Management Committees. • Amendment on Board Charter and other Company's Policy.
Anti-Bribery & Corruption ("ABC")	• Addressed and reviewed the ABC Policy and practices in KKB Group. • Carried out 'Integrity Pledge by Employee'.

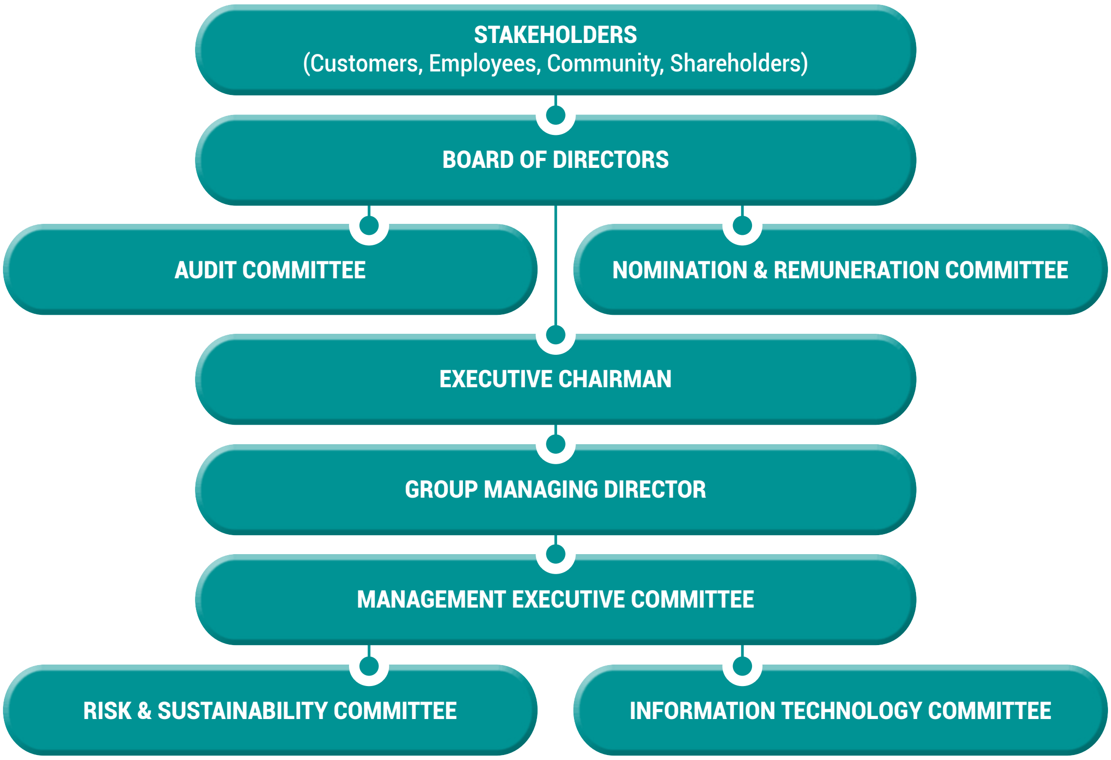
CORPORATE GOVERNANCE FRAMEWORK

Corporate governance provides a framework of control mechanisms that support the Company in achieving its goals, while preventing unwanted conflicts. The pillars of corporate governance such as ethical behavior, accountability, transparency and sustainability are important to the governance of KKB Group and stewardship of investors' capital to produce long-term value.

The Board is committed to maintaining a strong corporate governance framework that underpins KKB's vision to be a successful and diversified steel related international business enterprise focusing on its core business of steel fabrication including fabrication for the Oil & Gas sector and manufacturing businesses. KKB Group's Corporate Governance Framework dictates how KKB and its subsidiaries are governed so as to ensure effective board, transparency on roles, responsibilities and accountability to, and engagement with stakeholders. It not only improves the overall performance, but also promotes trust among the shareholders and other stakeholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

CORPORATE GOVERNANCE FRAMEWORK



Although the Board is guided by the principles and best practices in the MCCG, the Corporate Governance Framework is supplemented by the Board Charter, Directors' Fit and Proper Policy, Terms of Reference of the respective Board Committees and respective Management Committees. The Corporate Governance Framework identifies the distribution of rights and responsibilities among different participants in the Company and outlines among others the rules and procedures for decision-making, internal control and risk management.

It is not only concerned with shareholder interests but requires balancing the needs of other stakeholders such as employees, customers, suppliers, society and communities in day-to-day business operations. Overall, it is responsible for providing oversight and stewardship to KKB Group in executing the Company's objectives and exercises good governance guided by the principles and best practices in the MCCG.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Roles and Responsibilities

The Board and Senior Management are committed to discharging its responsibilities in meeting the goals and objectives of the Company to protect and enhance shareholders value and performance of the Group. The Board sets strategic goals and directions with a framework where the specific powers are delegated to Board Committees and Management.

The Board recognizes its duties and has adopted this Board Charter as a general statement of its expectations as to how it will discharge its duties and as assistance to the Board in its ongoing assessment of its own performance and that of individual Directors. The Board Charter sets out the Board's clear functions and outlines the roles and powers that the Board specifically reserves for itself, and those which it delegates to Management and in so doing, also sets the tone of various Board Committees in order to attain efficiency in Board performance.

The Board Charter is reviewed annually by the Board. Further information on the Board roles and responsibilities can be reached at https://kkbeb.com.my/about-us/corporate-governance/ for Company's Board Charter.

Executive Chairman

The Executive Chairman reports to the Board. The primary functions of the Executive Chairman are to provide leadership and direction to the Board. He continuously facilitates the operations and deliberations of the Board's functions and responsibilities. Executive Chairman is responsible in the development and implementation of strategic initiatives and business development. He should not be a member of any Board Committees such as Audit Committee ("AC") and Nomination & Remuneration Committee ("NRC").

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Dato Sri Kho Kak Beng was re-designated as Executive Chairman from Group Managing Director with effect from 1 March 2023. His vast experience in steel works and other related engineering and construction activities coupled with his technical and managerial skills have strongly positioned him as Executive Chairman. Dato Sri is responsible to lead the Management by guiding the Group Managing Director in devising and implementing the Group strategies and ensure the smooth functioning of day-to-day Group operations. He does not chair nor sit on any of the Board Committees in the interest of good corporate governance.

Group Managing Director

On 1 March 2023, Mr. Kho Pok Tong was promoted and appointed as Group Managing Director from Group Executive Director. The Group Managing Director is responsible for planning and implementing business strategies or transformation and to drive business and revenue growth. He oversees all Group business operations, guide and strengthen Leadership Team on new talents, provide strategic guidance to the Board to ensure the Group achieves its Vision, Mission and long-term goals and overall Management within the whole Group of Companies. He reports to the Executive Chairman and the Board. He is assisted by his members of Senior Management.

Board Committees

The Board establishes various Board Committees to assist in the discharge of its duties and responsibilities. Each of the following committees will operate within defined terms of reference or procedures and the Chairman of respective Committees will report to the Board on matters considered and submit recommendations to the Board for approval as appropriate. The members of each Board Committee shall be determined by the Board acting on the recommendation of the NRC.

There are two (2) Board Committees established to assist the Board in the discharge of its duties namely Audit Committee and Nomination & Remuneration Committee. Reporting to the AC is the External Auditors, the Internal Auditors and the Management Executive Committee ("MANCO").

All Board Committees' terms of reference are reviewed annually taking into consideration the recommendation and application of the MCCG and MMLR. They are available in the Company's website at www.kkbeb.com.my.

Board Committeees and its reporting structure

Audit Committee

The composition of AC, details of AC meetings, summary of work of the AC, how it has met its responsibilities, summary of work of the internal audit function and together with its report are presented from pages 75 to 79 in the AC Report.

External Auditors

The External Auditors for KKB Group is Ernst & Young PLT. Refer to page 4 and 78 of this Annual Report for more information.

Internal Auditors

The Internal Auditors and its Internal Audit Function is outsourced to an independent outside party to assist the Audit Committee in the discharge of its duty. Refer to pages 78, 79 and 82 of this Annual Report for more information.

Nomination & Remuneration Committee

The NRC is established to regularly assess the independence of independent directors and the overall composition of the Board to ensure overall effectiveness of the Board as a whole. NRC comprises exclusively Non-Executive Directors and two of them are Independent. Below are the members of NRC:

Name	Position	Category
Yong Voon Kar*	Chairman	Independent Non-Executive Director
Datin Mary Sa'diah binti Zainuddin	Member	Independent Non-Executive Director
Chai Woon Chew	Member	Non-Independent Non-Executive Director

* *Appointed as Chairman of NRC with effect from 31 May 2023*

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

In executing its duties, the NRC is guided by the Directors' Fit & Proper Policy. It is responsible for the structure, size and composition of the Board, the Board Committees, and the contribution of each individual Director including Independent Non-Executive Director. The NRC also evaluated the performance of Group Chief Financial Officer and make recommendation to the Board.

The NRC also recommends to the Board the framework of the Executive Directors' remuneration and the remuneration packages for each Executive Director including Executive Chairman, Group Managing Director, Executive Director and Group Chief Financial Officer. The Senior Management's remuneration package as evaluated and recommended by Group Managing Director will be reviewed, approved and be recommended to the Board by the NRC.

More detailed information on the role and responsibilities of the Committee can be found in the Committee's Terms of Reference which can be accessed in the Company's website at www.kkbeb.com.my.

Statement of NRC Activities

During the financial year under review, NRC members met on 23 February 2023. The meeting was attended by all members to deliberate, inter alia, on the followings:

1) Re-designation of Group Managing Director to Executive Chairman and promotion of Group Executive Director to Group Managing Director with effect from 1 March 2023.

2) Deliberated on Directors' retirement by rotation at the Annual General Meeting, assessed the performance, contribution and effectiveness of the retiring Directors in line with the fit and proper criteria of the Directors' Fit & Proper Policy, performance of the Board including Directors' commitment and contributions at meetings and Committees' performance, independence of independent directors and Group Chief Financial Officer's character, experience, integrity, competence and time to discharge her role and make recommendation as appropriate.

3) Reviewed remuneration packages and bonuses for Executive Chairman, Group Managing Director, Executive Director and Group Chief Financial Officer including Senior Management Staff.

4) The NRC also reviewed the Terms of Reference, Remuneration Policy and Procedures, Gender Diversity Policy, Directors' Fit and Proper Policy, Succession Planning Policy, three years Company's Succession Plan, term of office and performance of the AC and existing criteria for recruitment.

5) Mandatory Accreditation Programme ("MAP").

6) In addition, the NRC deliberated on the assessment and evaluation with reference to and in according with its terms of reference as laid down on the Board's required mix of skills and experience in age and mix of skill, knowledge, experience, size and structure, adequate training developments opportunities and boardroom diversity.

7) Assessment and evaluation of all directors and re-election of directors.

Assessment and Evaluation

The "Directors' Fit and Proper Policy" addresses the board quality and integrity for the appointment and re-election of Directors across the KKB Group. The said Policy is published in the Company's website at www.kkbeb.com.my. The Directors' Fit and Proper Policy serves as a guide to the NRC and the Board in their review and assessment of candidates that are to be appointed onto the Board as well as Directors who are seeking for re-election. This Policy sets out the fit and proper criteria for the appointment and re-election of Directors and to ensure that each of the Directors has the character, experience, integrity, competence and time to effectively discharge his/her role as a Director of KKB Engineering Berhad and its subsidiaries. Although internally facilitated, a detailed assessment using evaluation form is carried out. Such evaluation forms are continuously enhanced to keep pace with changing business environment.

The step-by-step assessment and evaluation process of the Board, Board Committees, Individual Director and Group Chief Financial Officer for the year ended 31 December 2023 are as follows:

i) The Evaluation Form of the Board, Individual Director, Group Chief Financial Officer and Self Evaluation, AC and NRC are sent to all NRC members for their action.

ii) Members of NRC will evaluate, recommend and complete all the evaluation forms and thereafter return to Management office for compiling.

iii) Thereafter, the NRC members will discuss during the meeting and make recommendation to the Board at the Board of Directors' Meeting.

iv) Chairman of NRC is required to report outcome of assessment and tabled to the Board during the Board of Directors' Meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Directors Training

Directors are committed to devote sufficient time to carry out and to regularly update their responsibilities, develop their knowledge and enhance their skills through appropriate continuing education and life-long learning to sustain their active participation in board deliberations and effectively execute their duties for years to come. On 6 June 2023, BURSA reviewed and enhanced the scope of the MAP for directors.

The MAP will now be conducted in 2 parts as follows:

(a) the existing training for directors in relation to corporate governance and a director's roles, duties and liabilities will remain as Part I (MAP Part I); and

(b) a new Part II which will focus substantively on sustainability will be introduced (MAP Part II).

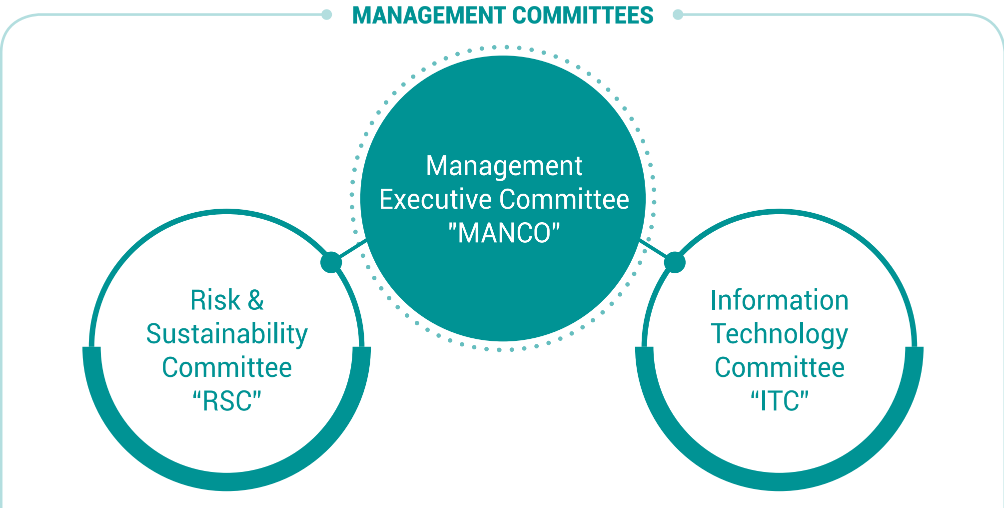
The Board acknowledges that continuous education is vital for Board members to gain insight on latest regulatory development. As the sustainability continues to evolve and develop, directors are now expected to possess current and essential sustainability knowledge to facilitate the effective discharge of their roles, particularly in setting the Group's sustainability strategies, priorities and targets. This targeted approach by BURSA will ensure that adequate emphasis is given to sustainability matters to aid directors in discharging their roles.

During the year under review, the NRC evaluates the training needs and assesses the capability of Directors. All Directors and newly appointed Director have completed the MAP Part I and targeted to completed their MAP Part II by 1 August 2025. The Company Secretary and Management will assist, advise and inform Directors from time to time to attend relevant courses to update and develop their knowledge and skills.

Directors' list of trainings/courses attended for year 2023 are as follows:

Name	Position
Dato Sri Kho Kak Beng	• 2024 Budget and Tax Conference
Kho Pok Tong	• 2024 Budget and Tax Conference
Kho Poh Lin	• Dividends – to Declare or to Authorise? • Corporate Governance Guide 4th Edition: Rise Together • SSM National Conference 2023 – Shared Responsibility in Strengthening AML/CFT Compliance: Risks, Challenges and Collaborations • Construction Payment Disputes and Resolution • FTSE4Good Bursa Malaysia Index & Centralised Sustainability Intelligence (CSI) Platform • Key Disclosure Obligations of a Listed Company • SSM Annual Dialogue 2023
Dr Arjunan Subramaniam	• Tax Management for Small Firms
Datin Mary Sa'diah binti Zainuddin	• A Delicate Balance – Board & Management Relationship
Chai Woon Chew	• ASEAN-BAC Indonesia's Summit 2023 Conference • The 20th China-ASEAN Business and Investment Summit Conference • Kursus Pembaharuan Ejen Cap Dagangan Bil.4/2023
Lau Nai Pek	• Financial Reporting on Impact of Climate Change Effects • Mandatory Accreditation Programme Part II: Leading for Impact (LIP) on Sustainability • Khazanah Megatrends Forum 2023 • Anti-Bribery and Anti-Corruption Training
Yong Voon Kar	• 2023 ESG & Climate trends to watch – The APAC View • 2023 Budget & Tax Conference • Is Diversification Living Up to The Promise? • 2024 Budget & Tax Conference • Securities Commission's Audit Oversight Board Conversation with Audit Committees • Mandatory Accreditation Programme Part II: Leading for impact (LIP) on Sustainability
Ir. Haji Othman bin Abdul Kadir	• Bursa Malaysia Mandatory Accreditation Programme (MAP)

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)



Management Committees Reporting Structure

<u>Management Executive Committee</u>

The MANCO is responsible to oversee and ensure all Board decisions and instructions to the Management are implemented smoothly, to ensure compliance to relevant laws, regulations and best practices of Corporate Governance and to evaluate and make recommendations for Board's approval. The MANCO comprises Executive Directors and Top Management personnel. The Chairman shall be the Group Managing Director. In his absence, other members shall amongst themselves elect a Chairman. They sit at least three (3) times a year and as often as is necessary to discuss day-to-day operations and the conduct of the Company's businesses and plans.

The MANCO is comprised of the followings:

Name	Position	
Kho Pok Tong	Group Managing Director	(Chairman)
Kho Poh Lin	Executive Director	(Member)
Diwek Anak Dayus	Group Chief Financial Officer	(Member)
Liew Hup Kui	Chief Operating Officer	(Member)
Dominic A/L Laah	Senior General Manager, Group Commercial and Project	(Member)
Daniel Adam Soo Hamizan	General Manager, Project Development	(Member)

Duties and responsibilities of MANCO are listed as below:

(a) Implementing decisions and policies made by the Board including all sustainability initiatives and risk management.

(b) Overseeing and ensuring the smooth running of daily operations and the conduct of the Company's business.

(c) Reviewing quarterly results and cash flow prior to approval by the Board.

(d) Reviewing RRPT in ensuring they are transacted in arm's length and properly documented.

(e) Deciding on all matters relating to banking facilities as may be required for the conduct of the Group's operations.

(f) Undertaking all such other responsibilities as may be required and necessary and as directed by the Board.

(g) Reporting to the Audit Committee at least once a year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Risk & Sustainability Committee

As sustainability matters disclosures are becoming more important as required under the relevant regulations such as MMLR, SC and other regulatory authority, it is prudent and timely that a committee be formed to address all sustainability matters and disclosures.

The Company has on 19 August 2004 established a Risk Management Committee ("RMC") to assist in identifying and managing risks within the Group. RMC to assumes responsibility for the Group's risk oversight and internal control framework, provides oversight, direction and counsel to the Group risk management process and considers any matter relating to the identification, assessment, monitoring and management of any risk associated with the Group that it deems appropriate. Through the AC, therefore, the Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.

On 18 August 2023, the Board of the Company had resolved on the formation of a Risk & Sustainability Committee ("RSC") to replace RMC. The formation is timely and necessary to comply with Listing Requirements and Bursa's Enhanced Sustainability Disclosures. Accordingly, the RMC has been merged to be within the RSC to include sustainability matters. The RSC supports the Board in fulfilling its oversight responsibilities in relation to the KKB Group's sustainability strategies and initiatives covering Environmental, Social and Governance ("ESG") and integrating such policies and practices into the Group's business and decision-making process. RSC submits a yearly report to the AC on the overall Risk Management and Sustainability processes and effectiveness of the Group's Risk Management and Sustainability through MANCO. RSC takes instructions from and reports to the MANCO who will in turn report to the AC and the Board thereafter.

The RSC consists of Top Management and Management personnel from various Divisions/Departments including subsidiary companies who are responsible for the day-to-day operation of the Group's businesses. The RSC members are as follows:

Name	Position	
Kho Poh Lin	Executive Director	(Chairman)
Kho Pok Tong	Group Managing Director	(Member)
Diwek Anak Dayus	Group Chief Financial Officer	(Member)
Liew Hup Kui	Chief Operating Officer	(Member)
Dominic A/L Laah	Senior General Manager, Group Commercial and Project	(Member)
Kho Poh Joo	Senior General Manager, Group Human Resource and Business Services	(Member)
Than Yiew Ling	Senior General Manager, Group Finance	(Member)
Teh Kiang Meng	General Manager, Harum Bidang Sdn. Bhd.	(Member)
Mohd Ashraf Assai bin Abdullah	Chief Operating Officer, OceanMight Sdn. Bhd.	(Member)
Daniel Adam Soo Hamizan	General Manager, Project Development	(Member)

Refer to pages 77 and 78 of this Annual Report for further information on RSC.

Information Technology Committee

The ITC is to ensure the Company's information technology programs support the Company's business objectives and strategies, and provide for appropriate data security and data privacy. The ITC shall meet at least three (3) times a year and shall sit on regular basis and as frequent as required.

The duties and responsibilities of the ITC among others are as follows:

(a) To monitor the quality and effectiveness of the Company's technology security such as cybercrime, data access, authentication, user identification, privacy and confidentiality, password management and network access.

(b) To ensure Group compliance to IT policies and processes.

(c) To review the quality and effectiveness of the Company's information technology security, data privacy and disaster recovery capabilities.

(d) To ensure the use of licensed, genuine, authenticity of hardware and software to be in compliance with relevant regulations and copyright laws.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

(e) To conduct regular backup of data.

(f) To ensure current and accurate news and information on the Company's website.

(g) To review the IT policy and the terms of reference annually.

Board Meetings

Before the start of financial year, a time schedule for Board meeting, AC meeting, NRC meeting and Annual General meeting is prepared for all Directors' approval. The Directors make sure they commit the time necessary to discharge their role as directors effectively.

The Board ordinarily meets four (4) times a year at quarterly intervals for the purpose of reviewing Group's quarterly and annual financial reports and performance against its annual operating and capital budgets, approving strategic business plans, corporate business plans, operational and development of the Group. It is also responsible for reviewing the adequacy and integrity of the Company's Risk Management and Internal Control System. Additional meetings will be held as and when necessary.

During the financial year ended 2023, four (4) Board meetings were held. All four (4) meetings dated 23 February 2023, 24 May 2023, 18 August 2023 and 21 November 2023 were held physically. The Board records its deliberations on matters discussed and all proceedings at the Board meetings are minuted and confirmed by the Chairman of the meeting. Quarterly, at least one month prior to release of the quarterly financial announcement, Directors are also informed of restriction period in dealing with the securities of the Company. Non-executive directors meet separately twice a year without the presence of any executive directors during the board meetings with the External Auditors and also with the Internal Auditors.

Directors are supplied with relevant information and reports on financial, operations, corporate and other business development, by way of Board Meeting Papers and including Minutes of Past Meetings, report on Recurrent Related Party Transactions, updates by Regulatory Authorities, Internal and External Audit Reports. In order to ensure the Board has sufficient time to review the board papers, the Company will circulate at least seven (7) days before the date of Board meetings.

All Directors have full and free access to obtain information including the advice and services of the Company Secretary in furtherance of their duties. The Directors also as individuals or as full Board have the same right of access to all data including seeking independent professional advice as and when required at the Company's expenses.

Record of attendance of the Directors who held office during the financial year ended 31 December 2023 is as follows:

Name of Directors	Board Meeting	Board Committees Meeting		47th AGM
		AC	NRC	
Executive Chairman Dato Sri Kho Kak Beng	4/4	N/A	N/A	√
Group Managing Director Kho Pok Tong	4/4	4/4	N/A	√
Executive Director Kho Poh Lin	4/4	4/4	N/A	√
Independent Non-Executive Directors				
Yong Voon Kar +	4/4	4/4	N/A	√
Datin Mary Sa'diah binti Zainuddin #	4/4	2/2	1/1	√
Ir. Haji Othman bin Abdul Kadir ^	2/2	N/A	N/A	N/A
Non-Independent Non-Executive Directors				
Dr Arjunan Subramaniam *	4/4	2/2	1/1	√
Lau Nai Pek	4/4	4/4	N/A	√
Chai Woon Chew @	4/4	2/2	1/1	√

* *Ceased as Chairman and member of AC and NRC with effect from 31 May 2023*
\+ *Appointed as Chairman of AC and NRC with effect from 31 May 2023*
\# *Apponted as member of AC with effect from 31 May 2023*
@ *Ceased as member of AC with effect from 31 May 2023*
^ *Appointed as Independent Non-Executive Director with effect from 1 June 2023*

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Company Secretary

The Company's Secretary, Ms. Voon Jan Moi is a person qualified to act as a Company Secretary under Section 235(2) of the Companies Act 2016 ("the Act"). She is qualified, experienced and capable of carrying out duties attached to the post. Prior to the Board meetings, the Company Secretary will furnish a notice together with an agenda to the Directors to allow them to have adequate preparation time to ensure effectiveness at the proceedings of the meeting. The Company Secretary will ensure Board's proceedings are followed regularly and reviewed and will also provide guidance to the Board on director's obligation arising from the rules and regulations including the MCCG and the MMLR.

Board Composition

The right board composition influences the ability of the board to fulfil its oversight responsibilities. An effective board includes the right group of people, with an appropriate mix of skills, knowledge, experience and independent elements that fit the company's objectives and strategic goals.

The current Board composition of KKB comprises the following directors:

Category	No. of Directors
Executive Director ("ED")	3
Independent Non-Executive Director ("INED")	3
Non-Independent Non-Executive Director ("NINED")	3
Total	**9**

During the year under review, the Board has taken a step further to be in compliance with MMLR and MCCG, practiced restructuring and re-aligning of the whole Board progressively throughout and in accordance with its Succession Plan. All long service Independent Directors who have served more than twelve (12) years were redesignated as Non-Independent Director or resigned. At the same time, one (1) new Independent Director was appointed to fulfill one-third (1/3) Independent Director on the Board and in compliance with Paragraph 15.02 of Listing Requirements.

Therefore, there is a total of nine (9) Directors on the Board. It comprises three (3) Executive Directors, three (3) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. The Board through the NRC also considers woman candidates as part of recruitment exercise to ensure gender diversity. Out of nine (9) Directors, two (2) Directors are female. It will review yearly its Succession Plan to ensure an effective and suitable composition, including the right Board size.

The Board is satisfied with the composition and good mix of Executive Directors, Independent Non-Executive Directors and Non-Independent Non-Executive Directors to carry out the Board's priorities objectively and impartially and to grow the Group effectively. The Board will give careful consideration and take necessary actions to align the whole Board progressively. It will ensure an effective and suitable Board composition, including the right Board size in the best interest of the Company.

Independent Directors

The Board recognizes the importance of independence and objectivity in its decision-making process and is mindful of limiting the tenure of independent directors to twelve (12) years. The Board Charter which has been adopted by the Company sets out the restriction on the tenure of an independent director to a cumulative term of twelve (12) years.

Protocols for New Directorships

As recommended by MCCG, KKB has its own guidelines on welcoming new Directors on board. Induction and Orientation is carried out for familiarization on the Company's main activities, Management and staff, subsidiaries and associate companies. Besides, new directors must be in compliance with the Company's "Directors' Fit & Proper Policy" and "Criteria for Recruitment". All criteria for recruitment are reviewed annually by the NRC and the Board.

Retirement and Re-election of Directors

In accordance with Clause 22.2 of the Company's Constitution, an election of Directors shall take place each year. One-third of the Directors for the time being shall retire by rotation at least once in every three years but shall be eligible for re-election at the annual general meeting in every subsequent year. The Directors to retire in each year shall be those longest in service since their last re-election in accordance with Clause 22.3 of the Company's Constitution.

In addition, any newly appointed Director will submit himself/herself for retirement and re-election at the annual general meeting immediately following his/her appointment pursuant to Clause 22.9 of the Company's Constitution. Thereafter he/she shall be subject to the one-third rotation retirement rule.

The NRC is entrusted to review the retirement of Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Directorships in other companies

In compliance with Paragraph 15.06 of the MMLR of BURSA, the Directors of KKB do not hold more than five (5) directorships in Listed Issuers and the listing of directorships held by Directors is confirmed by each Director twice a year.

Board Diversity

Diversity requirements of the Board with regards to gender, age, ethnic, skills and experience are assessed and evaluated annually through its Assessment and Succession Plan. Furthermore, establishment of "Gender Diversity Policy" in pursuing its gender diversity agenda proves that Company is committed in enhance diversity on the Board.

Gender Diversity Policy

1. Introduction

   KKB Group is committed to and recognizes the benefit of gender diversity. To the extent practicable, the Group will address the recommendations and commentary provided in the Malaysian Code on Corporate Governance ("MCCG") which was issued in 2021.

2. Objective

   The Gender Diversity Policy provides a framework for the Group to achieve improved employment and career development opportunities for woman.

3. Responsibilities

   (i) The Board's commitment

   The Board is committed to workplace diversity, with a particular focus on supporting the representation of women in the composition of Board of the Company.

   The Board, assisted by management, is responsible for developing strategies to meet the objectives of the Gender Diversity Policy, and monitoring the progress of achieving the objectives through the monitoring, evaluation and reporting mechanisms as listed in section 4 and 5.

   The Board, through Nomination & Remuneration Committee ("NRC"), will conduct all Board appointment process in a manner that promotes gender diversity.

   (ii) Strategies

   The Group's diversity strategies include:

   (a) recruiting from a diverse pool of candidates for female positions;

   (b) reviewing succession plans to ensure an appropriate focus on gender diversity;

   (c) identifying specific factors to take into account the recruitment and selection processes to encourage gender diversity; and

   (d) any other strategies the Board develops from time to time.

4. Evaluation

   The Board, through NRC, will monitor the scope and applicability of this policy, from time to time.

5. Reporting

   In accordance with the Listing Requirements of Bursa Malaysia Securities Berhad on the disclosure of Corporate Governance Statements based on the MCCG 2021, the Company will disclose in the Annual Report, the proportion of woman participation at Board and Senior Management level.

   The Board discloses in its annual report the Company's policy on gender diversity for the Board and Senior Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Table below shows diversity of Board with regards to skills & experience, ethnic, gender and age for year under review.

Directors	Experience & Skills						Ethnic			Gender		Age		
	Audit/Accounting	Construction/Engineering	Energy/Oil & Gas	Tax	Laws/Legal	Finance/Banking	Others	Bumiputera	Non-Bumiputera	Female	Male	Above 50-59	Above 60-69	Above 70
Dato Sri Kho Kak Beng		√	√			√			√		√			√
Mr. Kho Pok Tong		√	√		√	√			√		√	√		
Ms. Kho Poh Lin					√				√	√		√		
Dr Arjunan Subramaniam	√			√	√	√			√		√			√
Datin Mary Sa'diah binti Zainuddin			√					√		√			√	
Mr. Lau Nai Pek	√		√	√		√			√		√			√
Mr. Yong Voon Kar	√			√		√			√		√		√	
Mr. Chai Woon Chew					√				√		√		√	
Ir. Haji Othman bin Abdul Kadir		√	√					√			√		√	

Board Remuneration

The Board has in place a Remuneration Policy and Procedures to determine the remuneration of Directors and Senior Management and is being reviewed annually. Please refer to KKB's website link at https://kkbeb.com.my/about-us/corporate-governance/ for which Remuneration Policy and Procedures. The remuneration packages take into consideration the demands, complexity and performance of the Company as well as skills and experience requirements.

The Board through its NRC will determine the remuneration of each Executive Director, Group Managing Director, Group Chief Financial Officer and Senior Management (as assisted and recommended by Executive Chairman and/or Group Managing Director) reflecting the level of responsibility, experience and commitment. The fees paid to Non-Executive Directors are the responsibilities of the entire Board. No director is involved in determining his/her own remuneration.

The NRC also recommends to the Board the remuneration framework and the remuneration package for Executive Chairman, Group Managing Director and Executive Director, drawing from outside advice as necessary. As part of its ongoing corporate governance exercise, the NRC will also review, approve and recommend to the Board the Senior Management's remuneration package as evaluated and recommended by Executive Chairman and/or Group Managing Director.

The details of remuneration of each Director are disclosed under Practice 8.1 of Section A of the Corporate Governance Report. The remuneration of the Non-Executive Directors will be tabled to the shareholders for approval at the forthcoming 48th Annual General Meeting of the Company to be held on Tuesday, 21 May 2024.

Top Five Senior Management Remuneration

The Board is of the opinion that the disclosure on a named basis the top five Senior Management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 would not be beneficial to the Company and to the individual Senior Management's interest due to the following reasons:

a) Confidentiality and sensitivity of personal information of Senior Management;

b) Will give rise to breach of personal data protection;

c) Security concerns for the staff including their family members;

d) Could potentially create friction among the Senior Management staff;

e) Encourage staff pinching or poaching of executives in the industry; and

f) Detrimental to the Company's continuous effort to attract and retain its scarce human assets/talents.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Nevertheless, the Board ensures that the remuneration of Senior Management commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully.

The Company noted that the non-disclosure of the remuneration of the top five Senior Management is a departure from Practice 8.2 and Step Up 8.3 of the MCCG but nevertheless will consider the application of both practices when the Company is satisfied that there are adequate rules and regulations set in place by the authorities to protect the Company from losing its invaluable human assets/talents.

Corporate Culture

The Board of Directors and Top-level Management are committed to acting professionally, fairly and with integrity in all of the Group's business dealings and relationships in whichever country KKB Group operates.

KKB Group is committed to carrying out its business dealings in an ethical and honest manner, and is committed to implementing and enforcing systems that ensure bribery and corruption is prevented. Therefore, formation of Anti-Bribery & Corruption Policy, Guidelines and Procedures on Adequate Procedures for Anti-Bribery and Corruption Programmes and Code of Business Conduct and Ethics is aimed at prevention of bribery and corruption.

To support the Group's value, to ensure employees can raise concerns without fear of reprisals and to provide a transparent and confidential process for dealing with concerns, KKB Group has put in place a Whistle Blowing Policy & Procedures to uphold the highest standards of professionalism, integrity and ethical behaviour in the conduct of its business and operations. The policy sets out procedures which enables employees and members of the public to raise genuine concerns regarding actual or suspected unethical, unlawful, illegal, wrongful or other improper conduct and also sets out the process for actions to prevent, intimidation or harassment against whistle-blower.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE REPORT

Pursuant to Para 15.15 of BURSA's MMLR, the Board is required to prepare an AC Report for inclusion in this Annual Report.

The AC is authorized by the Board to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the AC. The AC works closely with the RSC and is responsible for assisting the Board in discharging its responsibilities for monitoring the integrity of the Company's financial statements and the effectiveness of the systems of the internal controls and to monitor the effectiveness, performance and objectivity of the internal and external auditors.

The AC shall have unrestricted access to both Internal Auditors or person(s) carrying out the internal audit function or activity and External Auditors and is authorized by the Board to obtain outside legal or other independent professional advice if it considers necessary.

Audit Committee Members

The AC comprises the followings:

Audit Committee Members	Designation	Directorship
Yong Voon Kar	Chairman	Independent Non-Executive Director
Datin Mary Sa'diah binti Zainuddin	Member	Independent Non-Executive Director
Lau Nai Pek	Member	Non-Independent Non-Executive Director

The AC comprises entirely non-executive directors with majority of them being independent directors in compliance with Paragraph 15.09(1)(a) and (b) of Bursa Securities Listing Requirements. Mr. Yong Voon Kar becomes Chairman of AC in place of Dr. Arjunan Subramaniam with effect from 31 May 2023. As Chairman, he is an independent director and not the Chairman of the Board in compliance with Paragraph 15.10 of Bursa Securities Listing Requirements and Practice 1.4 of MCCG.

He is responsible for ensuring the overall effectiveness and independence of the AC.

Duties and Responsibilities of AC

The AC carried out its duties and responsibilities in accordance with its Terms of Reference. All those duties and responsibilities are set out in KKB's website link https://kkbeb.com.my/about-us/corporate-governance/ for further information.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Activities of the AC

During the FYE 2023, the AC held four (4) meetings and carried out its duties as set out in the Terms of Reference. The AC sat on 23 February 2023, 24 May 2023, 18 August 2023 and 21 November 2023. The Group Managing Director, Executive Director and Group Chief Financial Officer were invited to attend all the AC meetings. The Internal Auditors attended all the scheduled quarterly Audit Committee meetings while External Auditors attended the February and November AC meetings.

Details of the members and their attendance are as follows:

Name	AC Meeting Attendance				Frequency
	23.02.2023	24.05.2023	18.08.2023	21.11.2023	
Yong Voon Kar *	√	√	√	√	4/4
Lau Nai Pek	√	√	√	√	4/4
Datin Mary Sa'diah binti Zainuddin *	-	-	√	√	2/2
Dr Arjunan Subramaniam #	√	√	-	-	2/2
Chai Woon Chew #	√	√	-	-	2/2

* *Mr. Yong Voon Kar was redesignated as Chairman and Datin Mary Sa'diah binti Zainuddin appointed as member of AC with effect from 31 May 2023.*

\# *Dr Arjunan Subramaniam and Mr. Chai Woon Chew ceased as Chairman and member of the AC respectively with effect from 31 May 2023.*

The main activities and duties undertaken by the AC during the FYE 2023 were as follows:

a) Reviewed the unaudited quarterly financial statements and the audited annual financial statements of the Company and the Group, prior to recommending the same document for approval by the Board, upon being satisfied that the financial reporting and disclosure requirements to the relevant authorities had been complied with, before releasing to BURSA.

b) Reviewed with the External Auditors the Audit Plan for FYE 2023.

c) The AC sat twice with the External Auditors without the presence of other Directors and employees on 23 February 2023 and 21 November 2023 to determine whether there were any significant issues on the findings of their audit and cooperation extended by management.

d) Reviewed and approved the internal audit plan of the Internal Auditors for 2023, and their quarterly report and findings.

e) The AC sat once with the Internal Auditors or person(s) carrying out the internal audit function or activity without the presence of other Directors and employees on 23 February 2023.

f) Reviewed Quarterly Related Party Transactions which are required to be transacted at arm's length and are not detrimental to the interests of minority shareholders.

g) Reviewed and amended the AC's Terms of Reference, expanded the role of the AC to review conflict-of-interest situations that arose or persist (in addition to those that may arise) and the measures taken to resolve, eliminate or mitigate the conflict of interest [Paragraph 15.12(1)(h) of the Main LR].

h) Considered and recommended the re-appointment of External Auditors and their fees.

i) Reviewed Statement on Risk Management and Internal Control.

j) Reviewed Report of AC.

k) Reviewed Report from Risk Management Committee.

l) Approved the formation of RSC to be tabled and recommend to Board for approval.

m) Reviewed and updated Internal Audit Charter.

n) Assessed the suitability, objectivity and independence of external and internal Auditors through the Evaluation Form.

o) Obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

p) All members of the AC undertook continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. Below are the courses and training taken during the year under review.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Audit Committee Members	Professional Development
Yong Voon Kar	• 2023 ESG & Climate trends to watch – The APAC View • 2023 Budget & Tax Conference • Is Diversification Living Up to The Promise? • 2024 Budget & Tax Conference • Securities Commission's Audit Oversight Board Conversation with Audit Committees • Mandatory Accreditation Programme Part II: Leading for impact
Datin Mary Sa'diah binti Zainuddin	• A Delicate Balance – Board & Management Relationship
Lau Nai Pek	• Financial Reporting on Impact of Climate Change Effects • Mandatory Accreditation Programme Part II: Leading for Impact (LIP) on Sustainability • Khazanah Megatrends Forum 2023 • Anti-Bribery and Anti-Corruption Training

Financial Reporting

The Board is responsible for ensuring accounting records are properly kept and the Company and Group's financial statements are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act. It is assisted by the AC to oversee the Group's financial reporting processes, to determine that the reports fairly present the Group's financial position and the results of its operation and ensure the accuracy and adequacy of the information announced.

The AC is an independent platform for regular discussions between Independent Directors and External Auditors and reviews the Company's process including internal control and communication with Internal Auditors.

Risk & Sustainability

The AC on 18 August 2023 resolved to accept Management's proposal to dissolve existing Risk Management Committee and form a new committee called Risk & Sustainability Committee (RSC) to be in compliance with MMLR, Paragraph 6.3(c) read together with Annexure PN9-A of Practice Note 9 on Sustainability matters. In consequence thereto, the Board agreed RSC be established with immediate effect.

The RSC was established to replace RMC to ensure effectiveness of the Group's internal risk management system and to initiate and implement the Group's sustainability strategies, policies, related framework, priorities, targets and practices as approved by the Board.

The RSC will meet at least three (3) times a year and sit on regular basis and as frequent as required. Committee members shall include but are not limited to the following purposes:

Risk Management

(a) To develop Group Risk Policy and Guidelines.

(b) To develop framework and policies for risk governance and overall risk management, covering all major risks such as credit risk, market risk, operational risk and compliance risk, IT, Cyber, strategic and reputational risks and etc.

(c) To conduct risk identification and evaluation, monitor and formulate mitigation strategies and/or action plans.

(d) To implement the agreed mitigation strategies and/or action plans.

(e) To periodically review overall risk management processes and policies to ensure they remain relevant and effective.

Sustainability

(a) To develop Group Sustainability Policy.

(b) To conduct materiality assessment by identifying and assessing the material sustainability matters which are relevant and important to the Group.

(c) To develop relevant activities and programs as part of embedding sustainability within the Group.

(d) To organize activities to be socially responsible as a Corporate Citizen.

(e) To identify sustainability initiatives that will have business impact on economy, environment, society and governance.

(f) To strengthen and disclose Sustainability Statement in the Annual Report to be performed in accordance with recognized assurance standards where applicable.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The RSC submits a yearly report to the AC on the overall Risk Management and Sustainability processes and effectiveness of the Group's Risk Management and Sustainability through MANCO. Furthermore, RSC also take instructions from and report to the MANCO who shall report to the AC and the Board thereafter.

During the financial year, the RMC met two (2) times on 28 March 2023 and 27 June 2023. RSC also met two (2) times on 1 September 2023 and 31 October 2023. On 18 August 2023, RMC reported directly to the AC on the overall Risk Management processes and effectiveness of the Group's Risk Management activities and processes.

Risk Management and Internal Control

The Board is responsible for establishing a sound system of internal control to safeguard shareholders investments and Company's assets. The information on Group's Risk Management and Internal Control is presented in the Statement on Risk Management and Internal Control as set out in this Annual Report.

The AC assists the Board in fulfilling such obligation by reviewing and evaluating independently its effectiveness and adequacy with the assistance of the Internal Auditors.

In addition to the AC's independent evaluation of the Internal Control system, the RSC also ensures the implementation of a Risk Management Framework relating to all the Group's operations and business activities. The RSC shall be under the purview of and reports to the AC.

Relationship with External Auditors

The Group has always maintained a formal and transparent relationship with its External Auditors in seeking professional advice and ensuring compliance with applicable approved accounting standards, Malaysian Financial Reporting Standards and the Act.

The External Auditors carry out an important role for the shareholders by giving assurance on the reliability of the financial statements. The External Auditors will meet the Board whenever necessary and it shall meet the AC without the presence of other Directors and employees twice a year on February and November meeting.

Internal Auditors

The Group outsourced its Internal Audit function to external party which assists the AC in the discharge of its duties and responsibilities. All internal audit functions during the financial year were conducted by Crowe Corporate Services Sdn. Bhd. and has resumed its internal audit services effective 1 January 2023 in place of Core Business Success Sdn. Bhd. Its role is to provide independent and objective reports on the Group's management, records, accounting policies and controls to the Board.

Once a year, the AC meets with the Internal Auditors without the presence of other Directors and Management of KKB Group. The independent meeting held on 23 February 2023 was to ensure that the internal audit function is effective and able to function independently. The Internal Auditors report directly to the AC and his findings and recommendations are communicated to the Board via the AC.

During the FYE 2023, the total cost incurred for the internal audit function was in the region of RM32, 000.00 (FYE 2022: RM28,000).

A statement on the Internal Audit Function is presented on page 82 of this Annual Report.

Summary of work of Internal Audit

The Internal Audit Function of the Company is outsourced to an independent professional firm in ensuring an independent, objective assurance and to add value to and improve the Group's operations.

For impartiality and independency, the Internal Auditors report directly to the AC on its findings and recommendations quarterly. Any necessary corrective action after reporting to the Board by the AC will be monitored by the Management.

The Internal Auditors carried out its audit assignments as approved by the AC. The audit subjects were selected based on a risk assessment exercise reviewed by the AC. The AC received and reviewed the Internal Audit Reports highlighting audit issues, recommendations and management response and directed actions to be taken by management to rectify and improve the system of risk management and internal control.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

During the FYE 2023, the Internal Auditors executed the approved audit plan and perform internal control review physically and were carried out quarterly for the Company and its subsidiary as follows:

(i) Review of Work Completed for Period 2021 and 2022 in line with Quality Management System (QMS) for Harum Bidang Sdn. Bhd.;

(ii) Information Technology General Controls for KKB Engineering Berhad;

(iii) Audit of Health, Safety and Environment (HSE) for OceanMight Sdn. Bhd.; and

(iv) Audit of Quality Assurance and Quality Control and Health, Safety and Environment for KKB Industries (Sabah) Sdn. Bhd.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Engagement with Stakeholders

The Board recognizes the importance of being transparent and accountable to the Company's investors. Ongoing engagement and communication with stakeholders build trust and understanding between the Company and the stakeholders. It also provides a better appreciation of the Company's objectives and quality of the Management among stakeholders.

The Company practises two-way communication with stakeholders through various means. This includes:

➢ Annual General Meeting ("AGM") is a platform to allow shareholders dialogues and allows shareholders to pose questions for the Board of Directors, Senior Management team, External Auditors and Internal Auditors for response and clarification. Notice of AGM and Notice of Dividend Entitlement and Payment which specify the place, day and hour of the meeting and date of dividend payment is sent out to all shareholders at least twenty-eight (28) days before the meeting.

➢ Company's Annual Report is a corporate report which includes information such as a Company's financial and operational result, risk, corporate governance, sustainability, strategy and objectives. In tandem with the demand from stakeholders for improved disclosures, there has been an increased focus on the way businesses are run, businesses impact the economy, environment and society.

➢ Company's Website is a major platform for communication with the stakeholders. All information about the Company such as 'Corporate Profile', 'Core Activities', 'Investor Relations', 'Company's Achievement' and other information and events can be found in the website.

➢ The Company encourages stakeholder to use email for ease communication today. It increases the speed of communication, saves time and reduces printing and distribution costs and its impact on the environment.

➢ Not every stakeholder has an easy access to IT facilities. Therefore, communication through mail also is still being practised. Stakeholders may write to us should they have any questions and Management will reply them. E.g., Minority Shareholders Watch Group.

➢ Telephone and Facsimile. Stakeholders also can make a call or fax over if they have any question or queries to ask.

➢ Stakeholders may request for printed Corporate Profile and Flyers so they know more information on the Company businesses and products.

Conduct of General Meetings

The Company's Forty-Seventh (47th) AGM for year end 2022 was held on 25 May 2023. The physical meeting is conducted at Abell Hotel, No. 22, 4th Floor, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak. Notice of the said AGM was issued to all members and published in "The Star" newspaper on 19 April 2023, in accordance with Company's Constitution.

The said notice has been issued to all members within the prescribed period by electronic means via KKB's website. Members would have received the written notification which contains the link at https://kkbeb.listedcompany.com/agm.html to access the Annual Report 2022, Circular to Shareholders, Notice of AGM and Proxy Form.

During the AGM, members are allowed to inspect all minutes of AGM, Statutory Register Book and Company's Constitution. There is the Questions and Answers session where shareholders and proxies can exercise their rights to speak or communicate on questions in relation to the agenda items of the AGM. The questions were then answered by either the Chairman, Directors, Auditors, Group Chief Financial Officer or Company Secretary.

A shareholder, namely the Minority Shareholders Watch Group ("MSWG") had raised some points and queries relating to the strategy and financial matters of the Company and corporate governance matters. A written reply has been forwarded to MSWG on 11 May 2023, a copy of which was given to all the members upon registration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Pursuant to the Paragraph 8.29A(1) of Bursa Securities Listing Requirements, "a listed issuer must ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll". In this connection, Tengis Corporate Services Sdn. Bhd. was appointed as Poll Administrator to conduct the polling procedure while Commercial Quest Sdn. Bhd. was appointed as the Independent Scrutineer to validate the votes cast at the AGM.

At the AGM, Tengis Corporate Services Sdn. Bhd. briefed attendees on the Company's voting procedures before the meeting started. Polling procedures are as follows:

1) Poll Administrator distributed the Polling Slips to all members, proxies and corporate representatives during registration.

2) Members to indicate their vote on the resolution concerned as they deem fit.

3) Poll Administrator filled up the Polling Slips according to the voting instructions as stated in the proxy form for proxies. If there are no voting instructions given in the proxy form, proxies have to vote as proxies deem fit or proxies may abstain from voting on any one (1) of the resolutions.

4) Members who are also a proxy or corporate representative need to complete the Polling Slip separately.

5) Members to indicate their vote with an "X" in the column provided for votes "for" and "against" in respect of resolutions and sign the Polling Slip. Please do not mark both columns. If they choose to abstain from voting on any one (1) of the resolutions, please leave the "for" and "against" boxes blank in respect of that particular resolution.

6) When done, sign off the Polling Slip, fold it into 4 and deposit it into the balloting box. Votes will be treated as spoilt when:

   (i) the Polling Slip is not signed by the members or proxies or corporate representative; or

   (ii) voting is not clearly indicated. For example, when both columns provided for votes "for" and "against" in respected resolution have been marked; or

   (iii) the Polling Slip that has alteration on it but has not been initialled by the members, proxies or corporate representatives; or

   (iv) the Polling Slip is torn, defaced, smudged or crushed.

7) Poll Administrator will be handling the polling process and Scrutineers will be overseeing the conduct of the poll and scrutinizing the votes cast.

8) Once the completed Polling Slip is dropped into the balloting box, the balloting box would be taken to the counting room for purposes of counting and scrutinizing, the Scrutineers shall read out the results of the poll and hand the results slip to the Chairman.

9) After that, the Chairman will declare whether the resolutions are carried or not carried.

Based on the polling results confirmed by the Scrutineers, all resolutions as set out in the notice of the 47th AGM dated 19 April 2023 were duly accepted and carried. The key matters and minutes of the 47th AGM is announced on Bursa website and published in the Company's website for shareholders accessible.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Act to prepare financial statements for the financial year which has been made out in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company and of their financial performance and cash flows for the financial year ended then.

In preparing the financial statements of the Company and the Group, the Directors have adopted suitable accounting policies and applying them consistently, have made judgments and estimates that are reasonable and prudent and ensuring applicable accounting standards have been complied with.

All financial results required for announcement to Bursa Securities by the Board are released within stipulated timeframe.

*This Corporate Governance Overview Statement is made in accordance with a resolution of the Board dated **22 February 2024**.*

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") is committed to maintain an effective risk management framework and a sound system of internal control within the Group. The Board is pleased to provide the following statement on Risk Management and Internal Control for the financial year ended 31 December 2023. This statement is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, Principle B of Malaysian Code on Corporate Governance ("MCCG") and guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

Responsibility of the Board

The Board of Directors affirms its responsibility in maintaining a sound system of internal control and risk management procedures within the Group and constantly reviews its adequacy and effectiveness in order to achieve the Group's strategic objectives.

On 18 August 2023, the Board had resolved on the formation of a Risk & Sustainability Committee ("RSC") to replace Risk Management Committee ("RMC") with the risk management matters being embedded into the new RSC to include sustainability matters. The formation is timely and necessary to comply with the Listing Requirements and Bursa's Enhanced Sustainability Disclosures. The RSC supports the Board in fulfilling its oversight responsibilities in relation to the KKB Group's sustainability strategies and initiatives covering Environmental, Social and Governance ("ESG") matters and integrating such policies and practices into the Group's business and decision-making process.

In maintaining a sound system of risk management and internal control in the Group, the Board is assisted by two (2) Board Committees namely the Audit Committee and Nomination & Remuneration Committee. Besides, the Board is also assisted by Management Committees such as the Management Executive Committee ("MANCO"), RSC and Information Technology Committee (ITC). These committees are guided by their terms of reference to ensure the adequacy and integrity of the risk management practices and the internal control system.

Reporting to the Audit Committee are the External Auditors, the Internal Auditors and the MANCO. RSC submits a yearly report to the Audit Committee on the overall Risk Management and Sustainability processes and effectiveness of the Group's Risk Management and Sustainability through MANCO. RSC takes instructions from and reports to MANCO which will, in turn, report to the Audit Committee and the Board thereafter. The Board, therefore, through the Audit Committee, provided with reasonable assurance that any adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed accordingly.

In addition, the Board also received assurance from the Group Managing Director and Group Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively in all material aspects.

The Board also recognizes that reviewing the Group's system of risk management and internal control is a concerted and continuing process and the objectives of having the risk management framework and system of internal control in place is to manage rather than eliminate risk of failure to achieve business objectives. Therefore, any part of this system can only provide reasonable but not absolute assurance against material misstatement, fraud or loss occurrence.

Risk Management Framework

The Board recognizes the importance of identifying principal risks and ensuring the implementation of appropriate systems to manage the risks.

It regards risk management as an ongoing process and an integral part of the day-to-day operations of the Group. It recognizes that and pursuant to the MCCG, a risk management program must be implemented to ensure that all key risks are identified and managed appropriately and sufficiently. The Board has established a framework for identifying, evaluating, managing and reporting the significant risks of the Group.

The Board together with the assistance of the Audit Committee, the MANCO, RSC, professionals and advisers such as the External Auditors and Internal Auditors, identify risks as an ongoing process and ensure continuous risk management arising therefrom.

Risk & Sustainability Committee ("RSC")

The RSC which comprises Executive Directors and Senior Management staff was set up to further enhance and improve the process of risk management and to execute in accordance with the Terms of Reference laid down.

As an ongoing process the RSC carries out risk identification, evaluates, monitors and formulates mitigation strategies on risks identified. The RSC executes its duties based on the Group's operational activities and manages risks as directed by the Audit Committee who in turn reports to the Board.

The RSC periodically reviews risk management processes and policies to ensure relevancy and effectiveness. It will then submit an annual report on the overall risk management processes and activities to the Audit Committee.

During the financial year under review, the RSC held four (4) meetings and worked within the adopted risk management framework. This process is monitored and reviewed by the Audit Committee who reports to and makes the appropriate recommendations to the Board.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

The risk responses and internal controls that the management have implemented and/or are implementing are documented in the minutes of meetings of the RSC. For each of the risks identified, management is assigned to ensure appropriate risk response actions are taken and carried out.

Internal Audit Function

Whilst the RSC operates within the confines of its Terms of Reference and reports to the Audit Committee in ensuring that a sound system of risk management and internal control is maintained, the adequacy and effectiveness of the risk management and internal control system are further assured by the outsourcing and engagement of an independent firm, Crowe Corporate Services Sdn. Bhd. which possesses the necessary expertise to perform its duties. The independent firm is adequately resourced to ensure the audit activities are carried out professionally with independence, objectivity and impartiality without interference.

The Internal Auditors' role is separate (although may overlap) from that of the RSC as it regularly evaluates on an independent basis the effectiveness and appropriateness of the entire risk management and internal control structure as directed by the Audit Committee. In addition, the Internal Auditors may also provide such assurance and advice covering specialized areas. The Internal Auditors carry out detailed risk audits on identified areas as directed and approved by the Audit Committee. The Audit Committee considers the report from the internal auditors and responses from Management and thereafter reports to the Board with its conclusion.

During the financial year under review, the Audit Committee discussed with the Internal Auditors on the following areas where audits were carried out:

(i) Review of Work Completed for Period 2021 and 2022 in line with Quality Management System (QMS) for Harum Bidang Sdn. Bhd.;

(ii) IT Audit on Information Technology General Controls (ITGC) for KKB Engineering Berhad;

(iii) Audit of Health, Safety and Environment (HSE) for OceanMight Sdn. Bhd.; and

(iv) Audit of Quality Assurance and Quality Control and Health, Safety and Environment for KKB Industries (Sabah) Sdn. Bhd.

At the conclusion of each audit, the Internal Auditors submitted their findings and recommendations to the Audit Committee during the scheduled Audit Committee meeting.

The total costs incurred for the Internal Audit Function in respect of the financial year ended 31 December 2023 was in the region of RM32,000 (FYE 2022: RM28,000).

Key Processes of Risk Management & Internal Control

Other key areas of the Group's risk management and internal control system include the following:

- Scheduled management meetings for each division and department to review operational matters, contingency plans, new requirements and updates.
- ISO 9001:2015 Quality Management System certifications for operational control procedures with stringent documentation requirements provide assurance that a trail of accountability exists which will facilitate continuous quality improvement.
- ISO 45001:2018 Occupational, Health & Safety Management System and documented system procedures provide for continual improvements and management commitment in regulatory compliance.
- Establishment of a system of governance through its Code of Business Conduct and Ethics, Whistle Blowing Policy & Procedures, Corporate Disclosure Policy, Dividend Policy, Remuneration Policy & Procedures, Gender Diversity Policy, Anti-Bribery & Corruption Policy, Succession Planning Policy, Sustainability Policy, Directors' Fit and Proper Policy, Internal Audit Charter, Board Charter and Sustainability Policy.
- Establishment of Employee's Handbook, Health & Safety Manual and other publications provide for continuous assurance and trail of accountability.
- A well-structured organizational hierarchy with formally defined lines of responsibility and duties.
- Employee's Performance appraisal on a yearly basis, and to align it with the Group's Pay and Reward Scheme.
- The Human Resource & Business Services Department continuously facilitates operational skills and leadership development and training as well as knowledge enhancement for employees against company's business requirements, consistent with the Group's Mission to be "A Preferred Place of Work" of employees.
- Implementation of Enterprise Resource Planning (ERP) using Oracle JD Edwards EnterpriseOne (Release 9.2) to integrate and improve the overall efficiency of the Group's financial and operational control, and to optimize capacity utilization.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

- Comprehensive and timely financial reporting to the Audit Committee and then to the Board on quarterly financial performance.
- Legal, Corporate and Listing Requirements compliance are continuously addressed, monitored and managed via a single focal point through the Executive Director in charge of Legal and Corporate Affairs, assisted and advised by the Legal Counsel and Company Secretary as and when necessary.
- Annual review of Group Succession Plan by NRC as it is an ongoing strategic approach of KKB Group to ensure that necessary talent and skills will be available when needed, and that essential knowledge and abilities will be maintained when employees in critical positions leave.
- Adequate insurance coverage on major assets and transactions to prevent material losses and reduce potential contingent liabilities.
- Implementation of comprehensive procedures and SOPs in respect of Cyber Security by IT Committee and IT Department.
- Review of the Risk Profile to monitor whether risks identified during the period under review have been mitigated.
- Implementation of Sustainability Governance to stay relevant and competitive.
- Conduct thorough risks materiality assessments to develop a deeper understanding of the sustainability issues that matter most in the current operating environment.

Review of the statement by External Auditors

As required by Para 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2023, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board in respect of any aspect of this report.

Conclusion

In reviewing the risk management and internal control of the Group, the Board confirms that the system of risk management and internal control with the key control processes as listed above are in place during the financial year. There is a continuous process for identifying, evaluating and managing significant risks to assess and enhance the effectiveness of the risk management and internal control system.

Notwithstanding the above, as business continues to grow, more emphasis will be placed on maintaining sound Risk Management practices and establishing a sustainable Risk Management framework.

Overall, the Board is satisfied that the risk management and internal control system is in place for the year under review and is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

The Board is not aware of any significant material weaknesses in risk management and internal control resulting in significant losses. Management will continue to review the adequacy and integrity of the Group's risk management and internal control system.

*This Statement is made in accordance with a resolution of the Board dated **22 February 2024**.*

Premier of Sarawak Industry Excellence Awards (PSIEA) 2023

GROUP OPERATIONS

CORPORATE & SOCIAL EVENTS

Directors' Report & Audited Financial Statements

For The Financial Year Ended 31 December 2023

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

Principal activities

The principal activities of the Company consist of steel fabrication, civil construction, hot dip galvanising and the manufacture of LPG cylinders. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM	Company RM
Profit net of tax	34,345,691	16,536,774
Profit attributable to:		
Equity holders of the parent	26,628,838	16,536,774
Non-controlling interests	7,716,853	-
	34,345,691	16,536,774

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

Dividends

The amount of dividends paid by the Company since 31 December 2022 was as follows:

	RM
In respect of the financial year ended 31 December 2022:	
First and final single tier dividend of 6 sen on 288,727,040 ordinary shares, declared on 23 February 2023 and paid on 15 June 2023	17,323,622

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2023 of 7 sen per ordinary share, amounting to a dividend payable of RM20,210,893 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

Directors

The directors of the Company in office since the beginning of the financial year and up to the date of this report are:

Dato Sri Kho Kak Beng**
Dr. Subbramaniam A/L Arjunan
Chai Woon Chew
Lau Nai Pek
Datin Mary Sa'diah Binti Zainuddin
Kho Pok Tong**
Kho Poh Lin***
Yong Voon Kar
Ir. Haji Othman Bin Abdul Kadir (Appointed on 1 June 2023)

** These directors are also directors of the Company's subsidiaries and associate.
*** This director is also a director of the Company's subsidiaries.

DIRECTORS' REPORT (CONT'D)

The directors of the Company's subsidiaries and associate in office since the beginning of the financial year and up to the date of this report (not including those directors listed above) are:

Tan Sri Abd Rahman Bin Mamat
Dato' Anwarrudin Bin Ahamad Osman
Diwek Anak Dayus
Dominic A/L Laah
Ng Eng Keat
Daniel Adam Soo
Ir. Dr. Chan Tuck Leong
Liew Hup Kui (Appointed on 1 January 2024)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 29 to the financial statements.

The directors' benefits are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors' remuneration				
Executive directors' remuneration:				
- Other emoluments	6,388,257	5,605,582	5,968,529	5,171,752
- Estimated money value of benefit-in-kind	115,785	75,578	115,785	75,578
	6,504,042	5,681,160	6,084,314	5,247,330
Non-executive directors' remuneration:				
- Fees	372,855	333,900	372,855	333,900
- Other emoluments	135,904	106,186	70,000	76,000
	508,759	440,086	442,855	409,900
Total directors' remuneration (Note 11)	7,012,801	6,121,246	6,527,169	5,657,230

Indemnification of directors and officers

The Group maintains a liability insurance for the directors and officers of the Group. The amount of insurance premium effected for the directors and officers of the Group and the Company during the financial year was RM8,090. The directors and officers shall not be indemnified by such insurance for any negligence, fraud, intentional breach of the law or breach of trust proven against them.

There were no payments of indemnification during the financial year and up to the date of this report.

DIRECTORS' REPORT (CONT'D)

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	As at 01.01.2023	Bought	Sold	As at 31.12.2023
The Company				
Direct interest				
Dato Sri Kho Kak Beng	5,058,780	29,000	-	5,087,780
Chai Woon Chew	435,720	-	-	435,720
Kho Pok Tong	824,900	20,000	-	844,900
Kho Poh Lin	618,500	-	-	618,500
Indirect interest				
Dato Sri Kho Kak Beng*	112,818,700	62,000	-	112,880,700
Chai Woon Chew***	14,400,000	-	-	14,400,000
Kho Pok Tong**	112,330,620	62,000	-	112,392,620
Kho Poh Lin*	112,930,620	62,000	-	112,992,620

	Number of ordinary shares Shareholdings registered in the names of directors 01.01.2023 and 31.12.2023
Holding company	
Kho Kak Beng Holding Company Sdn. Bhd.	
Dato Sri Kho Kak Beng	234,091
Kho Pok Tong	36,720
Kho Poh Lin	36,720

Dato Sri Kho Kak Beng, Kho Pok Tong and Kho Poh Lin, by virtue of their interests in shares of KKB Engineering Berhad, are also deemed interested in the shares of the subsidiaries to the extent of the Company's interest in these companies.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

* Deemed interest pursuant to Section 8 and Section 59(11)(c) of the Companies Act 2016.
** Deemed interest pursuant to Section 8 of the Companies Act 2016.
*** Deemed interest pursuant to Section 8(4)(b) of the Companies Act 2016.

Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no bad debts and that adequate allowance had been made for doubtful debts; and

- (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

- (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

- (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT (CONT'D)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

    (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

    (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

    (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

    (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Holding company

The holding company is Kho Kak Beng Holding Company Sdn. Bhd., a company incorporated and domiciled in Malaysia, with its registered office located at No.22, 4th Floor, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak.

Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

The auditors' remuneration of the Group and Company for the financial year are RM313,280 and RM192,500 respectively.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Ernst & Young PLT for the financial year ended 31 December 2023.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 March 2024.

(Signed)	(Signed)
Dato Sri Kho Kak Beng	**Yong Voon Kar**

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **Dato Sri Kho Kak Beng** and **Yong Voon Kar**, being two of the directors of **KKB Engineering Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 95 to 157 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and their cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 March 2024.

(Signed)

Dato Sri Kho Kak Beng

(Signed)

Yong Voon Kar

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Diwek Anak Dayus**, being the officer primarily responsible for the financial management of **KKB Engineering Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 95 to 157 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Diwek Anak Dayus**
at Kuching in the State of Sarawak
on 18 March 2024.

(Signed)

Diwek Anak Dayus
(MIA 10988)

Before me,

Phang Dah Nan
(Q119)
Commissioner For Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KKB ENGINEERING BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **KKB Engineering Berhad**, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a material accounting policy information, as set out on pages 95 to 157.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Revenue Recognition Relating to Engineering and Construction Contracts

A significant proportion of the Group's and the Company's revenue is derived from engineering and construction contracts which span more than one accounting period. For the year ended 31 December 2023, the Group and the Company recorded revenue from engineering and construction contracts amounting to approximately RM445 million and RM117 million, representing 94% and 93% of the Group's and the Company's revenue, respectively.

Revenue from engineering and construction contracts of the Group and the Company is measured using the input method, which is based on actual costs incurred for the work performed up to the balance sheet date relative to the total estimated budgeted costs of the contracts, in accounting for the progress towards complete satisfaction of the Group's and the Company's performance obligations.

Management estimates the revenue and the budgeted costs at the inception of the contracts and regularly assesses the progress of the construction works as well as the financial impact arising from changes in scopes, claims, foreseeable losses and liquidated ascertained damages. The process to measure revenue and budgeted costs, including the determination of the appropriate timing of revenue recognition, involves significant management judgement and estimates and these factors may give rise to a risk of inappropriate recognition of revenue. Considering the above, we determined this to be a key audit matter.

Our audit procedures to address these areas of audit focus include the following:

- Obtained an understanding of the process and internal controls over the accuracy and timing of revenue recognised in the financial statements, including the controls maintained by management in estimating the total budgeted costs on each contract;
- Reviewed each contract and obtained an understanding of the salient terms and conditions of the contract;
- Evaluated the assumptions applied in estimating the budgeted costs for engineering and construction contracts by examining documentary evidence such as letters of award issued to contractors, bill of quantities, supplier quotations for materials sourced to support the budgeted costs;
- Considered the historical accuracy of management's budgets and assessed the reasonableness of the margins on each contract by comparing to similar engineering and construction contracts in the past;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KKB ENGINEERING BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

Report on the audit of the financial statements (cont'd)

Key audit matters (cont'd)

Revenue Recognition Relating to Engineering and Construction Contracts (cont'd)

Our audit procedures to address these areas of audit focus include the following: (cont'd)

- Assessed the competency of the management's experts involved in preparing the budgeted costs;
- Evaluated the determination of the progress towards complete satisfaction of the Group's and the Company's performance obligations by examining supporting evidence such as contractors' progress claims and suppliers' invoices;
- Assessed the financial implications arising from the potential delays in the execution of the projects; and
- Reviewed project minutes of discussions between key project team members and the key representatives from the customer to understand the status of the ongoing projects.

The Group's and the Company's disclosures on revenue recognition are included in the material accounting policy information in Note 2.22 to the financial statements, as well as the significant accounting judgements and estimates in Note 3(a) to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KKB ENGINEERING BERHAD (INCORPORATED IN MALAYSIA) (CONT'D)

Report on the audit of the financial statements (cont'd)

Auditors' responsibilities for the audit of the financial statements (cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

(Signed)

ERNST & YOUNG PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

(Signed)

AU YONG SWEE YIN
No. 03101/02/2026 J
Chartered Accountant

Kuching, Malaysia
Date: 18 March 2024

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Revenue from contracts with customers	4	470,977,755	386,843,019	125,684,772	88,226,057
Dividend income from subsidiaries		-	-	9,000,000	9,000,000
Revenue		470,977,755	386,843,019	134,684,772	97,226,057
Cost of sales		(384,369,147)	(329,017,659)	(90,682,304)	(61,275,801)
Gross profit		86,608,608	57,825,360	44,002,468	35,950,256
Selling and distribution expenses		(2,812,696)	(525,566)	(1,092,675)	(521,046)
Administrative expenses		(39,165,439)	(32,878,349)	(17,636,381)	(16,075,016)
Operating profit		44,630,473	24,421,445	25,273,412	19,354,194
Finance costs	7	(2,204,680)	(428,891)	(7,217)	(14,212)
Finance income	8	1,034,687	439,996	890,910	526,263
Other expenses		(3,080,363)	(5,543,790)	(6,679,345)	(4,284,177)
Other income	9	9,848,390	4,740,606	4,623,474	3,559,381
Share of results of associates		1,933,604	1,464,963	-	-
Profit before tax	10	52,162,111	25,094,329	24,101,234	19,141,449
Income tax expense	12	(17,816,420)	(6,627,714)	(7,564,460)	(2,899,043)
Profit for the year, net of tax, representing total comprehensive income for the year		34,345,691	18,466,615	16,536,774	16,242,406
Attributable to:					
Equity holders of the parent		26,628,838	11,705,101	16,536,774	16,242,406
Non-controlling interests		7,716,853	6,761,514	-	-
		34,345,691	18,466,615	16,536,774	16,242,406

	Note	Group 2023 sen	Group 2022 sen
Earnings per share attributable to equity holders of the parent			
Basic	13	9.22	4.05

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
ASSETS					
Non-current assets					
Property, plant and equipment	14	135,348,156	135,005,814	116,538,615	115,169,648
Investment in subsidiaries	15	-	-	32,989,379	37,714,893
Investment in associates	16	9,963,766	8,030,162	100,000	100,000
Goodwill	17	1,632,667	1,632,667	-	-
Deferred tax assets	12	3,964,181	2,620,094	-	-
		150,908,770	147,288,737	149,627,994	152,984,541
Current assets					
Inventories	18	51,504,980	47,655,553	12,442,074	14,032,707
Trade and other receivables	20	80,952,531	77,510,061	49,553,288	44,124,780
Contract assets	21	124,433,775	54,264,603	22,429,617	1,467,625
Other current assets	22	2,402,352	6,892,230	544,526	1,605,490
Short term funds	23	196,488,120	205,331,452	77,728,941	104,862,155
Cash and short-term deposits	24	35,687,693	16,132,280	18,333,235	10,203,862
		491,469,451	407,786,179	181,031,681	176,296,619
TOTAL ASSETS		642,378,221	555,074,916	330,659,675	329,281,160
EQUITY AND LIABILITIES					
Equity					
Issued capital	27	175,254,461	175,254,461	175,254,461	175,254,461
Retained earnings		232,351,383	223,046,167	130,442,770	131,229,618
Equity attributable to equity holders of the parent		407,605,844	398,300,628	305,697,231	306,484,079
Non-controlling interests		51,244,216	44,527,363	-	-
TOTAL EQUITY		458,850,060	442,827,991	305,697,231	306,484,079
Non-current liabilities					
Deferred tax liabilities	12	6,161,723	285,812	2,805,975	285,813
Lease liabilities	25	7,374	93,857	7,374	93,857
Trade and other payables	26	7,915,262	6,986,596	-	-
		14,084,359	7,366,265	2,813,349	379,670
Current liabilities					
Contract liabilities	21	9,841,123	4,241,777	1,843,071	-
Lease liabilities	25	96,098	140,364	86,483	140,364
Trade and other payables	26	157,856,128	100,329,332	20,219,541	22,277,047
Income tax payable		1,650,453	169,187	-	-
		169,443,802	104,880,660	22,149,095	22,417,411
TOTAL LIABILITIES		183,528,161	112,246,925	24,962,444	22,797,081
TOTAL EQUITY AND LIABILITIES		642,378,221	555,074,916	330,659,675	329,281,160

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Equity attributable to equity holders of the parent				
		Issued capital (Note 27) RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2023		175,254,461	223,046,167	398,300,628	44,527,363	442,827,991
Total comprehensive income		-	26,628,838	26,628,838	7,716,853	34,345,691
Transactions with owners						
Dividends on ordinary shares	30	-	(17,323,622)	(17,323,622)	-	(17,323,622)
Dividends paid to non-controlling interests		-	-	-	(1,000,000)	(1,000,000)
At 31 December 2023		175,254,461	232,351,383	407,605,844	51,244,216	458,850,060
At 1 January 2022		175,254,461	225,777,418	401,031,879	38,765,849	439,797,728
Total comprehensive income		-	11,705,101	11,705,101	6,761,514	18,466,615
Transactions with owners						
Dividends on ordinary shares	30	-	(14,436,352)	(14,436,352)	-	(14,436,352)
Dividends paid to non-controlling interests		-	-	-	(1,000,000)	(1,000,000)
At 31 December 2022		175,254,461	223,046,167	398,300,628	44,527,363	442,827,991

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Issued capital (Note 27) RM	Retained earnings RM	Total equity RM
At 1 January 2023		175,254,461	131,229,618	306,484,079
Total comprehensive income		-	16,536,774	16,536,774
Transactions with owners				
Dividends on ordinary shares	30	-	(17,323,622)	(17,323,622)
At 31 December 2023		175,254,461	130,442,770	305,697,231
At 1 January 2022		175,254,461	129,423,564	304,678,025
Total comprehensive income		-	16,242,406	16,242,406
Transactions with owners				
Dividends on ordinary shares	30	-	(14,436,352)	(14,436,352)
At 31 December 2022		175,254,461	131,229,618	306,484,079

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Operating activities					
Profit before tax		52,162,111	25,094,329	24,101,234	19,141,449
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation of property, plant and equipment	10	9,986,766	10,692,994	8,430,752	8,950,751
Property, plant and equipment written off	10	43	413	43	413
(Gain)/loss on disposal of property, plant and equipment	10	(70,998)	4,168	(19,999)	(1,996)
Bad debt written off	10	-	22,863	-	22,863
Dividend income	9	(1,838,652)	(1,285,845)	(847,981)	(856,871)
Dividend income from subsidiaries		-	-	(9,000,000)	(9,000,000)
Fair value changes in short term funds	9	(4,555,828)	(2,194,917)	(1,854,225)	(1,733,732)
Interest income from financial assets	8	(1,034,687)	(439,996)	(890,910)	(526,263)
Finance costs	7	2,204,680	428,891	7,217	14,212
Impairment loss on trade receivables	10	820,514	971,314	820,514	788,314
Net unrealised foreign exchange (gain)/loss	10	(152,210)	138,044	(148,829)	148,292
(Reversal of write down)/ write down of slow moving inventories	10	(15,810)	90,017	11,634	-
Impairment loss in a subsidiary	10	-	-	4,725,516	-
Share of results of associates		(1,933,604)	(1,464,963)	-	-
Total adjustments		3,410,214	6,962,983	1,233,732	(2,194,017)
Operating cash flows before changes in working capital		55,572,325	32,057,312	25,334,966	16,947,432
<u>Working capital adjustments:</u>					
Increase in receivables		(3,803,080)	(18,999,006)	(6,031,819)	(16,672,812)
(Increase)/decrease in inventories		(3,833,617)	969,936	1,578,999	(4,263,864)
(Increase)/decrease in contract assets		(70,169,172)	5,078,547	(20,961,992)	(1,467,625)
Increase/(decrease) in contract liabilities		5,599,346	-	1,843,071	(9,038,807)
Increase/(decrease) in payables		58,291,633	31,273,319	(2,056,969)	2,744,558
Decrease in other current assets		-	881,673	-	-
Total changes in working capital		(13,914,890)	19,204,469	(25,628,710)	(28,698,550)
Cash flows generated from/(used in) operating activities		41,657,435	51,261,781	(293,744)	(11,751,118)
Interest paid		(2,204,680)	(428,891)	(7,217)	(14,212)
Net taxes paid		(7,313,452)	(8,850,799)	(3,983,334)	(4,969,606)
Net cash flows generated from/ (used in) operating activities		32,139,303	41,982,091	(4,284,295)	(16,734,936)
Investing activities					
Proceeds from disposal of property, plant and equipment		71,000	10,013	20,000	2,000
Purchase of property, plant and equipment	14	(10,317,696)	(805,395)	(9,799,763)	(760,867)
Dividend received from subsidiaries		-	-	9,000,000	9,000,000
Investment in short term funds		(76,507,648)	(93,000,188)	(29,004,248)	(8,000,000)
Redemption of short term funds		91,745,460	48,463,210	58,839,668	28,211,251
Interest received		890,822	439,996	821,999	526,263
Acquisition of shares in a subsidiary		-	-	(2)	-
Net cash flows generated from/(used in) investing activities		5,881,938	(44,892,364)	29,877,654	28,978,647

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Financing activities					
Repayment of principal portion of lease liabilities	25	(142,206)	(193,975)	(140,364)	(186,952)
Dividends paid to shareholders of the Company	30	(17,323,622)	(14,436,352)	(17,323,622)	(14,436,352)
Dividends paid to non-controlling interests		(1,000,000)	(1,000,000)	-	-
Increase in short-term deposits with maturity more than 3 months		(10,258,380)	-	(5,154,243)	-
Increase in deposits pledged for bank guarantee		(219,100)	-	(219,100)	-
Net cash flows used in financing activities		(28,943,308)	(15,630,327)	(22,837,329)	(14,623,304)
Net increase/(decrease) in cash and cash equivalents		9,077,933	(18,540,600)	2,756,030	(2,379,593)
Cash and cash equivalents at 1 January		15,832,280	34,372,880	9,903,862	12,283,455
Cash and cash equivalents at 31 December	24	24,910,213	15,832,280	12,659,892	9,903,862

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 865, Section 66, Jalan Kilang, Bintawa Industrial Estate, 93450 Kuching, Sarawak.

The holding company is Kho Kak Beng Holding Company Sdn. Bhd., a company incorporated and domiciled in Malaysia with its registered office located at No.22, 4th Floor, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak.

The principal activities of the Company are steel fabrication, civil construction, hot dip galvanising and the manufacture of LPG cylinders. The principal activities of the subsidiaries are set out in Note 15. There have been no significant changes in the nature of the principal activities during the financial year.

2. Basis of preparation and material accounting policy information

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Company.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that, in the current financial year, the Group and the Company adopted the standards and amended MFRSs (collectively referred to as "pronouncements"), which are effective for annual financial periods as follows:

Description	Effective for annual periods beginning on or after
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts (including amendments on Initial Application of MFRS 17 and MFRS 9 - Comparative Information)	1 January 2023
Amendments to MFRS 101 and Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform Pillar Two Model Rules	1 January 2023

The adoption of these pronouncements did not have any material effect on the financial performance or position of the Group or of the Company.

2.3 Standards issued but not yet effective

The pronouncements that are issued but not yet effective up to the date of issuance of the Group and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these pronouncements, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements	1 January 2024

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The pronouncements are not expected to have any material impact to the financial statements of the Group and of the Company.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.4 Basis of consolidation (cont'd)

Business combinations and goodwill (cont'd)

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5 Current versus non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.6 Foreign currencies

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss when incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold land is depreciated over the remaining lease term. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, as follows:

Buildings	50 years
Plant, machinery and tools	5 - 10 years
Motor vehicles	5 years
Office furniture and equipment	5 - 10 years

Capital work-in-progress is not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.8 Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the separate financial statements of the Company, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

Dividend income is recognised when the Company's right to receive payment is established.

2.9 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.10 Impairment of non-financial assets

An assessment is made at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating units ("CGU")'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These forecast calculations generally cover a period of one or more years.

Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the asset's or CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Goodwill is tested for impairment annually at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.11 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the practical expedient has been applied, the Group and the Company initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the practical expedient has been applied are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual costs held while financial asset classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.11 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(c) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

For purposes of subsequent measurement, financial assets are classified in four categories: (cont'd)

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes investment securities which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on investment securities are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.12 Impairment of financial assets (cont'd)

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.14 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.15 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase costs on a weighted average cost basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

2.17 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.17 Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(b) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.18 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs when the likelihood of default by the debtors is more than probable. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group or the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset.

All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs are incurred in connection with the borrowing of funds.

2.20 Employee benefits

(a) Short-term benefits

Wages, salaries, allowances, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.21 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are classified within the same line item as the corresponding underlying assets would be presented if they were owned. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	over period of the lease
Buildings	1 to 2 years
Motor vehicles	5 years

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and by the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use their incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to their short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). They also apply the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.21 Leases (cont'd)

As a lessor

Leases in which the Group or the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group or the Company expects to be entitled in exchange for those goods or services. The Group and the Company have generally concluded that they are the principal in its revenue arrangements.

(a) Sale of manufacturing goods

Revenue from sale of manufacturing goods consist of a single performance obligation and is recognised at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods or collection from customers.

(b) Engineering and construction works

The Group and the Company recognise construction revenue over time as the project being constructed has no alternative use to the Group and the Company and they have an enforceable right to the payment for the performance completed to date. The stage of completion is measured using the input method, which is based on the costs incurred relative to total estimated costs.

The Group and the Company consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group and the Company consider the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group and the Company estimate the amount of consideration to which they will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(ii) Significant financing component

When the Group or the Company receive short-term advances from their customers, using the practical expedient in MFRS 15, the Group or the Company do not adjust the promised amount of consideration for the effects of a significant financing component if they expect, at contract inception, that the period between the transfer of the promised goods or services to the customer and when the customer pays for that goods or services will be one year or less.

Contract balances

(a) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group or the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.22 Revenue from contracts with customers (cont'd)

Contract balances (cont'd)

(b) Trade receivables

A receivable represents the right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

(c) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group or the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group or the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group or the Company performs under the contract.

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

2. Basis of preparation and material accounting policy information (cont'd)

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group and the Company offset deferred tax assets and deferred tax liabilities if and only if they have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on its products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 5, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Issued capital and share issuance expenses

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs and are not remeasured subsequently. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group or the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

2.27 Dividend

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company.

3. Significant accounting estimates and judgements

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

3. Significant accounting estimates and judgements (cont'd)

Key sources of estimation uncertainty (cont'd)

(a) Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Determining the timing of satisfaction of engineering and construction works

  The Group concluded that revenue from engineering and construction works is to be recognised over time because the projects being constructed have no alternative use to the Group. The Group determined that the input method is the best method in measuring progress of the engineering and construction work because there is a direct relationship between Group's effort and the transfer of services to customers. Significant judgement is required in determining the stage of completion which will impact the revenue and cost recognised, the variable consideration arising from variation orders and the total estimated cost to complete the engineering and construction works.

- Determining the recoverability of contract assets

  The Group assessed the recoverability of contract assets using the simplified approach based on the historical observed default rates. The Group calibrated the ECL rate to adjust the historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

(b) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment (excluding land and buildings) to be within 5 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(c) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(d) Taxes

Deferred tax assets are recognised for unused tax losses, unused capital allowances and unused reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

4. Revenue from contracts with customers

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's and the Company's revenue from contracts with customers:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Sale of goods	25,942,074	13,150,157	8,991,745	12,241,410
Engineering and construction works	445,035,681	373,692,862	116,693,027	75,984,647
Total revenue from contracts with customers	470,977,755	386,843,019	125,684,772	88,226,057
Timing of revenue recognition				
At a point in time	40,320,868	38,223,764	23,112,354	35,797,666
Over time	430,656,887	348,619,255	102,572,418	52,428,391
Total revenue from contracts with customers	470,977,755	386,843,019	125,684,772	88,226,057

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

4. Revenue from contracts with customers (cont'd)

4.2 Contract balances

	Group			Company		
	31 December 2023 RM	31 December 2022 RM	1 January 2022 RM	31 December 2023 RM	31 December 2022 RM	1 January 2022 RM
Trade receivables (Note 20)	79,535,092	69,216,015	57,596,838	43,876,627	37,738,661	23,061,208
Contract assets (Note 21)	124,433,775	54,264,603	60,578,952	22,429,617	1,467,625	2,090,564
Contract liabilities (Note 21)	9,841,123	4,241,777	5,477,579	1,843,071	-	11,129,371

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 (2022: 30 to 90) days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

4. Revenue from contracts with customers (cont'd)

4.2 Contract balances (cont'd)

Contract assets primarily relate to the Group's and the Company's right to consideration for work completed but not yet billed at reporting date. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities relate to work not yet completed by the Group and the Company which are billed at reporting date.

Set out below is the amount of revenue recognised from:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Amounts included in contract liabilities at the beginning of the year	1,015,079	11,129,371	-	11,129,371

4.3 Performance obligations

Information about the Group's performance obligations are summarised below:

Sale of manufacturing goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 60 (2022: 30 to 60) days from delivery.

Engineering and construction works

For engineering and construction works where the Group and the Company satisfy their performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's and the Company's performance in transferring control of engineering and construction works to the customers, as it reflects the Group's and the Company's efforts incurred to date relative to the total inputs expected to be incurred for the construction works. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction works.

The estimated total construction and other related costs are based on contracted amounts, and in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. The normal credit term ranges from 30 to 90 (2022: 30 to 90) days. Other credit terms are assessed and approved on a case-by-case basis.

Remaining performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December, are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Within one year	516,041,069	289,646,455	49,528,199	16,107,664
More than one year	264,000	-	264,000	-

The remaining performance obligations expected to be recognised relate primarily to engineering and construction works.

5. Segment information

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

5. Segment information (cont'd)

(b) Business segments

The Group is organised into two major business segments:

(i) Manufacturing - manufacturing of LPG cylinders, steel pipes and related products.

(ii) Engineering and construction - civil engineering works and construction, steel fabrication and hot dip galvanising.

(c) Geographical segments

Segment analysis by geographical locations has not been presented as the Group's operations are predominantly conducted in Malaysia.

(d) Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results have reflected the elimination of transfers between business segments.

	Manufacturing RM	Engineering and construction RM	Adjustments and eliminations RM	Total RM
2023				
Revenue from contracts with customers				
External revenue	25,942,074	445,035,681	-	470,977,755
Inter-segment revenue	3,125,780	52,991,216	(56,116,996)	-
Total revenue	29,067,854	498,026,897	(56,116,996)	470,977,755
Results				
Profit from operations	3,541,417	48,891,770	-	52,433,187
Finance costs	(177)	(2,204,503)	-	(2,204,680)
Share of results of associates	527,870	1,405,734	-	1,933,604
Profit before tax	4,069,110	48,093,001	-	52,162,111
Income tax expense	(2,140,462)	(15,675,958)	-	(17,816,420)
Profit for the year, net of tax	1,928,648	32,417,043	-	34,345,691
Other disclosures				
Capital expenditure	61,436	10,267,717	-	10,329,153
Depreciation of property, plant and equipment	972,305	9,014,461	-	9,986,766
Finance income	104,695	929,992	-	1,034,687
Cost of inventories recognised as an expense	14,605,531	5,785,812	-	20,391,343
Employee benefits expense	6,531,535	54,472,379	-	61,003,914

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

5. Segment information (cont'd)

(d) Allocation basis and transfer pricing (cont'd)

	Manufacturing RM	Engineering and construction RM	Adjustments and eliminations RM	Total RM
2022				
Revenue from contracts with customers				
External revenue	13,150,157	373,692,862	-	386,843,019
Inter-segment revenue	6,320,674	26,547,135	(32,867,809)	-
Total revenue	19,470,831	400,239,997	(32,867,809)	386,843,019
Results				
(Loss)/profit from operations	(947,594)	25,005,851	-	24,058,257
Finance costs	-	(428,891)	-	(428,891)
Share of results of associates	579,769	885,194	-	1,464,963
(Loss)/profit before tax	(367,825)	25,462,154	-	25,094,329
Income tax expense	(713,184)	(5,914,530)	-	(6,627,714)
(Loss)/profit for the year, net of tax	(1,081,009)	19,547,624	-	18,466,615
Other disclosures				
Capital expenditure	33,257	1,031,218	-	1,064,475
Depreciation of property, plant and equipment	1,062,415	9,630,579	-	10,692,994
Finance income	39,873	400,123	-	439,996
Cost of inventories recognised as an expense	7,822,259	1,486,175	-	9,308,434
Employee benefits expense	6,330,063	41,340,930	-	47,670,993

6. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratios in order to support their businesses and maximise shareholders' value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group and the Company include within net debt, lease liabilities, trade and other payables, less short term funds and cash and short-term deposits. Capital comprises equity attributable to equity holders of the parent.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

6. Capital management (cont'd)

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Lease liabilities	25	103,472	234,221	93,857	234,221
Trade and other payables	26	165,771,390	107,315,928	20,219,541	22,277,047
Less: Short term funds	23	(196,488,120)	(205,331,452)	(77,728,941)	(104,862,155)
Cash and short-term deposits	24	(35,687,693)	(16,132,280)	(18,333,235)	(10,203,862)
Net cash		(66,300,951)	(113,913,583)	(75,748,778)	(92,554,749)
Equity attributable to equity holders of the parent		407,605,844	398,300,628	305,697,231	306,484,079
Capital and net debt		N/A*	N/A*	N/A*	N/A*
Gearing ratio		N/A*	N/A*	N/A*	N/A*

* Not applicable as the Group and the Company were in a net cash position.

7. Finance costs

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Interest expense on financial liabilities:				
- bankers' acceptances	-	1,455	-	1,455
- related parties	2,197,304	413,301	-	-
- lease liabilities (Note 25)	7,073	14,135	6,914	12,757
- bank overdraft	303	-	303	-
	2,204,680	428,891	7,217	14,212

8. Finance income

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Interest income from financial assets:				
- short-term deposits	1,025,062	429,826	436,092	197,013
- subsidiaries	-	-	445,193	319,080
- third party	9,625	9,625	9,625	9,625
- associate	-	545	-	545
	1,034,687	439,996	890,910	526,263

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

9. Other income

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Dividend income from short term funds at fair value through profit or loss	1,838,652	1,285,845	847,981	856,871
Fair value changes in short term funds at fair value through profit or loss	4,555,828	2,194,917	1,854,225	1,733,732
Gain on disposal of property, plant and equipment	70,998	-	19,999	1,996
Insurance compensation	230,130	499,056	11,253	108,848
Realised foreign exchange gain	617,810	-	104,434	324
Unrealised foreign exchange gain	152,210	-	148,829	-
Rental income:				
- subsidiaries	-	-	337,000	219,600
- associate	39,000	24,000	-	-
- third parties	105,000	162,000	33,000	90,000
Miscellaneous income	2,238,762	574,788	1,266,753	548,010
	9,848,390	4,740,606	4,623,474	3,559,381

10. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Employee benefits expense (Note 11)	61,003,914	47,670,993	32,476,177	24,063,783
Non-executive directors' remuneration (Note 11):				
- fees	372,855	333,900	372,855	333,900
- other emoluments	135,904	106,186	70,000	76,000
Auditors' remuneration:				
- statutory audits	313,280	279,500	192,500	179,100
- under provision in prior year	4,480	-	-	-
- other services	127,260	120,390	79,710	83,690
Bad debt written off	-	22,863	-	22,863
Depreciation of property, plant and equipment (Note 14)	9,986,766	10,692,994	8,430,752	8,950,751
Impairment loss on investment in a subsidiary (Note 15)	-	-	4,725,516	-
Expenses relating to short-term leases and small value assets (Note 25)	1,889,700	8,019,440	420,543	421,577
Impairment loss on trade receivables (Note 20(a))	820,514	971,314	820,514	788,314
(Gain)/loss on disposal of property, plant and equipment	(70,998)	4,168	(19,999)	(1,996)
Property, plant and equipment written off	43	413	43	413
Unrealised foreign exchange (gain)/loss	(152,210)	138,044	(148,829)	148,292
Realised foreign exchange (gain)/loss	(617,810)	1,999	(104,434)	(324)
(Reversal of write down)/write down of slow moving inventories	(15,810)	90,017	11,634	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

11. Employee benefits expense

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Salaries, wages, allowances and overtime	53,290,084	42,716,126	28,938,433	21,705,537
Social security contributions and employment insurance scheme	644,497	470,462	370,768	254,444
Contributions to defined contribution plan	5,102,045	4,239,376	2,415,416	2,053,802
Other benefits	1,967,288	245,029	751,560	50,000
	61,003,914	47,670,993	32,476,177	24,063,783

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM6,388,257 (2022: RM5,605,582) and RM5,968,529 (2022: RM5,171,752), respectively.

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors' remuneration				
Executive directors' remuneration:				
- other emoluments	6,388,257	5,605,582	5,968,529	5,171,752
- estimated money value of benefit-in-kind	115,785	75,578	115,785	75,578
	6,504,042	5,681,160	6,084,314	5,247,330
Non-executive directors' remuneration (Note 10):				
- fees	372,855	333,900	372,855	333,900
- other emoluments	135,904	106,186	70,000	76,000
	508,759	440,086	442,855	409,900
Total directors' remuneration	7,012,801	6,121,246	6,527,169	5,657,230

The categorisation of the aggregate remuneration of directors and the information on the respective bands of the remuneration are disclosed in the corporate governance report.

12. Income tax expense

The major components of income tax expense for the years ended 31 December 2023 and 2022 are:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	12,739,369	6,690,118	4,543,229	1,677,842
- Under provision in respect of previous years	545,227	968,966	501,069	935,388
	13,284,596	7,659,084	5,044,298	2,613,230

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

12. Income tax expense (cont'd)

The major components of income tax expense for the years ended 31 December 2023 and 2022 are: (cont'd)

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Deferred tax:				
- Relating to origination and reversal of temporary differences	4,639,081	(481,445)	2,674,109	285,813
- Over provision in respect of previous years	(107,257)	(549,925)	(153,947)	-
	4,531,824	(1,031,370)	2,520,162	285,813
Income tax expense reported in the statements of profit or loss	17,816,420	6,627,714	7,564,460	2,899,043

Reconciliations of tax expense and the accounting profit multiplied by the applicable corporate tax rate for 2023 and 2022 are as follows:

	Group	
	2023 RM	2022 RM
Accounting profit before tax	52,162,111	25,094,329
Tax at Malaysian statutory tax rate of 24% (2022: 24%)	12,518,907	6,022,639
Adjustments:		
Dividend income not subject to tax	(450,001)	(308,603)
Income not subject to tax	(1,121,205)	(527,209)
Non-deductible expenses	940,432	557,267
Deferred tax assets recognised on previously unrecognised reinvestment allowances, tax losses and unabsorbed capital allowances	(352,199)	(142,132)
Deferred tax assets not recognised on unutilised tax losses, unutilised reinvestment allowances and unabsorbed capital allowances	6,306,581	958,302
Over provision of deferred tax in respect of previous years	(107,257)	(549,925)
Under provision of income tax in respect of previous years	545,227	968,966
Share of results of associate	(464,065)	(351,591)
Income tax expense reported in the statement of profit or loss	17,816,420	6,627,714

	Company	
	2023 RM	2022 RM
Accounting profit before tax	24,101,234	19,141,449
Tax at Malaysian statutory tax rate of 24% (2022: 24%)	5,784,296	4,593,948
Adjustments:		
Dividend income not subject to tax	(2,363,515)	(2,365,649)
Income not subject to tax	(480,733)	(416,096)
Non-deductible expenses	1,772,435	293,584
Deferred tax assets not recognised on unutilised tax losses, unutilised reinvestment allowances and unabsorbed capital allowances	2,504,855	-
Deferred tax assets recognised on previously unrecognised reinvestment allowances	-	(142,132)
Over provision of deferred tax in respect of previous years	(153,947)	-
Under provision of income tax in respect of previous years	501,069	935,388
Income tax expense reported in the statement of profit or loss	7,564,460	2,899,043

Income tax is calculated at the Malaysian statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

12. Income tax expense (cont'd)

Deferred tax

Deferred tax relates to the following:

	As at 1 January 2022 RM	Recognised in profit or loss RM	As at 31 December 2022 RM	Recognised in profit or loss RM	As at 31 December 2023 RM
Group					
Deferred tax liabilities:					
Property, plant and equipment	(7,118,045)	1,299,128	(5,818,917)	(342,806)	(6,161,723)
Deferred tax assets:					
Unutilised tax losses	2,557,889	(1,358,076)	1,199,813	(1,199,813)	-
Unutilised reinvestment allowances	4,582,289	627,174	5,209,463	(2,733,353)	2,476,110
Unabsorbed capital allowances	868,786	(234,708)	634,078	(621,509)	12,569
Expected credit loss of trade receivables	411,993	697,852	1,109,845	365,657	1,475,502
	8,420,957	(267,758)	8,153,199	(4,189,018)	3,964,181
	1,302,912	1,031,370	2,334,282	(4,531,824)	(2,197,542)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

12. Income tax expense (cont'd)

Deferred tax (cont'd)

Deferred tax relates to the following: (cont'd)

	As at 1 January 2022 RM	Recognised in profit or loss RM	As at 31 December 2022 RM	Recognised in profit or loss RM	As at 31 December 2023 RM
Company					
Deferred tax liabilities:					
Property, plant and equipment	(5,332,227)	(166,046)	(5,498,273)	(267,964)	(5,766,237)
Deferred tax assets:					
Unutilised reinvestment allowances	4,522,762	686,701	5,209,463	(2,733,353)	2,476,110
Unabsorbed capital allowances	809,465	(806,468)	2,997	9,572	12,569
Expected credit loss of trade receivables	-	-	-	471,583	471,583
	5,332,227	(119,767)	5,212,460	(2,252,198)	2,960,262
	-	(285,813)	(285,813)	(2,520,162)	(2,805,975)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

12. Income tax expense (cont'd)

Deferred tax (cont'd)

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Reflected in the statements of financial position as follows:				
Deferred tax assets, net	3,964,181	2,620,094	-	-
Deferred tax liabilities, net	(6,161,723)	(285,812)	(2,805,975)	(285,813)
	(2,197,542)	2,334,282	(2,805,975)	(285,813)

At the reporting date, the Group and the Company have the following for offset against future taxable income:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Unutilised tax losses	36,029,637	28,173,288	-	-
Unutilised reinvestment allowances	20,754,019	21,232,313	20,754,019	21,232,313
Unabsorbed capital allowances	5,234,193	6,427,917	52,372	13,897
Other temporary differences	6,511,659	4,596,174	1,964,929	-
	68,529,508	60,429,692	22,771,320	21,246,210

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Unutilised tax losses	36,029,637	23,382,622	-	-
Unutilised reinvestment allowances	10,436,895	-	10,436,895	-
Unabsorbed capital allowances	5,181,821	3,788,588	-	-
Other temporary differences	363,730	30,954	-	-
	52,012,083	27,202,164	10,436,895	-

At the reporting date, the Group and the Company have unutilised tax losses, unutilised reinvestment allowances and unabsorbed capital allowances of approximately RM52,012,083 (2022: RM27,202,164) and RM10,436,895 (2022: Nil) respectively that are available for offset against future taxable profits of the companies in which the benefits arose, for which no deferred tax asset is recognised because it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom. The use of these benefits is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

12. Income tax expense (cont'd)

Deferred tax (cont'd)

Pursuant to Section 44(5F) of the Act, the unutilised tax losses and reinvestment allowances can only be carried forward until the following years of assessment:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Unutilised tax losses to be carried forward until:				
- Year of assessment 2028	6,670,366	6,721,362	-	-
- Year of assessment 2029	1,122,789	1,122,789	-	-
- Year of assessment 2030	13,876,743	10,709,186	-	-
- Year of assessment 2031	3,031,304	1,494,932	-	-
- Year of assessment 2032	3,421,090	3,334,353	-	-
- Year of assessment 2033	7,907,345	-	-	-
	36,029,637	23,382,622	-	-
Unutilised reinvestment allowances to be carried forward until:				
- Year of assessment 2026	10,436,895	-	10,436,895	-

13. Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit for the year, net of tax, attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic EPS calculations:

	Group	
	2023	2022
Profit net of tax, attributable to equity holders of the parent (RM)	26,628,838	11,705,101
Weighted average number of ordinary shares for basic EPS	288,727,040	288,727,040
Basic earnings per share (sen)	9.22	4.05

There is no dilution in the earnings per share for the current and previous year end as there are no dilutive potential ordinary shares outstanding at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

14. Property, plant and equipment

	Leasehold land RM	Buildings RM	Plant, machinery and tools RM	Motor vehicles RM	Office furniture and equipment RM	Capital work-in-progress RM	Total RM
Group							
Cost							
At 1 January 2022	65,894,904	92,547,567	116,512,532	9,193,226	12,721,186	3,825,692	300,695,107
Additions	-	259,080	278,519	35,000	71,781	420,095	1,064,47
Disposals/written off	-	(499,479)	(12,265)	(180,962)	(75,655)	-	(768,361)
Transfer	-	-	-	-	-	(3,448,615)	(3,448,615)
At 31 December 2022	65,894,904	92,307,168	116,778,786	9,047,264	12,717,312	797,172	297,542,606
At 1 January 2023	65,894,904	92,307,168	116,778,786	9,047,264	12,717,312	797,172	297,542,606
Additions	-	17,457	8,943,687	375,938	203,185	788,886	10,329,153
Disposals/written off	-	(9,378)	-	(262,800)	(34,003)	-	(306,181)
Transfer	-	-	456,321	-	-	(456,321)	-
At 31 December 2023	65,894,904	92,315,247	126,178,794	9,160,402	12,886,494	1,129,737	307,565,578

In the previous financial year, capital work-in-progress of the Group and of the Company amounting to RM3,448,615 was transferred to inventories for other projects' usage. These materials are similar in nature to those recorded in inventories.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

14. Property, plant and equipment (cont'd)

	Leasehold land RM	Buildings RM	Plant, machinery and tools RM	Motor vehicles RM	Office furniture and equipment RM	Capital work-in-progress RM	Total RM
Group (cont'd)							
Accumulated depreciation							
At 1 January 2022	17,058,917	20,764,335	98,200,451	7,887,049	8,686,813	-	152,597,565
Depreciation charge for the year (Note 10)	1,422,686	1,984,311	5,827,697	437,509	1,020,791	-	10,692,994
Disposals/written off	-	(499,479)	(12,108)	(180,958)	(61,222)	-	(753,767)
At 31 December 2022	18,481,603	22,249,167	104,016,040	8,143,600	9,646,382	-	162,536,792
At 1 January 2023	18,481,603	22,249,167	104,016,040	8,143,600	9,646,382	-	162,536,792
Depreciation charge for the year (Note 10)	1,422,687	1,977,308	5,219,475	445,611	921,685	-	9,986,766
Disposals/written off	-	(9,378)	-	(262,798)	(33,960)	-	(306,136)
At 31 December 2023	19,904,290	24,217,097	109,235,515	8,326,413	10,534,107	-	172,217,422
Net carrying amount							
At 31 December 2022	47,413,301	70,058,001	12,762,746	903,664	3,070,930	797,172	135,005,814
At 31 December 2023	45,990,614	68,098,150	16,943,279	833,989	2,352,387	1,129,737	135,348,156

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

14. Property, plant and equipment (cont'd)

	Leasehold land RM	Buildings RM	Plant, machinery and tools RM	Motor vehicles RM	Office furniture and equipment RM	Capital work-in-progress RM	Total RM
Company							
Cost							
At 1 January 2022	54,514,256	79,378,999	93,497,058	4,840,624	7,035,931	3,825,692	243,092,560
Additions	-	259,080	242,319	35,000	63,453	420,095	1,019,947
Disposals/written off	-	(264,409)	(12,265)	(180,962)	(1,700)	-	(459,336)
Transfer	-	-	-	-	-	(3,448,615)	(3,448,615)
At 31 December 2022	54,514,256	79,373,670	93,727,112	4,694,662	7,097,684	797,172	240,204,556
At 1 January 2023	54,514,256	79,373,670	93,727,112	4,694,662	7,097,684	797,172	240,204,556
Additions	-	6,000	8,836,668	65,000	103,209	788,886	9,799,763
Disposals/written off	-	(9,378)	-	(37,800)	(34,003)	-	(81,181)
Transfer	-	-	456,321	-	-	(456,321)	-
At 31 December 2023	54,514,256	79,370,292	103,020,101	4,721,862	7,166,890	1,129,737	249,923,138

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

14. Property, plant and equipment (cont'd)

	Leasehold land RM	Buildings RM	Plant, machinery and tools RM	Motor vehicles RM	Office furniture and equipment RM	Capital work-in-progress RM	Total RM
Company (cont'd)							
Accumulated depreciation							
At 1 January 2022	14,017,539	16,011,344	77,791,615	3,778,188	4,944,390	-	116,543,076
Depreciation charge for the year (Note 10)	1,242,545	1,729,353	5,120,134	348,339	510,380	-	8,950,751
Disposals/written off	-	(264,409)	(12,108)	(180,958)	(1,444)	-	(458,919)
At 31 December 2022	15,260,084	17,476,288	82,899,641	3,945,569	5,453,326	-	125,034,908
At 1 January 2023	15,260,084	17,476,288	82,899,641	3,945,569	5,453,326	-	125,034,908
Depreciation charge for the year (Note 10)	1,242,545	1,725,419	4,694,784	346,077	421,927	-	8,430,752
Disposals/written off	-	(9,378)	-	(37,799)	(33,960)	-	(81,137)
At 31 December 2023	16,502,629	19,192,329	87,594,425	4,253,847	5,841,293	-	133,384,523
Net carrying amount							
At 31 December 2022	39,254,172	61,897,382	10,827,471	749,093	1,644,358	797,172	115,169,648
At 31 December 2023	38,011,627	60,177,963	15,425,676	468,015	1,325,597	1,129,737	116,538,615

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

14. Property, plant and equipment (cont'd)

(i) During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM10,329,153 (2022: RM1,064,475) and RM9,799,763 (2022: RM1,019,947) respectively, of which RM11,457 (2022: RM259,080) and Nil (2022: RM259,080) were acquired by means of lease arrangements by the Group and the Company, respectively.

(ii) Right-of-use assets

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Leasehold land RM	Buildings RM	Motor vehicles RM	Total RM
Group				
At 1 January 2022	48,835,987	16,493	425,600	49,278,080
Additions	-	259,080	-	259,080
Derecognition upon settlement during the year	-	-	(71,500)	(71,500)
Depreciation charge for the year (Note 25)	(1,422,686)	(97,167)	(136,373)	(1,656,226)
At 31 December 2022	47,413,301	178,406	217,727	47,809,434
At 1 January 2023	47,413,301	178,406	217,727	47,809,434
Additions	-	11,457	-	11,457
Derecognition upon settlement during the year	-	-	(158,347)	(158,347)
Depreciation charge for the year (Note 25)	(1,422,687)	(90,145)	(59,380)	(1,572,212)
At 31 December 2023	45,990,614	99,718	-	46,090,332
Company				
At 1 January 2022	40,496,717	11,515	425,600	40,933,832
Additions	-	259,080	-	259,080
Derecognition upon settlement during the year	-	-	(71,500)	(71,500)
Depreciation charge for the year (Note 25)	(1,242,545)	(92,189)	(136,373)	(1,471,107)
At 31 December 2022	39,254,172	178,406	217,727	39,650,305
At 1 January 2023	39,254,172	178,406	217,727	39,650,305
Additions	-	-	-	-
Derecognition upon settlement during the year	-	-	(158,347)	(158,347)
Depreciation charge for the year (Note 25)	(1,242,545)	(88,235)	(59,380)	(1,390,160)
At 31 December 2023	38,011,627	90,171	-	38,101,798

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

14. Property, plant and equipment (cont'd)

(ii) Right-of-use assets (cont'd)

The Group and the Company have lease contracts for assets used in their operations.

There are several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

The table below describes the nature of the Group's and of the Company's leasing activities by type of right-of-use assets recognised on the statements of financial position:

	Leasehold land	Buildings	Plant, machinery and tools	Motor vehicles
Group				
31 December 2023				
No. of right-of-use assets leased	11	3	-	-
No. of leases with extension options	-	1	-	-
No. of leases with variable lease payments	-	-	-	-
No. of leases with termination options	-	-	-	-
31 December 2022				
No. of right-of-use assets leased	11	2	-	1
No. of leases with extension options	-	-	-	-
No. of leases with variable lease payments	-	-	-	-
No. of leases with termination options	-	-	-	-
Company				
31 December 2023				
No. of right-of-use assets leased	6	2	-	-
No. of leases with extension options	-	-	-	-
No. of leases with variable lease payments	-	-	-	-
No. of leases with termination options	-	-	-	-
31 December 2022				
No. of right-of-use assets leased	6	2	-	1
No. of leases with extension options	-	-	-	-
No. of leases with variable lease payments	-	-	-	-
No. of leases with termination options	-	-	-	-

At the end of the reporting period, the carrying amount of property, plant and equipment of the Group and of the Company held under hire purchase arrangements were Nil (2022: RM217,727) and Nil (2022: RM217,727), respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

15. Investment in subsidiaries

	Company 2023 RM	Company 2022 RM
Unquoted shares, at cost	38,452,895	38,452,893
Less: Impairment in subsidiaries	(5,463,516)	(738,000)
	32,989,379	37,714,893

During the financial year, the Company conducted an impairment review on the recoverable amount of its investment in subsidiaries. The review gave rise to the recognition of an impairment loss of RM4,725,516 (2022: Nil) as disclosed in Note 10. The recoverable amount was derived using the value in use of the subsidiary.

Details of the subsidiaries, all of which are incorporated in Malaysia and audited by Ernst & Young PLT, Malaysia are shown below:

Name of company	Principal activities	Proportion (%) of ownership interest 2023	Proportion (%) of ownership interest 2022
Direct subsidiaries of the Company			
KKB Universal Roofing (Sarawak) Sdn. Bhd.	Manufacturing of uPVC roofing sheets and pipes and other related products	100	100
Harum Bidang Sdn. Bhd.	Manufacturing and trading of steel pipes and other related steel products	90	90
Optima Line Engineering Sdn. Bhd.	Property holding	100	100
KKB Industries (Sabah) Sdn. Bhd.	Manufacturing of steel pipes and pipe specials, steel fabrication and hot dip galvanising	100	100
KKB Builders Sdn. Bhd.	To carry on trade or business as building contractor, civil engineering, earthworks, water engineering works and other contracting services	100	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	70
OceanMight Sdn. Bhd.	General trading, construction and maintenance services, steel structural fabrication, provision of structural assemblies and engineering services	60.81	60.81
KKB Energy Sdn. Bhd.	To undertake construction and manufacturing of utility projects and parts, transportation projects and other related support services relating to renewable energy such as hydrogen electrolysers assembly and processes and to carry on the business of other engineering and construction services as contractors and sub-contractors for all kinds of constructional, structural, civil engineering, electrical, mechanical works, building, roads, bridges, stations, towers and all other activities relating to renewable energy.	100	-
Subsidiary of Harum Bidang Sdn. Bhd.			
HB Pipes Sdn. Bhd.	Property holding	90	90

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

15. Investment in subsidiaries (cont'd)

Details of the subsidiaries, all of which are incorporated in Malaysia and audited by Ernst & Young PLT, Malaysia are shown below: (cont'd)

Financial information of subsidiaries that have material non-controlling interests are provided below:

Name of company	Country of incorporation	Proportion (%) of equity interest held by non-controlling interests 2023	2022
Harum Bidang Sdn. Bhd. group	Malaysia	10	10
KKBWCT Joint Venture Sdn. Bhd.	Malaysia	30	30
OceanMight Sdn. Bhd.	Malaysia	39.19	39.19

Accumulated balances of material non-controlling interests:

	2023 RM	2022 RM
Harum Bidang Sdn. Bhd. group	5,422,523	6,594,970
KKBWCT Joint Venture Sdn. Bhd.	902,585	3,041,480
OceanMight Sdn. Bhd.	44,919,108	34,890,913
	51,244,216	44,527,363

Profit/(loss) allocated to material non-controlling interests:

	2023 RM	2022 RM
Harum Bidang Sdn. Bhd. group	(172,447)	(246,579)
KKBWCT Joint Venture Sdn. Bhd.	(2,138,895)	690,481
OceanMight Sdn. Bhd.	10,028,195	6,317,612
	7,716,853	6,761,514

The summarised financial information of the subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income for the year:

	Harum Bidang Sdn. Bhd. group 2023 RM	2022 RM
Revenue from contracts with customers	3,205,840	6,363,434
Cost of sales	(4,109,923)	(7,941,414)
Finance income	115,645	77,218
Other income	957,055	557,159
Administrative expenses	(1,277,255)	(1,430,568)
Distribution expenses	-	(1,662)
Other expenses	(187,926)	(191,764)
Finance costs	(61)	(55)
Loss before tax	(1,296,625)	(2,567,652)
Income tax (expense)/credit	(427,847)	101,869
Total comprehensive loss	(1,724,472)	(2,465,783)
Attributable to non-controlling interests	(172,447)	(246,579)
Dividend paid to non-controlling interests	1,000,000	1,000,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

15. Investment in subsidiaries (cont'd)

The summarised financial information of the subsidiaries are provided below. This information is based on amounts before inter-company eliminations. (cont'd)

Summarised statement of financial position as at 31 December:

	Harum Bidang Sdn. Bhd. group 2023 RM	2022 RM
Property, plant and equipment (non-current)	4,623,565	5,187,581
Inventories (current)	27,176,949	29,105,549
Short term funds and cash and bank balances (current)	19,711,684	24,992,151
Trade and other receivables and other current assets (current)	3,339,625	6,772,410
Trade and other payables (current)	(197,821)	(108,009)
Deferred tax liabilities (non-current)	(428,792)	-
Total equity	54,225,210	65,949,682
Attributable to:		
Equity holders of parent	48,802,687	59,354,712
Non-controlling interests	5,422,523	6,594,970

Summarised cash flow information for the year:

	Harum Bidang Sdn. Bhd. group 2023 RM	2022 RM
Operating	3,697,648	267,239
Investing	5,458,494	9,576,073
Financing	(10,000,000)	(10,000,000)
Net decrease in cash and cash equivalents	(843,858)	(156,688)

Summarised statement of profit or loss and other comprehensive income for the year:

	KKBWCT Joint Venture Sdn. Bhd. 2023 RM	2022 RM
Revenue from contracts with customers	150,845,976	213,525,859
Cost of sales	(155,159,738)	(209,835,231)
Finance income	45,000	21,474
Other income	269,952	390,338
Administrative expenses	(145,592)	(559,595)
Other expenses	(9,950)	(9,786)
Finance costs	(2,197,304)	(413,301)
(Loss)/profit before tax	(6,351,656)	3,119,758
Income tax expense	(777,996)	(818,154)
Total comprehensive (loss)/income	(7,129,652)	2,301,604
Attributable to non-controlling interests	(2,138,895)	690,481

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

15. Investment in subsidiaries (cont'd)

The summarised financial information of the subsidiaries are provided below. This information is based on amounts before inter-company eliminations. (cont'd)

Summarised statement of financial position as at 31 December:

	KKBWCT Joint Venture Sdn. Bhd.	
	2023 RM	**2022** RM
Property, plant and equipment (non-current)	937,483	1,071,749
Deferred tax assets (non-current)	-	553,000
Cash and short-term deposits (current)	150,315	700,274
Contract assets (current)	92,633,560	45,573,947
Trade and other receivables and other current assets (current)	30,320,416	41,211,129
Trade and other payables (current)	(112,892,900)	(71,985,235)
Trade and other payables (non-current)	(7,915,262)	(6,986,596)
Deferred tax liabilities (non-current)	(224,996)	-
Total equity	3,008,616	10,138,268
Attributable to:		
Equity holders of parent	2,106,031	7,096,788
Non-controlling interests	902,585	3,041,480

Summarised cash flow information for the year:

	KKBWCT Joint Venture Sdn. Bhd.	
	2023 RM	**2022** RM
Operating	(594,959)	(4,325,326)
Investing	45,000	21,474
Net decrease in cash and cash equivalents	(549,959)	(4,303,852)

Summarised statement of profit or loss and other comprehensive income for the year:

	OceanMight Sdn. Bhd.	
	2023 RM	**2022** RM
Revenue from contracts with customers	221,262,396	110,702,532
Cost of sales	(172,047,168)	(75,470,639)
Finance income	461,250	189,148
Other income	3,480,892	385,021
Administrative expenses	(19,177,046)	(14,426,343)
Distribution expenses	(27,618)	(2,850)
Other expenses	(809,992)	(869,921)
Finance costs	-	(29,888)
Profit before tax	33,142,714	20,477,060
Income tax expense	(7,552,423)	(4,355,562)
Total comprehensive income	25,590,291	16,121,498
Attributable to non-controlling interests	10,028,195	6,317,612
Dividend paid to non-controlling interests	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

15. Investment in subsidiaries (cont'd)

The summarised financial information of the subsidiaries are provided below. This information is based on amounts before inter-company eliminations. (cont'd)

Summarised statement of financial position as at 31 December:

	OceanMight Sdn. Bhd.	
	2023 RM	**2022** RM
Property, plant and equipment (non-current)	1,409,466	1,443,451
Deferred tax assets (non-current)	767,052	685,000
Inventories (current)	5,855	1,288
Short term funds and cash and short-term deposits (current)	112,653,582	79,057,944
Contract assets (current)	16,708,610	10,034,049
Trade and other receivables and other current assets (current)	31,165,310	7,361,010
Trade and other payables (current)	(36,053,890)	(8,252,849)
Income tax payable (current)	(1,477,226)	-
Contract liabilities (current)	(10,552,645)	(1,294,070)
Total equity	114,626,114	89,035,823
Attributable to:		
Equity holders of parent	69,707,006	54,144,910
Non-controlling interests	44,919,108	34,890,913

Summarised cash flow information for the year:

	OceanMight Sdn. Bhd.	
	2023 RM	**2022** RM
Operating	30,837,297	62,796,499
Investing	(18,975,496)	(74,084,432)
Financing	(5,104,137)	(7,022)
Net increase/(decrease) in cash and cash equivalents	6,757,664	(11,294,955)

16. Investment in associate

	Group		Company	
	2023 RM	**2022** RM	**2023** RM	**2022** RM
Unquoted shares, at cost	100,000	100,000	100,000	100,000
Share of post-acquisition profit	9,863,766	7,930,162	-	-
	9,963,766	8,030,162	100,000	100,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

16. Investment in associates (cont'd)

The associates, which are incorporated in Malaysia, are:

Name of company	Principal activities	Proportion (%) of ownership interest 2023	2022
Held by the Company			
Edisi Optima Sdn. Bhd.	To carry on the trade or business as contractors for construction works and general engineering, and service provider for the requalification and repairs of LPG cylinders	40	40
Held through Edisi Optima Sdn. Bhd.			
OceanMight Sdn. Bhd.	General trading, construction and maintenance services, steel structural fabrication, provision of structural assemblies and engineering services	5.50	5.50

The summarised statement of profit or loss and other comprehensive income of the Group's immaterial associate not adjusted for the proportion of ownership interest held by the Group is as follows:

	Edisi Optima Sdn. Bhd.	
	2023 RM	2022 RM
Profit before tax	1,630,684	1,794,934
Profit for the year, representing total comprehensive income for the year	1,315,345	1,445,701

17. Goodwill

	Group	
	2023 RM	2022 RM
At 1 January and 31 December	1,632,667	1,632,667

Goodwill arising from business combinations has been allocated to the cash-generating unit ("CGU") for impairment testing.

The carrying amounts of goodwill allocated to the Group's CGU are as follows:

	Group	
	2023 RM	2022 RM
Engineering and construction	1,632,667	1,632,667

The recoverable amounts of the CGU are determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management. The assumptions used for value-in-use calculations are:

	Gross Margins		Discount Rates	
	2023	2022	2023	2022
OceanMight Sdn. Bhd.	16%	23%	7%	8%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

17. Goodwill (cont'd)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(a) Budgeted gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins of the projects awarded to OceanMight Sdn. Bhd. for the next financial year.

(b) Discount rates

The discount rates used are pre-tax and reflect specific risks relating to the Group.

The Group believes that any reasonable possible change in the above key assumptions applied is unlikely to materially cause the recoverable amounts to be lower than their carrying amounts.

18. Inventories

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
At cost				
Raw materials	41,810,259	39,995,939	7,126,527	9,642,300
Work-in-progress	2,475,319	1,622,729	1,827,808	1,170,300
Consumables	1,030,194	757,277	809,089	526,773
Finished goods	4,904,643	4,129,468	2,534,721	2,636,668
Others	234,156	138,500	143,929	56,666
	50,454,571	46,643,913	12,442,074	14,032,707
At net realisable value				
Raw materials	930,012	856,498	-	-
Finished goods	120,397	155,142	-	-
	1,050,409	1,011,640	-	-
	51,504,980	47,655,553	12,442,074	14,032,707

During the year, the amounts of inventories recognised as an expense in cost of sales of the Group and of the Company were RM20,391,343 (2022: RM9,308,434) and RM7,655,027 (2022: RM3,500,436), respectively.

19. Financial assets and financial liabilities

19.1 Financial assets

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Financial assets at fair value through profit or loss				
Short term funds	196,488,120	205,331,452	77,728,941	104,862,155
Debt instruments at amortised cost				
Trade and other receivables	80,952,531	77,510,061	49,553,288	44,124,780
Cash and short-term deposits	35,687,693	16,132,280	18,333,235	10,203,862
	116,640,224	93,642,341	67,886,523	54,328,642
Total financial assets	313,128,344	298,973,793	145,615,464	159,190,797

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

19. Financial assets and financial liabilities (cont'd)

19.2 Financial liabilities

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current interest-bearing loans and borrowings				
Lease liabilities	96,098	140,364	86,483	140,364
Non-current interest-bearing loans and borrowings				
Lease liabilities	7,374	93,857	7,374	93,857
Total interest-bearing loans and borrowings	103,472	234,221	93,857	234,221
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings				
Current				
Trade and other payables	157,856,128	100,329,332	20,219,541	22,277,047
Non-current				
Trade and other payables	7,915,262	6,986,596	-	-
Total trade and other payables	165,771,390	107,315,928	20,219,541	22,277,047
Total financial liabilities at amortised cost	165,874,862	107,550,149	20,313,398	22,511,268

19.3 Fair values

(a) Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	20
Trade and other payables (current and non-current)	26
Cash and short-term deposits	24
Lease liabilities (current and non-current)	25

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, due to their short-term and interest-bearing nature. In addition to that, trade receivables and trade payables are subject to normal trade credit terms.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

19. Financial assets and financial liabilities (cont'd)

19.3 Fair values (cont'd)

(b) Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following table provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy as at 31 December 2023 and 31 December 2022 were as follows:

	Date of valuation	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
Assets measured at fair value:					
Short term funds	31 December 2023	196,488,120	-	-	196,488,120
	31 December 2022	205,331,452	-	-	205,331,452
Company					
Assets measured at fair value:					
Short term funds	31 December 2023	77,728,941	-	-	77,728,941
	31 December 2022	104,862,155	-	-	104,862,155

There have been no transfers between the fair value hierarchy during the financial year.

19.4 Financial instruments risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's and the Company's principal financial instruments comprise bank overdrafts, borrowings, short term funds, cash and short-term deposits. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group and the Company have other financial assets and liabilities such as trade receivables and trade payables, which arise directly from their operations.

The Board of Directors with the assistance of professionals and advisers as Internal Auditors, Management Executive Committee and Risk Management Committee has the overall responsibility for the establishment and oversight of the Group's risk management framework.

The Executive Chairman together with Management Executive Committee, represented by Group Managing Director, Executive Director, Group Chief Financial Officer, Chief Operating Officer, Senior General Manager (Group Commercial and Project) and General Manager (Project Development) are the top management responsible for the implementation of decisions and policies formulated by the Board. The Risk Management Committee comprising Executive Directors and senior management staff who are responsible under their respective scope of work for the day-to-day operations carry out risk identification, evaluate, monitor and formulate mitigation strategies on risks identified and periodically review risk management processes and policies. The audit committee provides independent oversight to the effectiveness of the risk management process.

The key financial risks include credit risk, liquidity risk, interest rate risk and market price risk.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objective, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

19. Financial assets and financial liabilities (cont'd)

19.4 Financial instruments risk management objectives and policies (cont'd)

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's and the Company's objectives are to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables' balances are monitored on an ongoing basis to ensure that the Group's and the Company's exposure to bad debts is not significant. The Group and the Company have in place a policy and procedure for extending credit terms and the collection of overdue receivables from their customers.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group's and the Company's exposure to credit risk is influenced by the individual characteristics of each customer. The receivable balance consists of business customers which are spread across a diverse range of industries. The Group and the Company determine concentration of credit risk by monitoring the industry sector profile of their trade receivables on an ongoing basis.

At the end of the reporting period, approximately:

- 70% (2022: 70%) of the Group's trade receivable and contract assets were due from 2 major customers which contributed to 70% (2022: 58%) of the Group's revenue.

- 57% (2022: 34%) of the Company's trade receivable and contract assets were due from 2 major customers which contributed to 53% (2022: 19%) of the Company's revenue.

- 0% and 62% (2022: 0% and 31%) of the Group's and Company's trade and other receivables respectively, were balances with related parties.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed as below:

Deposits with banks and other financial institutions, short term funds that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

19. Financial assets and financial liabilities (cont'd)

19.4 Financial instruments risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Ageing analysis of trade receivables

The ageing analysis of the Group's and the Company's trade receivables is as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Neither past due nor impaired	56,254,420	39,693,967	15,208,508	26,136,622
1 to 30 days past due not impaired	10,498,618	9,416,579	8,067,779	1,336,397
31 to 60 days past due not impaired	566,030	17,300,143	566,030	2,013,435
61 to 90 days past due not impaired	163,907	431,103	805,907	431,103
91 to 120 days past due not impaired	1,785,567	-	1,785,567	-
More than 120 days past due not impaired	10,266,550	2,374,223	17,442,836	7,821,104
	23,280,672	29,522,048	28,668,119	11,602,039
Impaired	6,106,755	5,286,241	1,923,755	1,103,241
	85,641,847	74,502,256	45,800,382	38,841,902

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage their liquidity risk by maintaining adequate reserves, access to a number of sources of banking facilities which are sufficient to meet anticipated funding requirements, and reserve borrowing facilities by continuously monitoring its forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At the end of the reporting period, approximately 93% (2022: 60%) of the Group's lease liabilities (Note 25) will mature within one year based on the carrying amount reflected in the financial statements. 92% (2022: 60%) of the Company's lease liabilities will mature within one year after the reporting period.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Group		
	Within one year RM	One to five years RM	Total RM
Financial liabilities			
At 31 December 2023			
Trade and other payables	162,324,277	7,915,262	170,239,539
Lease liabilities	98,800	7,400	106,200
Total undiscounted financial liabilities	162,423,077	7,922,662	170,345,739

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

19. Financial assets and financial liabilities (cont'd)

19.4 Financial instruments risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	Group		
	Within one year RM	One to five years RM	Total RM
Financial liabilities (cont'd)			
At 31 December 2022			
Trade and other payables	101,419,837	6,986,596	108,406,433
Lease liabilities	147,279	96,200	243,479
Total undiscounted financial liabilities	101,567,116	7,082,796	108,649,912

	Company		
	Within one year RM	One to five years RM	Total RM
Financial liabilities			
At 31 December 2023			
Trade and other payables	20,266,408	-	20,266,408
Lease liabilities	88,800	7,400	96,200
Total undiscounted financial liabilities	20,355,208	7,400	20,362,608
At 31 December 2022			
Trade and other payables	22,308,347	-	22,308,347
Lease liabilities	147,279	96,200	243,479
Total undiscounted financial liabilities	22,455,626	96,200	22,551,826

(c) Interest rate risk

Interest rate risk is the risk that the future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to the short-term deposits with licensed banks and floating rate advances given to/by related parties.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 25 basis points higher/lower, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM102,583 (2022: RM17,059) lower/higher and RM60,034 (2022: RM36,463) higher/lower, arising mainly as a result of higher/lower interest income from short-term deposits, higher/lower interest expense/interest income from advances given by/to related parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

19. Financial assets and financial liabilities (cont'd)

19.4 Financial instruments risk management objectives and policies (cont'd)

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk and the risk of impairment in the value of investments held. The Group and the Company manage the risk of impairment by evaluating investment opportunities, continuously monitoring the performance of investments held and assessing market risk relevant to which the investments operate.

At the end of the reporting period, 100% (2022: 100%) of the Group's and the Company's short term funds are investment in money market/income funds that invest in highly liquid assets, which are readily convertible to cash.

Sensitivity analysis for short term funds' price risk

At the end of the reporting period, if prices for short term funds increase by 5% with all other variables being held constant, the Group's and the Company's profit net of tax will be RM9,824,406 (2022: RM10,266,573) and RM3,886,447 (2022: RM5,243,108) higher as a result of higher fair value gain on fair value through profit or loss investments in short term funds. A 5% decrease in the underlying short term funds' prices would have had the equal but opposite effect to the amounts shown above.

19.5 Changes in liabilities arising from financing activities

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
At 1 January	234,221	169,116	234,221	162,093
Acquisition of new leases (Note 25)	11,457	259,080	-	259,080
Repayment of principal lease liabilities (Note 25)	(142,206)	(193,975)	(140,364)	(186,952)
At 31 December	103,472	234,221	93,857	234,221

20. Trade and other receivables

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade receivables				
Third parties	85,047,567	74,242,369	19,292,669	29,596,174
Retention sums on engineering and construction contracts (Note 21)	594,280	259,887	594,280	259,887
Amounts due from subsidiaries	-	-	25,913,433	8,985,841
	85,641,847	74,502,256	45,800,382	38,841,902
Less: Allowance for expected credit loss	(6,106,755)	(5,286,241)	(1,923,755)	(1,103,241)
Trade receivables, net	79,535,092	69,216,015	43,876,627	37,738,661
Other receivables				
Amounts due from subsidiaries	-	-	4,591,937	4,461,760
Sundry receivables	466,651	6,429,105	284,720	186,131
Deposits	950,788	1,864,941	800,004	1,738,228
	1,417,439	8,294,046	5,676,661	6,386,119
Total trade and other receivables	80,952,531	77,510,061	49,553,288	44,124,780

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

20. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables are generally non-interest bearing except for the amounts due from subsidiaries and associates which earn interest at 2.47% (2022: 2.47%) per annum.

The Group's and the Company's normal trade credit term range from 30 to 60 days (2022: 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The information about the credit exposures are disclosed in Note 19.4.

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM52,056,387 (2022: RM29,522,048) and RM28,668,119 (2022: RM11,602,039) respectively, that are past due at the end of the reporting period but not impaired as management is confident in receiving collection from these receivables albeit in the near future.

Receivables that are impaired

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Movement in allowance accounts:				
At 1 January	5,286,241	4,314,927	1,103,241	314,927
Charge for the year (Note 10)	820,514	971,314	820,514	788,314
At 31 December	6,106,755	5,286,241	1,923,755	1,103,241

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments or debtors that have usually settled their debts beyond the prescribed credit terms. These receivables are not secured by any collateral or credit enhancements.

(b) Other receivables

Other receivables of the Group and of the Company are unsecured, receivable on demand and non-interest bearing except for amounts due from subsidiaries amounting to RM4,591,937 (2022: RM4,461,760), which earn interest at the rate of 2.47% (2022: 2.47%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

21. Contract assets and contract liabilities

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Aggregate costs incurred to date	1,724,846,191	1,554,420,804	223,338,549	171,947,978
Attributable profit less recognised losses	246,898,060	226,972,255	91,816,948	64,738,521
	1,971,744,251	1,781,393,059	315,155,497	236,686,499
Less: Progress billings	(1,857,151,599)	(1,731,370,233)	(294,568,951)	(235,218,874)
	114,592,652	50,022,826	20,586,546	1,467,625
Presented as:				
Contract assets	124,433,775	54,264,603	22,429,617	1,467,625
Contract liabilities	9,841,123	4,241,777	1,843,071	-
Retention sums on engineering and construction contracts included in:				
- trade receivables (Note 20)	594,280	259,887	594,280	259,887
- trade payables (Note 26)	19,311,176	16,960,817	2,879,693	2,692,929

The Group and the Company only deal with creditworthy customers. Historically, the Group and the Company have not encountered any material default by these customers. Consequently, no allowance for expected credit loss was recorded for contract assets as at reporting date.

22. Other current assets

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Tax recoverable	2,402,352	6,892,230	544,526	1,605,490

23. Short term funds

	Carrying amount/Market value of quoted investments			
	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current				
Fair value through profit or loss				
Short term funds	196,488,120	205,331,452	77,728,941	104,862,155

Short term funds are investments in money market/income funds in Malaysia. These funds invest in highly liquid assets which are readily convertible to cash.

24. Cash and short-term deposits

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Short-term deposits with licensed banks	20,478,480	9,343,613	14,208,343	8,343,613
Cash at banks and on hand	15,209,213	6,788,667	4,124,892	1,860,249
Cash and bank balances	35,687,693	16,132,280	18,333,235	10,203,862

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

24. Cash and short-term deposits (cont'd)

Deposits with licensed banks of the Group and of the Company amounting to RM519,100 (2022: RM300,000) are pledged to bankers for bank guarantees granted.

Certain amounts of cash at banks earn interest at floating rates based on daily bank deposits rates. Short-term deposits are made for varying periods of between one day and seven months (2022: one day and three months) depending on the immediate cash requirements of the Group and of the Company and earn interest at the respective short-term deposits rates. The weighted average effective interest rates as at 31 December 2023 for the Group and the Company were 3.57% (2022: 2.46%) and 3.47% (2022: 2.56%) per annum, respectively.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	35,687,693	16,132,280	18,333,235	10,203,862
Less: Deposits pledged	(519,100)	(300,000)	(519,100)	(300,000)
Less: Short-term deposits with maturity more than 3 months	(10,258,380)	-	(5,154,243)	-
Cash and cash equivalents	24,910,213	15,832,280	12,659,892	9,903,862

25. Lease liabilities

Group and Company as lessees

The Group and the Company have lease contracts for various items of buildings used in their operations. Leases of buildings generally have a lease term between 2 and 3 years. The Group and the Company also have certain leases of buildings and motor vehicles with lease terms of 12 months or less and leases of equipment with low value. The Group and the Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The lease liabilities of the Group and of the Company under hire purchase arrangements amounting to Nil (2022: RM52,387) and Nil (2022: RM52,387), respectively, are secured by a charge over the leased assets (Note 14).

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
At 1 January	234,221	169,116	234,221	162,093
Additions	11,457	259,080	-	259,080
Derecognition	-	-	-	-
Interest charged (Note 7)	7,073	14,135	6,914	12,757
Payment of:				
- Principal	(142,206)	(193,975)	(140,364)	(186,952)
- Interest	(7,073)	(14,135)	(6,914)	(12,757)
At 31 December	103,472	234,221	93,857	234,221
Analysed as:				
Current	96,098	140,364	86,483	140,364
Non-current	7,374	93,857	7,374	93,857
	103,472	234,221	93,857	234,221

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

25. Lease liabilities (cont'd)

The interest rates of the Group and of the Company are as follows:

	Group		Company	
	2023 %	2022 %	2023 %	2022 %
Lease liabilities	4.20 - 8.64	4.20 - 5.89	4.20 - 5.89	4.20 - 5.89

The following are the amounts recognised in profit or loss:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Depreciation of right-of-use assets (Note 14)	1,572,212	1,656,226	1,390,160	1,471,107
Interest expense on lease liabilities (Note 7)	7,073	14,135	6,914	12,757
Expenses relating to leases of low value assets (Note 10)	42,241	91,341	24,461	31,997
Expenses relating to short-term leases (Note 10)	1,847,459	7,928,099	396,082	389,580

The Group and the Company had total cash outflows for leases amounting to RM2,038,979 (2022: RM8,227,550) and RM567,821 (2022: RM621,286), respectively.

There were no leases with residual value guarantee or leases which have yet to commence of which the Group and the Company have committed.

The Group and the Company also committed to short-term leases amounting to RM179,021 (2022: RM193,176) and RM104,021 (2022: RM124,921), respectively.

Lessor

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Within one year	72,000	113,900	10,000	77,900
One to five years	-	10,000	-	10,000
	72,000	123,900	10,000	87,900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

26. Trade and other payables

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Current				
Trade payables				
Third parties	45,150,750	38,763,746	5,294,442	9,954,697
Related parties	87,801,721	41,515,805	-	-
Retention sums on construction contracts (Note 21)	11,395,914	9,974,221	2,879,693	2,692,929
Amounts due to subsidiaries	-	-	1,897,468	1,017,514
Amounts due to associate	-	249,703	-	249,703
	144,348,385	90,503,475	10,071,603	13,914,843
Other payables				
Sundry payables	9,001,450	7,664,964	8,127,040	7,518,328
Accruals	4,506,293	2,160,893	2,020,898	843,876
	13,507,743	9,825,857	10,147,938	8,362,204
	157,856,128	100,329,332	20,219,541	22,277,047
Non-current				
Trade payables				
Retention sums on construction contracts (Note 21)	7,915,262	6,986,596	-	-
Total trade and other payables	165,771,390	107,315,928	20,219,541	22,277,047

(a) Trade payables

Related parties refer to companies related to a non-controlling shareholder of a subsidiary.

Trade payables are generally non-interest bearing, except for amounts due to related parties and subsidiaries which bear interest at rates ranging from 2.47% to 6.00% (2022: 2.47% to 6.00%) per annum. The normal trade credit terms granted to the Group and the Company range from 30 to 90 days (2022: 30 to 90 days).

(b) Sundry payables

These amounts are unsecured, repayable on demand and non-interest bearing.

27. Issued capital

	Group and Company			
	Number of ordinary shares		Amount	
	2023	2022	2023 RM	2022 RM
Issued and fully paid				
At 1 January and 31 December	288,727,040	288,727,040	175,254,461	175,254,461

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All the ordinary shares rank equally with regards to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

28. Commitments

Capital expenditure as at the end of the reporting period is as follows:

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Capital commitments				
Approved and contracted for:				
Property, plant and equipment	1,870,034	5,561,244	1,435,938	5,561,244
Approved but not contracted for:				
Property, plant and equipment	3,582,476	-	3,582,476	-

29. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and the Company and related parties took place at terms agreed between the parties during the financial year:

	Company 2023 RM	Company 2022 RM
(i) Transactions with subsidiaries:		
Income		
Sales to:		
Harum Bidang Sdn. Bhd.	3,270	633
KKBWCT Joint Venture Sdn. Bhd.	2,302,703	5,334,050
OceanMight Sdn. Bhd.	61,104,228	21,385,719
Rental income received from:		
KKB Universal Roofing (Sarawak) Sdn. Bhd.	12,000	12,000
Harum Bidang Sdn. Bhd.	36,000	36,000
OceanMight Sdn. Bhd.	289,000	171,600
Interest income received from:		
KKB Industries (Sabah) Sdn. Bhd.	333,528	181,764
KKB Universal Roofing (Sarawak) Sdn. Bhd.	78,540	76,566
Optima Line Engineering Sdn. Bhd.	33,052	32,185
OceanMight Sdn. Bhd.	-	28,510
HB Pipes Sdn. Bhd.	61	55
KKB Energy Sdn. Bhd.	12	-
Expenditure		
Purchases from:		
Harum Bidang Sdn. Bhd.	2,900,288	6,320,674
KKB Universal Roofing (Sarawak) Sdn. Bhd.	50	-
KKB Industries (Sabah) Sdn. Bhd.	386,080	-
KKB Builders Sdn. Bhd.	8,839,417	-
Short-term lease expense paid to:		
OceanMight Sdn. Bhd.	6,000	6,600

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

29. Related party transactions (cont'd)

(a) Sale and purchase of goods and services (cont'd)

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
(ii) Transactions with an associate, Edisi Optima Sdn. Bhd.:				
Income				
Provision of miscellaneous services such as machinery/equipment, labour etc	1,541,321	1,589,780	1,517,888	1,589,780
Rental income	39,000	24,000	-	-
Expenditure				
Cost of miscellaneous services such as machinery/equipment, labour etc	47,296	45,904	47,296	45,904
(iii) Transactions with related companies of investors, Cahya Mata Sarawak Berhad and/or Sarawak Economic Development Corporation:				
Expenditure				
Purchase of steel and concrete products: CMS Concrete Products Sdn. Bhd.	8,850	149,142	8,850	149,142
Purchase of aggregates, etc: SEDC Quarries Sdn. Bhd.	53,385	6,579,879	53,385	6,579,879
Purchase of cement, etc: CMS Infra Trading Sdn. Bhd.	-	88,774	-	-
Purchase of quarry sand, etc: Borneo Granite Sdn. Bhd.	631,091	247,348	631,091	247,348
(iv) Transactions with companies related to a non-controlling shareholder of a subsidiary:				
Income				
Sales of aggregates, quarry sand, etc to: WCT Construction Sdn. Bhd.	1,319,104	7,464,415	1,319,104	7,464,415

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

29. Related party transactions (cont'd)

(a) Sale and purchase of goods and services (cont'd)

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
(iv) Transactions with companies related to a non-controlling shareholder of a subsidiary: (cont'd)				
Expenditure				
Interest expense paid to:				
WCT Berhad	2,197,304	413,301	-	-
Purchases from:				
WCT Berhad	44,566,172	114,086,590	-	-

(v) Transactions with companies in which certain directors (*) of the Company have substantial financial interest and/or also directors:

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Expenditure				
Short-term lease expense paid to:				
KKB Development Sdn. Bhd.*	71,400	71,400	71,400	71,400
KKB Realty Sdn. Bhd.*	70,200	61,200	14,400	-
Sepang Kaya Sdn. Bhd.*	130,832	130,832	130,832	130,832

* Dato Sri Kho Kak Beng, Kho Pok Tong and Kho Poh Lin

(vi) Transactions with a director:

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Expenditure				
Short-term lease expense paid to:				
Dato Sri Kho Kak Beng	76,800	76,800	28,800	28,800

(vii) Transactions with person connected with certain directors of the Company:

	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Expenditure				
Short-term lease expense paid to:				
Kho Siew Lan	19,200	19,200	-	-
House of Favourites	12,000	6,000	12,000	6,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)

29. Related party transactions (cont'd)

(b) Compensation of key management personnel

The remuneration of directors and other member of key management during the year was as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Short-term employee benefits	9,359,488	8,226,559	8,031,539	6,870,353
Post-employment benefits:				
Defined contribution plan	717,369	741,703	569,350	604,501
	10,076,857	8,968,262	8,600,889	7,474,854
Included in the total key management personnel are:				
Directors' remuneration (Note 11)	6,897,016	6,045,668	6,411,384	5,581,652

30. Dividends

	2023		2022	
	Sen per share	RM	Sen per share	RM
Recognised during the financial year:				
Dividends on ordinary shares:				
- First and final single tier dividend for year 2021	-	-	5	14,436,352
- First and final single tier dividend for year 2022	6	17,323,622	-	-
		17,323,622		14,436,352
Proposed but not recognised as a liability as at 31 December:				
Dividends on ordinary shares subject to shareholders' approval at the AGM:				
- First and final single tier dividend for year 2022	-	-	6	17,323,622
- First and final single tier dividend for year 2023	7	20,210,893	-	-
		20,210,893		17,323,622

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2023, of 7 sen per ordinary share, amounting to a dividend payable of RM20,210,893 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

31. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2023 were authorised for issue by the Board in accordance with a resolution of the directors on 18 March 2024.

OTHER DISCLOSURES

(i) Recurrent Related Party Transactions of a Revenue or Trading Nature

In accordance with Section 3.1.5 of Practice Note 12 and Para 10.09(2)(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a breakdown of the aggregate value of recurrent related party transactions conducted during the financial year ended 31 December 2023 pursuant to the Shareholder Mandate are disclosed as follows:-

TYPE OF THE RECURRENT RELATED PARTY TRANSACTIONS MADE	NAME OF THE RELATED PARTIES	ACTUAL VALUE OF RECURRENT RELATED PARTY TRANSACTIONS MADE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 RM
Provision of miscellaneous services such as machineries/equipment, labour etc	Edisi Optima Sdn Bhd ("EOSB") *	1,517,888
Payment of cost of miscellaneous services such as machineries/equipment, labour etc	Edisi Optima Sdn Bhd ("EOSB") *	47,296
Sub-Total		**1,565,184**
Purchase of concrete products	CMS Concrete Products Sdn Bhd ("CMSCP") **	8,850
Purchase of Graded aggregates and other related products	SEDC Quarries Sdn Bhd ("SEDCQ") **	53,385
Purchase of quarry sand	Borneo Granite Sdn Bhd ("BGSB") **	631,091
Sub-Total		**693,326**
Sales of fabricated/galvanised steel products, structural steel works and other related products	OceanMight Sdn Bhd ("OMSB") ***	61,104,228
Rental of yard facilities including machineries/ equipment, factories, office building etc	OceanMight Sdn Bhd ("OMSB") ***	289,000
Sub-Total		**61,393,228**

Relationships of the Related Parties with KKB Group:-

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

** *Subsidiaries and/or related companies of Major Shareholders, Cahya Mata Sarawak Berhad ("CMSB") and Sarawak Economic Development Corporation ("SEDC"). CMSCP, SEDCQ and BGSB are Persons Connected with CMSB and SEDC.*

*** *Dato' Anwarrudin Bin Ahamad Osman is a Director of OceanMight Sdn. Bhd. ("OMSB"). Dato' Anwarrudin Bin Ahamad Osman is also a Major 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 2016.*

(ii) Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued or exercised during the financial year ended 31 December 2023.

(iii) Non-Audit Fees

The non-audit fees paid to the external auditors during the financial year ended 31 December 2023 amounted to RM127,260.

(iv) Variation in Results

There were no variances of 10% or more for the audited results of the Group from the unaudited results as announced on 22 February 2024.

OTHER DISCLOSURES (CONT'D)

(v) Share Buy-Backs

The Company did not undertake any share buy-back exercise for the financial year ended 31 December 2023.

(vi) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year ended 31 December 2023.

(vii) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed by the relevant regulatory bodies on the Company and its subsidiaries, Directors or Management during the financial year ended 31 December 2023.

(viii) Profit Guarantee

No profit guarantee was provided by the Company and its subsidiaries during the financial year ended 31 December 2023.

(ix) Status of Utilisation of Proceeds raised from Corporate Proposal

Pursuant to the Private Placement which was duly completed on 22 December 2021 upon the subscription and listing of the 30,935,040 Placement Shares at RM1.5004 on the Main Market of Bursa Malaysia Securities Berhad, the gross proceeds raised from the Private Placement Exercise was RM46,414,934.

The utilization of Proceeds from the Private Placement as at 31 December 2023 is as set out below:

Purpose	Proposed Utilisation (RM)	Actual Utilisation (RM)	Balance/ (Deviation) (RM)	Intended Timeframe for Utilisation from date of listing of the Placement Shares
Business expansion	10,000,000	(10,000,000)	-	Within 24 months
Working capital	36,214,934	(36,358,461)	(143,527)	Within 24 months
Estimated expenses for the Private Placement	200,000	(56,473)	143,527	Upon completion of the Private Placement

(x) Material Contracts

There were no material contracts of the Group, involving Directors' and major shareholders' interest, entered into during the financial year or still subsisting as at the end of the financial year ended 31 December 2023.

(xi) Revaluation Policy

The Group did not adopt any revaluation policies on landed properties for the financial year ended 31 December 2023.

ANALYSIS OF SHAREHOLDINGS AS AT 25 MARCH 2024

Issued Capital	:	RM175,254,461
Total number of Issued Shares	:	288,727,040
Class of Share	:	Ordinary Shares
Voting Rights	:	1 vote per share

Analysis of Holdings

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100 shares	67	2,992	0.00
100 – 1,000 shares	347	217,060	0.08
1,001 – 10,000 shares	1,285	6,767,819	2.34
10,001 – 100,000 shares	570	16,057,709	5.56
100,001 to less than 5% of issued shares	80	72,624,600	25.15
5% and above of issued shares	3	193,056,860	66.87
Total	2,352	288,727,040	100.00

List of Substantial Shareholders

Names	Direct Interest	%	Indirect Interest	%
1. KHO KAK BENG HOLDING COMPANY SDN. BHD.	112,392,620	38.93	-	-
2. CAHYA MATA SARAWAK BERHAD	51,680,000	17.90	-	-
3. SARAWAK ECONOMIC DEVELOPMENT CORPORATION	30,935,040	10.71	-	-
4. DATO SRI KHO KAK BENG	5,087,780	1.76	112,392,620*	38.93
5. KHO POK TONG	844,900	0.29	112,392,620*	38.93
6. KHO POH LIN	618,500	0.21	112,392,620*	38.93
7. DATIN SRI LIEW MOI FAH	296,000	0.10	112,392,620*	38.93
8. KHO POH JOO	192,080	0.07	112,392,620*	38.93

* *Deemed interested by virtue of his/her substantial interest in Kho Kak Beng Holding Company Sdn. Bhd.*

Directors' Interest

Names	Direct Interest	%	Indirect Interest	%
1. DATO SRI KHO KAK BENG	5,087,780	1.76	112,880,700*	39.10
2. KHO POK TONG	844,900	0.29	112,392,620+	38.93
3. KHO POH LIN	618,500	0.21	112,992,620#	39.13
4. CHAI WOON CHEW	435,720	0.15	14,400,000¥	4.99
5. DATIN MARY SA'DIAH BINTI ZAINUDDIN	-	-	-	-
6. DR ARJUNAN SUBRAMANIAM	-	-	-	-
7. LAU NAI PEK	-	-	-	-
8. YONG VOON KAR	-	-	-	-
9. IR. HAJI OTHMAN BIN ABDUL KADIR	-	-	-	-

* *Deemed interested by virtue of his substantial interest in Kho Kak Beng Holding Company Sdn. Bhd. and the interest of his spouse and child in the Company pursuant to Section 8 and Section 59(11)(c) of the Companies Act 2016 respectively*

\+ *Deemed interested by virtue of his substantial interest in Kho Kak Beng Holding Company Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016*

\# *Deemed interested by virtue of her substantial interest in Kho Kak Beng Holding Company Sdn. Bhd. and the interest of her spouse in the Company pursuant to Section 8 and Section 59(11)(c) of the Companies Act 2016 respectively*

¥ *Deemed interested by virtue of his interest in Laman Satria Sdn. Bhd. pursuant to Section 8(4)(b) of the Companies Act 2016*

ANALYSIS OF SHAREHOLDINGS AS AT 25 MARCH 2024 (CONT'D)

Thirty Largest Shareholders

	Names	Holdings No.	%
1.	KHO KAK BENG HOLDING COMPANY SDN. BHD.	110,441,820	38.25
2.	HLB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CAHYA MATA SARAWAK BERHAD (KCH 10048)	51,680,000	17.90
3.	SARAWAK ECONOMIC DEVELOPMENT CORPORATION	30,935,040	10.71
4.	LAMAN SATRIA SDN. BHD.	14,400,000	4.99
5.	CHUA SIM NEO @ DIANA CHUA	9,644,800	3.34
6.	KENANGA NOMINEES (TEMPATAN) SDN. BHD. RAKUTEN TRADE SDN. BHD. FOR PUI CHENG WUI	6,029,200	2.09
7.	WONG CHONG SEN	5,000,000	1.73
8.	DATO SRI KHO KAK BENG	4,921,780	1.71
9.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LGF)	4,631,200	1.60
10.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF)	3,268,630	1.13
11.	TAN HEONG MING	2,404,000	0.83
12.	PUI CHENG WUI	2,065,800	0.72
13.	KHO KAK BENG HOLDING COMPANY SDN. BHD.	1,950,800	0.68
14.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. GREAT EASTERN TAKAFUL BERHAD (MEKAR)	995,400	0.35
15.	HLIB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHAN YEU WAI	835,800	0.29
16.	KHO POK TONG	820,900	0.28
17.	LAW SOOK TENG	650,200	0.23
18.	KHO POH LIN	618,500	0.21
19.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR AIA PUBLIC TAKAFUL BHD	602,300	0.21
20.	TING ING THAI	600,000	0.21
21.	CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LSMCF)	548,770	0.19
22.	TAN JIN KOK	463,000	0.16
23.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD PLEDGED SECURITIES ACCOUNT FOR YEONG YOK HOONG (7003189)	460,000	0.16
24.	PUI BOON KENG	430,200	0.15
25.	PUBLIC INVEST NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR LIEW MUI LAM (C)	387,000	0.13
26.	LIM JOO YOKE	386,000	0.13
27.	HLB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHAI WOON CHEW	371,400	0.13
28.	TEO BOK NAM @ TEO BAK NAM	360,000	0.13
29.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	322,000	0.11
30.	TING ING SOON	300,000	0.10

LIST OF PROPERTIES AS AT 31 DECEMBER 2023

Location	Land Area	Tenure	Description	Age of Building	Net Book Value (RM'000)	Date of Revaluation/ Acquisition *
KKB ENGINEERING BERHAD Reg. No.: 197601000528 (26495-D) Lot 777, Block 5 Muara Tebas Land District Kuching, Sarawak	68.2 Acres	Leasehold Expiring in 2058	- Land - Office & Factory Building	25 years	52,329	15.04.2008*
KKB ENGINEERING BERHAD Reg. No.: 197601000528 (26495-D) Lot 1949, Section 66, Jalan Kilang Bintawa Industrial Estate Kuching, Sarawak	5.214 Acres	Leasehold Expiring in 2054	- Land	-	10,177	30.09.2020*
KKB INDUSTRIES (SABAH) SDN. BHD. Reg. No.: 200401036627 (675138-T) No. 11-13, Jalan 1G KKIP Selatan Lots 13, 14, & 15 (IZ 4) Kota Kinabalu Industrial Park Kota Kinabalu, Sabah	10.42 Acres	Leasehold Expiring in 2098	- Land - Office & Factory Building	18 years 11 months	10,108	29.01.2005*
KKB ENGINEERING BERHAD Reg. No.: 197601000528 (26495-D) Lot 2045, Section 66, Jalan Kilang Bintawa Industrial Estate Kuching, Sarawak	5.365 Acres	Leasehold Expiring in 2044	- Land - Factory Building	30 years	6,299	31.12.1999
HARUM BIDANG SDN. BHD. Reg. No.: 199601035034 (407387-U) Lot 1382, Block 7 Muara Tebas Land District Kuching, Sarawak	1.581 Acres	Leasehold Expiring in 2060	- Land - Office & Factory Building	23 years 6 months	2,853	31.12.1999
KKB ENGINEERING BERHAD Reg. No.: 197601000528 (26495-D) Lot 865, Section 66, Jalan Kilang Bintawa Industrial Estate Kuching, Sarawak	1.181 Acres	Leasehold Expiring in 2034	- Land - Office & Factory Building	29 years	1,413	31.12.1999
HB PIPES SDN. BHD. Reg. No.: 197901003653 (48210-A) Lot 893, Block 7 Muara Tebas Land District Kuching, Sarawak	3.606 Acres	Leasehold Expiring in 2053	- Land	-	1,319	17.01.2003*
KKB ENGINEERING BERHAD Reg. No.: 197601000528 (26495-D) Lot 1952, Section 66, Jalan Kilang Bintawa Industrial Estate Kuching, Sarawak	1.002 Acres	Leasehold Expiring in 2043	- Land - Office & Factory Building	38 years	1,257	31.12.1999
OPTIMA LINE ENGINEERING SDN. BHD. Reg. No.: 199701024514 (440012-H) Lot 1111, Block 7 Muara Tebas Land District Kuching, Sarawak	2.369 Acres	Leasehold Expiring in 2058	- Land - Office & Factory Building	23 years	933	31.12.1999
KKB UNIVERSAL ROOFING (SARAWAK) SDN. BHD. Reg. No.: 197801005879 (43031-T) Lot 1382, Section 66, Jalan Kilang Bintawa Industrial Estate Kuching, Sarawak	0.953 Acres	Leasehold Expiring in 2040	- Land - Factory Building	43 years	846	31.12.1999

LIST OF PROPERTIES AS AT 31 DECEMBER 2023 (CONT'D)

Location	Land Area	Tenure	Description	Age of Building	Net Book Value (RM'000)	Date of Revaluation/ Acquisition *
KKB ENGINEERING BERHAD Reg. No.: 197601000528 (26495-D) Lot 1016, Section 66, Jalan Kilang Bintawa Industrial Estate Kuching, Sarawak	1.001 Acres	Leasehold Expiring in 2036	- Land - Factory Building	27 years	760	31.12.1999
KKB ENGINEERING BERHAD Reg. No.: 197601000528 (26495-D) 701, Block A, Kelana Business Centre 97, Jalan SS7/2 Petaling Jaya, Selangor	0.037 Acres	Leasehold Expiring in 2092	- Office Building	28 years	254	31.12.1999
KKB ENGINEERING BERHAD Reg. No.: 197601000528 (26495-D) Lot 1455, Block 7 Parcel No. B-1-9A & 9B B-2-9A & 9B, B-3-9A & 9B Muara Tebas Land District Kuching, Sarawak	0.099 Acres	Leasehold Expiring in 2059	- Staff Quarters	22 years	213	02.10.2000*
KKB INDUSTRIES (SABAH) SDN. BHD. Reg. No.: 200401036627 (675138-T) Lot No. B202-02-03 (2-1-3) Ground Floor, Block 202 Seri Maju Apartment Jalan Sepanggar Kuala Menggatal Kota Kinabalu, Sabah	0.014 Acres	Parent Title Expiring in 2081	- Staff Quarters	13 years 9 months	53	12.04.2010*
KKB INDUSTRIES (SABAH) SDN. BHD. Reg. No.: 200401036627 (675138-T) Lot No. B201-05-19 Third Floor, Block B201 Seri Maju Apartment Jalan Sepanggar Kuala Menggatal Kota Kinabalu, Sabah	0.014 Acres	Parent Title Expiring in 2081	- Staff Quarters	13 years 9 months	51	12.04.2010*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Eighth Annual General Meeting ("AGM") of KKB Engineering Berhad ("KKB" or "the Company") 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. to transact the following businesses, with or without modifications:

AGENDA

AS ORDINARY BUSINESS:

a. To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Reports of the Directors and Auditors thereon. **[Please refer to Note A]**

b. To approve the payment of a First and Final Single Tier Dividend of seven (7) sen per ordinary share in respect of the financial year ended 31 December 2023 as recommended by the Directors. **Ordinary Resolution 1**

c. To approve the following payments to Non-Executive Directors:

   i) Directors' fees amounting to RM440,748 for the financial year ending 31 December 2024 (FYE 2023: RM372,855); and **Ordinary Resolution 2**

   ii) Meeting allowances up to RM66,000 for the financial year ending 31 December 2024 (FYE 2023: RM70,000). **Ordinary Resolution 3**

d. To re-elect the following Directors who retire pursuant to Clause 22.2 of the Company's Constitution:

   i) Dato Sri Kho Kak Beng **Ordinary Resolution 4**
   ii) Mr. Kho Pok Tong **Ordinary Resolution 5**
   iii) Ms. Kho Poh Lin **Ordinary Resolution 6**

e. To re-elect the Director, Ir. Haji Othman bin Abdul Kadir who retires pursuant to Clause 22.9 of the Company's Constitution. **Ordinary Resolution 7**

f. To re-appoint Ernst & Young PLT as auditors of the Company until the conclusion of the next annual general meeting and to authorize the Board of Directors to fix their remuneration. **Ordinary Resolution 8**

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolution pursuant to Principle A Practice 5.3 of the Malaysian Code on Corporate Governance ("MCCG") 2021 to retain the following Director:

g. **Continuing in office as Independent Non-Executive Director** **Ordinary Resolution 9**

"**THAT**, approval be and is hereby given to Datin Mary Sa'diah binti Zainuddin, who has served as an Independent Non-Executive Director of the Company for more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company."

To consider and, if thought fit, to pass the following ordinary resolutions:

h. **Authority to Issue Shares** **Ordinary Resolution 10**

"**THAT**, pursuant to Sections 75 and 76 of the Companies Act 2016 and subject always to the Company's Constitution and approvals from the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority AND THAT the Directors be and are also hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company.

AND THAT pursuant to Section 85(1) of the Companies Act 2016 read together with Clause 18.2 of the Company's Constitution, this resolution if passed shall have the effect of the Shareholders having agreed to irrevocably waive their Pre-emptive Rights pursuant to Section 85(1) of the Companies Act 2016 and Clause 18.2 of the Constitution of the Company in respect of the new shares to be allotted and issued by the Company pursuant to Sections 75 and 76 of the Companies Act 2016."

i **Proposed renewal of Shareholder Mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholder Mandate")** **Ordinary Resolution 11**

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

"**THAT**, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into any of the categories of related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the Company and its subsidiaries' day-to-day operations as outlined in Sections 3.2 to 3.4 of the Circular to Shareholders dated 18 April 2024 ("Circular"), with the specific related parties mentioned therein subject further to the followings:

i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders; and

ii) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Proposed 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 Main Market Listing Requirements ("MMLR"), and amongst others, based on the following information:

- the type of the recurrent related party transactions made; and
- the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

AND THAT such approval will continue to be in force until:

i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by an ordinary resolution passed at the meeting, the authority is renewed;

ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016]; or

iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

AND THAT the Board of Directors of the Company ("the Board") be and is hereby authorized to sign, execute and deliver on behalf of the Company all necessary documents, and do all such acts and things as may be required or relevant for or in connection with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be imposed or permitted by the relevant authorities;

AND THAT the estimated value given on the recurrent related party transactions specified in Section 3.4 of the Circular being provisional in nature, the Board be and is hereby authorized to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures as set out in Section 3.6 of the Circular."

i. To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Company's Constitution.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that a First and Final Single Tier Dividend of seven (7) sen per ordinary share in respect of the financial year ended 31 December 2023, if approved at the Forty-Eighth AGM, will be paid on 25 June 2024 to depositors whose names appear in the Record of Depositors on 6 June 2024.

A depositor shall qualify for entitlement only in respect of:

(a) shares transferred to the depositor's securities account before 4.30 p.m. on 6 June 2024 in respect of transfer; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD OF DIRECTORS

VOON JAN MOI (MAICSA 7021367)
SSM Practising Certificate No.: 202008001906
Company Secretary

Kuching, Sarawak
Dated: 18 April 2024

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

A. Explanatory Note on Ordinary Business

This agenda item is meant for discussion only and hence it will not be put forward for voting.

B. Explanatory Notes on Special Business

Pursuant to Paragraph 8.27(3) of the MMLR, appended hereunder are the explanatory notes on the proposed ordinary resolutions 9, 10 and 11.

1) Proposed Ordinary Resolution 9

- **Continuing in office as Independent Non-Executive Director**

The proposed resolution 9 is to comply with Principle A: II Board Composition; Practice 5.3 of the MCCG 2021 to seek shareholders' approval through a two-tier voting process to retain Datin Mary Sa'diah binti Zainuddin as an Independent Non-Executive Director who has served beyond nine (9) years. The Nomination & Remuneration Committee and the Board have recommended that she be retained based on the following justifications:

(a) She has met the criteria as Independent Director pursuant to MMLR.

(b) Datin Mary Sa'diah binti Zainuddin is with high intellect, honesty and genuine commitment to serve in the best interest of the Company.

(c) Although having served for a consecutive term of more than nine (9) years, Datin Mary Sa'diah binti Zainuddin is subject to yearly assessment and review by the Board through a transparent criteria evaluation.

(d) Datin Mary Sa'diah binti Zainuddin's valuable advice on oil and gas matters and wide knowledge will continue to add credence to the Company and will not have any adverse effect on her independency as Independent Non-Executive Director.

(e) Her long tenure as an Independent Non-Executive Director has no conflict of interest or undue influence from interested parties.

(f) She attended all scheduled Board meetings without fail during the year under review.

(g) She is able to challenge ideas and provide perspective to Management.

(h) In addition, Datin Mary Sa'diah binti Zainuddin also makes a declaration twice a year that she is independent of management and free from any business or relationship that could interfere with the independent judgment of the Company.

(i) In accordance to the MCCG 2021, the Company is not classified as a Large Company.

2) Proposed Ordinary Resolution 10

- **Authority to Issue Shares**

The effect of the Ordinary Resolution 10, if passed, will give the Directors of the Company, from the date of the Forty-Eighth AGM, authority to allot and issue shares up to 10% of the total number of issued shares of the Company for such purposes as the Directors may deem fit and in the interest of the Company. The authority, unless revoked or varied by the Company in general meeting, until the conclusion of the next AGM of the Company.

The Company is seeking the approval from the shareholders on the renewed mandate for the purpose of a possible fund-raising exercise including but not limited to placement of shares for the purpose of funding future investment project(s), working capital and/or acquisitions and to avoid any delay and cost in convening general meetings to specifically approve such an issue of shares. As at to-date, no new ordinary shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM of the Company held on 25 May 2023.

3) Proposed Ordinary Resolution 11

- **Proposed renewal of Shareholder Mandate for recurrent related party transactions of a revenue or trading nature**

Paragraph 10.09 of the MMLR 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 ("RRPT"), a listed issuer may seek a shareholder mandate.

The proposed resolution 11, if passed, will authorize the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in Section 3.3 of the Circular, which are necessary for KKB Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders.

By obtaining the Shareholder Mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of KKB Group or adversely affecting the business opportunities available to KKB Group.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES:

1. *A member entitled to attend, speak and vote at the AGM is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at the AGM of the Company shall have the same rights as the member to speak at the AGM.*

2. *A member of the Company entitled to attend, speak and vote at this AGM shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*

3. *If the appointor is a corporation, the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized.*

4. *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*

5. *The instrument appointing a 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.*

6. *A depositor whose name appears in the Record of Depositors as at 14 May 2024 shall be entitled to attend the AGM and to speak and vote thereat.*

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING ("AGM")

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individuals who are standing for election as Directors

There are no individuals who are standing for election as Directors at the forthcoming 48th AGM of the Company other than the Directors standing for re-election. The profiles of the Directors are stated on pages 57 to 61 of the Annual Report 2023.

2. General mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details on the authority to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note for Ordinary Resolution 10 of the Notice of 48th AGM.

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

FORM OF PROXY

Number of shares held	
CDS Account No.	

I/We .... (Name in full) .... (IC/Company No)

of .... (Address)

being a member/members of KKB ENGINEERING BERHAD ("the Company"), hereby appoint ....

(Name in full) of .... (Address)
or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Forty-Eighth Annual General Meeting ("AGM") of the Company 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. and at any adjournment thereof.

My/our proxy is to vote as indicated below:

ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To approve a First and Final Single Tier Dividend of seven (7) sen per ordinary share in respect of the financial year ended 31 December 2023 as recommended by the Directors.		
2.	To approve the payment of Directors' fees amounting to RM440,748 for the financial year ending 31 December 2024 (FYE 2023: RM372,855).		
3.	To approve the payment of Directors' meeting allowances up to RM66,000 for the financial year ending 31 December 2024 (FYE 2023: RM70,000).		
4.	To re-elect as Director, Dato Sri Kho Kak Beng who retires in accordance with Clause 22.2 of the Company's Constitution and being eligible, offers himself for re-election.		
5.	To re-elect as Director, Mr. Kho Pok Tong who retires in accordance with Clause 22.2 of the Company's Constitution and being eligible, offers himself for re-election.		
6.	To re-elect as Director, Ms. Kho Poh Lin who retires in accordance with Clause 22.2 of the Company's Constitution and being eligible, offers herself for re-election.		
7.	To re-elect as Director, Ir. Haji Othman bin Abdul Kadir who retires in accordance with Clause 22.9 of the Company's Constitution and being eligible, offers himself for re-election.		
8.	To re-appoint Ernst & Young PLT as auditors of the Company and to authorize the Directors to fix their remuneration.		
9.	To retain Datin Mary Sa'diah binti Zainuddin as an Independent Non-Executive Director.		
10.	To empower the Directors to issue shares.		
11.	To approve the proposed renewal of Shareholder Mandate for recurrent related party transactions of a revenue or trading nature.		

Please indicate "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Shareholding Represented by Proxy 1	
Shareholding Represented by Proxy 2	

Dated this .... day of 2024

....
Signature of shareholder(s)/common seal

Notes:
1. *A member entitled to attend, speak and vote at the AGM is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at the AGM of the Company shall have the same rights as the member to speak at the AGM.*
2. *A member of the Company entitled to attend, speak and vote at this AGM shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.*
3. *If the appointor is a corporation, the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized.*
4. *Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *The instrument appointing a 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.*
6. *A depositor whose name appears in the Record of Depositors as at 14 May 2024 shall be entitled to attend the AGM and to speak and vote thereat.*

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KKB ENGINEERING BERHAD
Registration No.: 197601000528 (26495-D)

Lot 865, Section 66, Jalan Kilang
Bintawa Industrial Estate
93450 Kuching
P O Box 832, 93716 Kuching
Sarawak, Malaysia

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

Head Office:
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Bintawa Industrial Estate, 93450 Kuching
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Email: kkbeb@kkbeb.com.my

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Fax: (6082) 419 977
Email: kpl@kkbeb.com.my

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Tel: 082-238 900 **Fax:** 082-231 939 **Email:** bahagia.press@gmail.com **Website:** www.bahagiapress.com.my