KNM GROUP BERHAD

Registration No.: 200001018741(521348-H)

ANNUAL REPORT 2022

WORLD CLASS PROCESS EQUIPMENT MANUFACTURER AND TURNKEY SOLUTIONS PROVIDER

VISION

To be a leading process equipment manufacturer and a modular process systems provider for the oil, gas, petrochemicals, minerals, power, environmental and renewable energy sectors

MISSION

To be an one-stop-centre for the provision of process equipment and process systems with state-of-the-art technology

TABLE OF CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri (Dr.) Zulhasnan Bin Rafique
Executive Chairman
(appointed on 18 September 2021 as an Independent Non-Executive Chairman and subsequently re-designated as Executive Chairman on 23 November 2021.)

Tunku Dato' Yaacob Khyra
(Appointed on 1 November 2021)
Non-Independent Non-Executive Director

Tan Koon Ping
Group Chief Executive Officer/
Executive Director

Flavio Porro
(Appointed on 25 June 2021)
Group General Counsel/Executive Director

Lim Mun Kee
(Appointed on 19 July 2021)
Independent Non-Executive Director

Datuk Mohd Irwan Bin Mohd Mubarak
(Appointed on 19 July 2021)
Independent Non-Executive Director

Safia Binti Ahmad Jahidi
(Appointed on 9 August 2021)
Independent Non-Executive Director

Ho Soo Woon
(Appointed on 18 September 2021)
Independent Non-Executive Director

Datuk Uwe Ahrens
(Appointed on 21 October 2021)
Non-Independent Non-Executive Director

Dato' Indera Naresh Mohan
(Appointed on 1 December 2021)
Non-Independent Non-Executive Director

James Beltran
(Appointed on 1 December 2021)
Non-Independent Non-Executive Director

Ravindrasingham A/L Balasingham
(Appointed on 1 December 2021)
Non-Independent Non-Executive Director

BOARD COMMITTEES

	Audit Committee Members	Nomination Committee Members	Remuneration Committee Members	ESOS Committee Members
Chairman	Lim Mun Kee	Lim Mun Kee	Datuk Mohd Irwan Bin Mohd Mubarak	Datuk Mohd Irwan Bin Mohd Mubarak
Committee Members	Datuk Mohd Irwan Bin Mohd Mubarak	Datuk Mohd Irwan Bin Mohd Mubarak	Lim Mun Kee	Lim Mun Kee
	Safia Binti Ahmad Jahidi	Safia Binti Ahmad Jahidi	Safia Binti Ahmad Jahidi	Safia Binti Ahmad Jahidi
			Tan Koon Ping	Tan Koon Ping

CORPORATE INFORMATION
(CONTINUED)

GROUP COMPANY SECRETARY

Hani Syamira Binti Abdul Hamid
LS 0009872
Practising Cert No. 201908003098
Email : cosec@knm-group.com

REGISTERED OFFICE

15 Jalan Dagang SB 4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan Malaysia
Tel No. : +603-8946 3000
Fax No. : +603-8943 4781
Email : knm@knm-group.com
Website : www.knm-group.com

DATE OF INCORPORATION

Incorporated on 22 July 2000 as a private company limited by shares. Converted to a public company limited by shares on 12 September 2000.

AUDITORS

KPMG PLT
Chartered Accountants
Level 10 KPMG Tower
8 First Avenue Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan Malaysia
Tel No. : +603-7721 3388
Fax No. : +603-7721 3399

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
5 Jalan Professor Khoo Kay Khim
Seksyen 13 47301 Petaling Jaya
Selangor Darul Ehsan Malaysia
Tel No. : +603-7849 0777
Fax No. : +603-7841 8151 / 8152

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad
(Listed since 11 August 2003)
Stock name : KNM
Stock code : 7164
Counter : Energy

PRINCIPAL FINANCIERS

Bank of China (Malaysia) Berhad
Ground Mezzanine & 1st Floor
Plaza OSK
25 Jalan Ampang
50450 Kuala Lumpur Malaysia

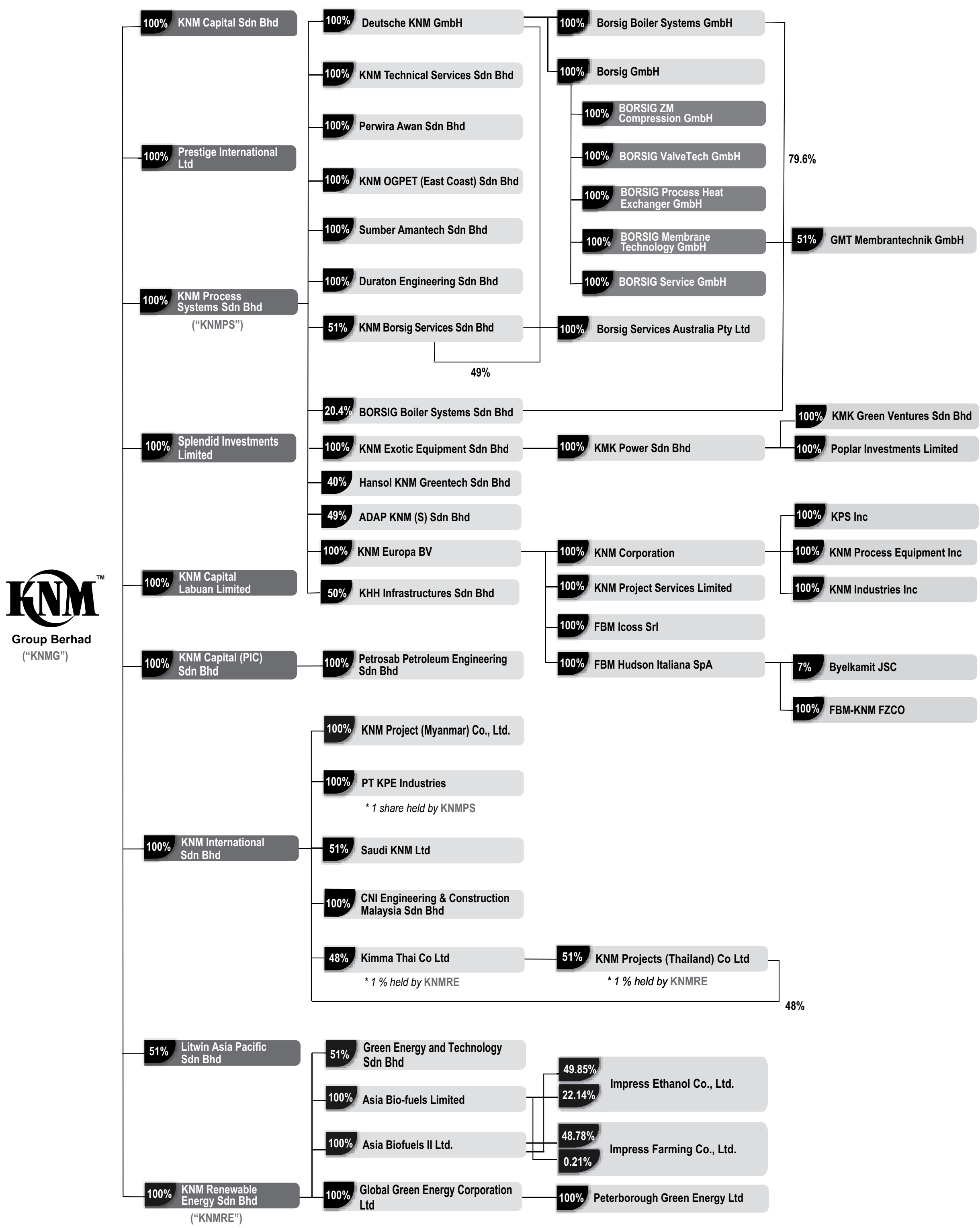
Malayan Banking Berhad
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur Malaysia

Affin Bank Berhad
Ground & Mezzanine Floor
Menara Affin
80 Jalan Raja Chulan
50200 Kuala Lumpur Malaysia

MBSB Bank Berhad
Menara MBSB Bank
PJ Sentral Lot 12
Persiaran Barat Seksyen 52
46200 Petaling Jaya
Selangor Darul Ehsan Malaysia

CORPORATE STRUCTURE

KNM Group's Corporate Structure as at 30 September 2022



KNM AT
A GLANCE

GLOBAL PRESENCE

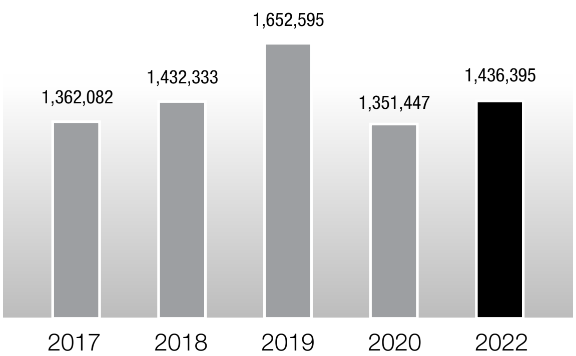
5-YEAR GROUP
FINANCIAL HIGHLIGHTS

	2022 (18 months)^	2020	2019	2018	2017 (Restated)#
Revenue (RM'000)	1,436,395	1,351,447	1,652,595	1,432,333	1,362,082
(Loss)/Profit Before Tax (RM'000)	(844,810)	81,137	70,414	(412,352)	(36,600)
(Loss)/Profit After Tax (RM'000)	(864,660)	56,571	35,057	(784,676)	(50,861)
(Losses)/Earnings Before Interest, Tax, Depreciation and Amortisation (RM'000)	(516,833)	244,984	239,780	(249,475)	109,304
Shareholders' Equity (RM'000)	898,934	1,775,076	1,664,069	1,540,778	2,365,210
Basic (Loss)/Earnings Per Share (sen)	(24.21)	2.39	1.83	(33.03)	(2.26)
Net Assets Per Share (RM)	0.23	0.60	0.64	0.66	1.10

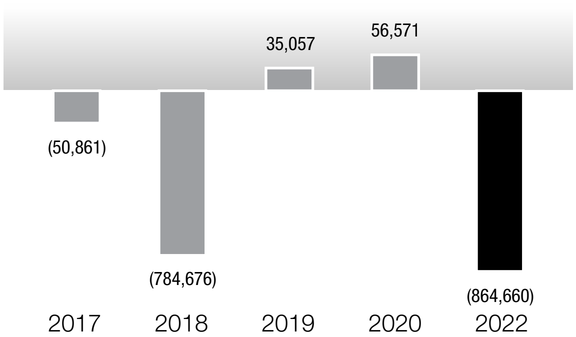
\# The comparative for financial year ended 31 December 2017 have been restated pursuant to the adoption of *MFRS 15, Revenue from Contracts with Customers*.

^ The Company had on 21 March 2022, announced that it had changed its financial year end of the Company from 31 December to 30 June. Consequently, the audited financial statements for financial period 2022 shall be made up from 1 January 2021 to 30 June 2022 covering a period of 18 months and subsequently the financial year of the Company shall end on 30 June.

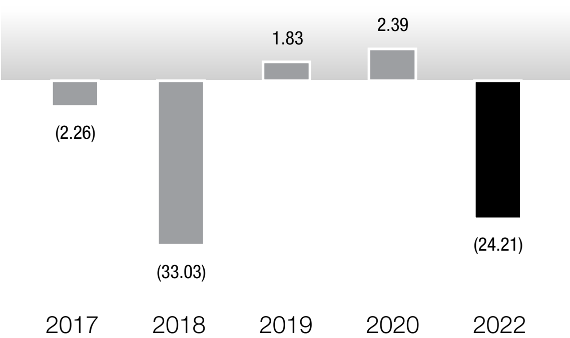
REVENUE
(RM'000)



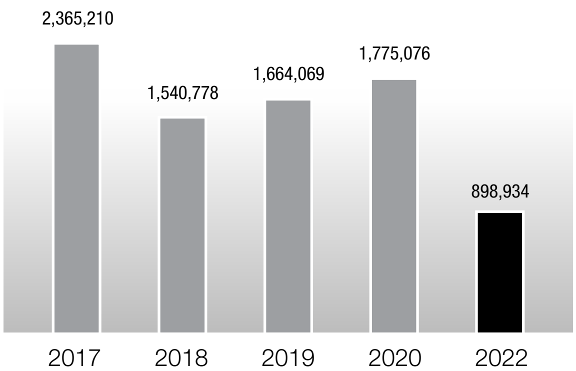
(LOSS)/PROFIT AFTER TAX
(RM'000)



BASIC (LOSS)/EARNINGS PER SHARE
(sen)



SHAREHOLDERS' EQUITY
(RM'000)



CHAIRMAN'S MESSAGE

THE GROUP HAD SAILED THROUGH WAVES OF CHALLENGES IN THE PAST AND WE ARE DETERMINED TO OVERCOME THE CURRENT CHALLENGES TOGETHER WITH SUPPORTS FROM OUR MANAGEMENT, EMPLOYEES, CLIENTS AND BUSINESS PARTNERS

PREVAILING INDUSTRY LANDSCAPE

The world is making significant progress in adjusting to COVID-19 pandemic with more vaccines have became widely available. While world is recovering from the onset of the COVID-19 pandemic, this health crisis has turned into an overwhelming economic crisis with supply chain constraints and high inflation. The global economy is further hit by the continued geopolitical conflicts in Europe. Despite these challenges, the Board of Directors ("the Board") anticipates new business opportunities will arise and will work together with the Management to capitalise on such opportunities.

Under this background, on behalf of the Board, I commend the efforts of our staff and extend our thanks for their resilience and continued to work together in such uncertain times.

PERFORMANCE OF THE GROUP

In relation to the financial challenges of the KNM Group Berhad and its subsidiaries ("the Group") which we faced and noted during the last 18 months, particularly on the repayment to Credit Guarantee & Investment Facility for the principal sum of THB2,780 million and coupon payment on the bonds issued by KNM in Thailand, the Board has worked closely with management on a comprehensive remediation and fund-raising plan. We believe the changes proposed under this plan will have a positive impact for the Group.

We are pleased to provide herein updates of the following corporate exercises which are part of the Group's fund raising plan announced on 22 December 2021:

1. The proposed disposal of Borsig GmbH for a total consideration of EUR220.8 million was approved by the Company's shareholders during the Extraordinary General Meeting held on 28 September 2022; and

2. The proposed flotation of the Company's indirect wholly-owned subsidiaries, FBM Hudson Italiana SpA and FBM-KNM FZCO (collectively as the "FBM Group") on the Catalist Board of the Singapore Stock Exchange Securities Trading Limited by way of an initial public offering was announced on 19 January 2022 ("Proposed IPO"). The management is currently working with the sponsor of the Proposed IPO to prepare the necessary listing application.

Tan Sri (Dr.) Zulhasnan Bin Rafique
Chairman of the Board

CHAIRMAN'S MESSAGE
(CONTINUED)

MOVING FORWARD

The Board and Management will continue to explore new ways forward to address the ongoing disruptions in our industries and turnaround the Group.

The Group intends to expand into the renewable energy industry through organic growth and/ or joint ventures with the long-term objective of increasing the revenue contribution of its green businesses, besides the existing process equipment manufacturing businesses located strategically in Malaysia, UAE and Italy. The Board believes that the demand for cleaner energy sources from most market segments will grow in conjunction with the growing concern for climate change and support for environmental, social and governance considerations.

Even as we continue to improve our operations amid these global uncertainties, we remain steadfast committed to our Environmental, Social and Governance ("ESG") responsibilities and business sustainability

The Board of Directors of the Company has on 30 August 2022 announced that the Company is proposing to change its name from "KNM Group Berhad" to "Hudson Group Berhad", subject to the approval of the Company's shareholders at a general meeting.

IN APPRECIATION

We are incredibly grateful for all that our employees have delivered and their unwavering commitment to continue to do so and for the continued supports from our customers, vendors and the other stakeholders in where we operate.

Tan Sri (Dr.) Zulhasnan Bin Rafique
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

The Board of Directors of KNM Group Berhad ('the Company") and its subsidiaries ("the Group") would like to express our gratitude for your continuous trusts and supports.

Our Group is well diversified with core businesses in project management, engineering, manufacturing and maintenance of process equipment for the renewable energy, power, utilities, refining and petrochemical industries. We also provide one-stop process packages and integrated solutions for the oil and gas, power and renewable energy industries.

The financial year end of the Company and the Group has been changed from 31 December to 30 June as announced to the Bursa Malaysia Securities Berhad on 21 March 2022. As such, there is no comparative figure available for the corresponding period in the preceding year.

The outlook for the 18-month financial period ended 30 June 2022 remained challenging due to the continuous uncertainties in the global economic outlook arising from the impacts of the COVID-19 pandemic and geopolitics conflicts in Europe and between China and the United States of America.

The global outbreak of COVID-19 which resulting in the implementation of various movement control restrictions in various countries and the volatile crude oil prices, have caused the Group suffered from delays in securing and implementing certain process equipment contracts that were expected to be materialised, and the construction progress of our existing capital expenditure expansion for renewable energy projects abroad. While the Board opines that the Malaysian economy is expected to improve in the future, the Group remains cautious and aims to maintain its profitability by improving its operational efficiency, resolve its outstanding indebtedness, and to streamline its business operations moving forward.

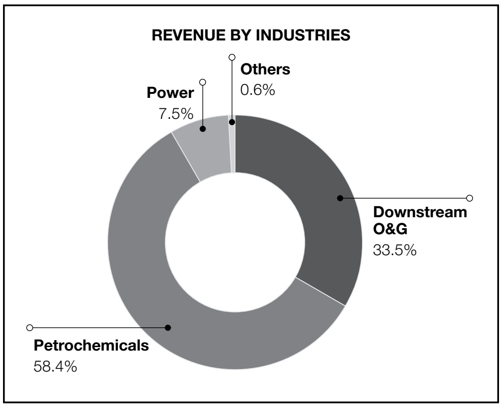
OVERVIEW OF FINANCIAL PERFORMANCE

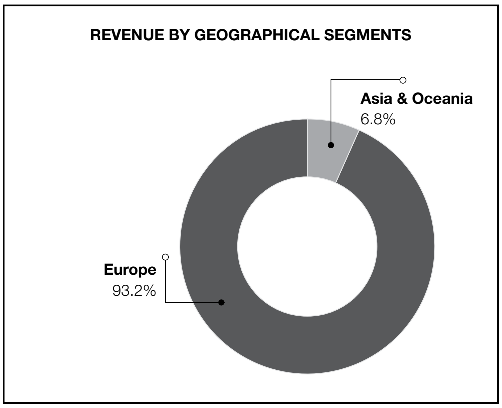
For the 18-month financial period ended 30 June 2022, the Group posted a revenue recognition of RM1.44 billion from its fabrication division amid a slow global recovery from the impact of COVID-19 pandemic worldwide.

The Group gross profit stood at RM245.74 million with an average gross profit margin of 17.1%, despite a higher production costs incurred to complete the on-going projects due to supply chain constraints and higher energy prices.

Sighted a prolonged slowdown in the economy activities worldwide and the current unfavourable market environment, the Group had made the non-cash accounting impairment adjustments on certain assets including goodwill, ethanol plant under construction in Thailand and additional project costs provided upon closure of certain long outstanding projects at an aggregate total of approximately RM568.58 million during the current financial period. Consequently, the Group reported a Losses Before Interest, Tax, Depreciation and Amortisation ("LBITDA") of RM516.83 million. Without all these non-cash accounting adjustments, the Group would have reported an Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of RM51.75 million on the back of a leaner administration of the Group despite our ethanol plant in Thailand incurred losses to maintain its existing operations in the current financial period.

As a result of the above, the Group reported a loss before tax ("LBT") of RM844.81 million in the current financial period following the finance costs incurred for existing renewable energy expansion projects under construction and depreciation on certain assets which had been expensed off into the income statement due to overall lower business activities caused by the pandemic.





SEGMENTAL PERFORMANCE

Europe Segment

Our Europe Segment retained its position as the pillar of the Group. The Europe Segment posted a revenue recognition of RM1.34 billion amid various challenges from the supply chain constrains resulting in labour shortage, higher logistic cost and energy costs in productions due to the prolonged health pandemic.

This Segment contributed a gross profit of RM231.35 million to the Group during the current financial period and recorded a LBITDA of RM375.38 million with a non-cash accounting impairment of goodwill of approximately RM445.83 million provided for in order to reflect the offer received to purchase of Borsig GmbH. It is noticeable that without this non-cash accounting impairment on goodwill, this Segment would have had posted an EBITDA of RM70.45 million for the financial period under review.

On 24 May 2022, the Company had announced a proposed disposal of its indirect wholly-owned subsidiary incorporated in Germany, Borsig GmbH ("Borsig") to GPR Siebzigste Verwaltungsgesellschaft mbH ("the Purchaser") for a consideration of EUR220.80 million ("Proposed Disposal"). The Proposed Disposal has been approved by the Company's shareholders on 28 September 2022. As of todate, the Proposed Disposal is still ongoing, pending completion of the various condition precedents as stated in the conditional sale, purchase and transfer agreement dated 23 May 2022.

The Board has identified Borsig Group as an asset suitable for monetisation in order to address the financial constraints of the Group as it would generate the largest cash proceeds when compared with the various alternative of asset monetisation options; and to provide a timely cash injection for debt repayments to ensure the smooth continuation of the Group. For information purposes, Borsig Group contributed approximately 67% of the Group's consolidated revenue and RM62.15 million to the Group's profitability for the financial period ended 30 June 2022.

Additionally, the Group has significant process equipment manufacturing business and will continue to grow this business following the Proposed Disposal. Currently, the Group offers its process equipment manufacturing business in several countries via its subsidiaries namely KNM Process Systems Sdn Bhd in Malaysia, FBM-KNM FZCO in the Middle East and FBM Hudson Italiana SpA in Italy. FBM Hudson Italiana SpA and its wholly owned subsidiary, FBM-KNM FZCO, are both principally involved in the manufacturing of air cooled heat exchangers, process gas waste heat recovery systems, heavy duty heat exchangers and other process equipment for the oil and gas, petrochemical, and desalination industries. FBM-KNM FZCO and FBM Hudson Italiana SpA mainly derived their revenue from customers operating in the oil and gas industry and petrochemical industries.

Asia & Oceania Segment

Our Asia & Oceania Segment was not spared from a challenging backdrop during the financial period under review. This Segment posted a revenue recognition of RM98.14 million to the Group from the fabrication business during the financial period under review following the restricted production protocols in Malaysia, resulting in a lower overall project progress coupled with slow replenishment of new orders during this pandemic outbreak and no contribution from Thailand's operations.

This Segment reported a gross profit of RM14.39 million with a LBITDA of RM143.05 million after taking into the account of the non-cash accounting impairment provided for the ethanol plant under construction in Thailand and the additional project costs provided upon closure of certain fabrication projects, totalling approximately of RM105.15 million. Without these non-cash accounting adjustments, this Segment would have achieved a lower LBITDA of RM37.90 million mainly due to the fixed factory maintenance cost incurred for the ethanol plants in Thailand.

The production of our bio-ethanol plant in Thailand ("IEL") was halted during the financial period under review following the significant increase in the cassava chip prices since late 2018. Consequently, IEL had to gradually reduced its production activities in late 2019 to curb the operating loss while maintaining a minimal maintenance and running cost. This event has prompted IEL to accelerate its contract farming plan, which was originally scheduled to be carried out after the commencement of commercial operation of the phase 2 facility with additional 300,000 litres per day production capacity. Contract farming is a critical component of IEL's business plan to achieving long term feedstock security. This is particularly crucial in IEL's expansion plan for the operation of the additional 300,000 litres per day production facility in the future.

The strategy of contracting with local farming cooperatives from the outset brings significant benefits to IEL by eliminating the middleman trader profit by approximately one third of the current feedstock price and help to integrate the ethanol production facility into the local community, stabilising its supply chain and quality controls. In addition to the creation of local jobs, the farmers will benefit greatly from a reliable and expanding local demand for their produces, better earning margins as they could directly participate in the price setting under the farming contract.

America Segment

In line with the Group's fund raising and rationalisation exercise, the Group had disposed of its idle fabrication plant in Canada during the financial period under review. This disposal of assets do not have any significant impact to the Group's profits for the financial period under review. The proceeds from the said disposal are mainly used to repay the borrowing of a Canadian subsidiary.

FINANCIAL POSITION

Total Assets

At 30 June 2022, the total assets of our Group was reported lower at RM3.08 billion as against RM3.86 million at 31 December 2020 mainly due to the significant impairments made on the goodwill arising from the acquisition of Borsig GmbH; and ethanol plant in construction in Thailand and other idle assets held abroad, totalling RM479.24 million.

The Group has recognised assets held for sale of RM1.42 billion in accordance with the MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in relation to the Proposed Disposal and the proposed sale of our idle fabrication asset in Indonesia, at their selling prices less costs to sell at 30 June 2022. These assets held for sale have significantly increased the current asset ratio of the Group from 0.82 time at 31 December 2020 to 0.94 time at 30 June 2022.

Total Liabilities

Total liabilities of our Group was reported marginaly higher at RM2.25 billion as at 30 June 2022 as compared with RM2.11 billion at 31 December 2020 following recognition of certain payments to be made in relation to the Proposed Disposal.

Liquidity and Gearing Ratio

The borrowings of the Group have been reduced by RM100.88 million, from RM1.36 billion as at 31 December 2020 to RM1.26 billion as at 30 June 2022. The gearing ratio of the Group has been increased from 0.77 times as at 31 December 2020 to 1.52 times as at 30 June 2022 due to the increase in the long term portion of the borrowings of the Group.

In this respect, on 3 December 2021, the Company announced that it had defaulted on the principal payment of bonds that it had issued in Thailand amounting to Thai Baht 2.78 billion ("Thai Bonds") which had matured on 18 November 2021. The total principal amount of the Thai Bonds and coupon payable as at 30 June 2022 was estimated at RM347.03 million. The Thai Bonds were guaranteed by Credit Guarantee and Investment Facility, a trust fund managed by the Asian Development Bank (the "CGIF").

CGIF had on 15 December 2021, made payment on behalf of the Company to the bondholders in relation to the Thai Bonds issued by the Company. Consequently, CGIF had issued a Reimbursement Demand Notice dated 15 December 2021 to the Company. The Company is currently in bilateral negotiations and is in close communication with CGIF on the Company's ongoing refinancing plans to address this to reimburse CGIF the guaranteed amount paid by CGIF to the bondholders.

Consequently, the Group's current liabilities exceeded its current assets by RM110.78 million as at 30 June 2022 (31 December 2020: RM211.78 million). The Directors acknowledged the current liquidity exposure of the Group and had on 22 December 2021 announced its plans to undertake several corporate exercises to enhance its financial position and to enable the Group to meet their obligations as and when they fall due. The Group has also appointed consultants to explore the opportunities to monetarise the Group's investments overseas and its non-core assets. In addition, the Group will continue to implement appropriate strategies so that the Group will be profitable in the future and enjoyed continuous supports from its stakeholders.

MANAGEMENT DISCUSSION & ANALYSIS
(CONTINUED)

RISK EXPOSURE

RISK	DESCRIPTION	MITIGATION MEASURES
Operational	Operational risk relates to the frequency and timeliness of new order replenishment affecting consistency of revenue recognition. The risk arising from fluctuation in prices and supplies of raw materials such as steel for fabrication of process equipment and cassava chips for our Thailand bio-ethanol plant, due to seasonal, climate and market forces.	• Our Group is developing recurring income businesses that would provide a more sustainable income stream over the long term. • Our Group ensures that prices of all major raw materials required are locked-in as soon as the process equipment contract is secured; and • Our Group continuously monitors the market and price movement of cassava chips, as well as negotiating long term supply contracts and contract farming to mitigate the fluctuation risks.
	Competition from local and overseas competitors who provide similar products and services offerings.	• Our Group has implemented disciplined and lean cost controls by consolidating its procurement to improve the price competitiveness and continue to uphold higher standard of quality of process equipment .
Financial	Financial risk involves the risk of market volatilities affecting exchange rates and interest rates which may in turn affect the value of our financial asset and liabilities.	• Our Group constantly monitors its foreign currency exposures and takes necessary steps to minimise its exposures to such volatilities. A formal hedging policy has been put in place where it is a requirement to enter into foreign exchange forward contracts with licensed financial institutions to mitigate any foreseeable adverse fluctuations in the exchange rate between the currencies in which our Group's sales and purchases are denominated in.
	Financial risk involves the ability of the Group or the Company to meet its obligations under the credit facilities when they fall due. The Group's ability to arrange adequate bank and other borrowings for its business and future plans depends on a number of factors that are beyond its control, including general economic and political conditions; the terms on which financial institutions are willing to extend credit to the Group, such as the amount of the loan and the time within which such a loan is made available to it, the availability of other sources of debt or equity financing; and fiscal policy changes. In the event that the Group is not able to secure liquidity and adequate financial resources, its business and financial position will be adversely affected.	• Our Group constantly reviews and explores the opportunities to monetarise its investments portfolios and non-core assets, as well as the options for refinancing or renewing the existing credit facilities to ensure adequate resources to continue in operational existence for the foreseeable future.

OUTLOOK

Construction and services

The growths of the underlying industries that drive our business prospects, such as oil and gas refining, petrochemical and energy are expected to remain resilient despite the volatility related to inflation and current market uncertainties. In addition, the continuous easing of lockdowns in major economies including the United States of America, Europe and most Asia countries will encourage further recovery of the global economy. These factors will encourage more capital expenditure by the oil majors. The Group will continue to pursue these opportunities and secure more new contracts by leveraging its agility, assets and proven track record.

The growing demand for liquefied natural gas in global currently is expected to spur the capital expenditure for gas storage and processing facilities. This will certainly benefit our operation in Italy, which is one of the global leading manufacturers of air coolers, a critical equipment necessary for gas liquefaction process.

The Group believes that the COVID-19 pandemic and the fluctuations in oil prices in the last few years have accelerated long term trends with energy demands, transitioning to low carbon solutions and digital transformations. These trends augur well for the Group’s strategy to expand into the renewable energy industry through organic growth and/or joint ventures with the long-term objective of increasing the recurring revenue contribution of its renewable energy business. Nevertheless, the Company remains cautious and aims to maintain its profitability during this challenging period by improving its operational efficiency through process improvement and operational savings from leaner outfit.

PROFILE OF DIRECTORS

TAN SRI (Dr) ZULHASNAN BIN RAFIQUE

Executive Chairman

Aged 68, Male, Malaysian

Tan Sri (Dr) Zulhasnan Rafique was appointed as an Independent Non-Executive Chairman of KNM Group Berhad on 18 September 2021 and subsequently redesignated as its Executive Chairman on 23 November 2021.

Tan Sri (Dr) Zulhasnan Rafique is an Entrepreneur who was also a former Fighter Pilot, Member of Parliament, Cabinet Member and Diplomat.

Tan Sri (Dr) Zulhasnan Rafique completed his education in Kuala Lumpur prior to joining the **Royal Malaysian Air Force (RMAF)** in 1973. He began his career as a Commissioned Officer and Fighter Pilot and retired in 1985 as a Qualified Fighter Instructor (QFI) and Fighter Weapons Instructor (FWI) with the rank of Major (Air).

Tan Sri (Dr) Zulhasnan Rafique ventured into **Business** in 1986 through the Seri Meraga Group of companies. Throughout his more than 25 years of business experience, Tan Sri (Dr) Zulhasnan Rafique has been involved in various industries including Aviation (AIROD), Civil / Building Construction, Industrial Petroleum Trading; and Property Investment and Development. He had also served on the board of Malaysian public listed companies, including Island & Peninsular (I&P) Berhad (property development).

Tan Sri (Dr) Zulhasnan Rafique's **Political** career commenced in 1999, where he contested and was elected as Member of Parliament in Wangsa Maju in the Federal Territory of Kuala Lumpur. He was elected for another two terms in 2004 and 2008 as the Member of Parliament for Setiawangsa Parliamentary constituency; also in the Federal Territory of Kuala Lumpur. Tan Sri (Dr) Zulhasnan Rafique also served in the Malaysian Cabinet for 5 years; as Deputy Federal Territories (FT) Minister and then FT Minister (2004-2009).

Tan Sri (Dr) Zulhasnan Rafique was also appointed as the **Chancellor** of the University of Geomatika Malaysia, where he served from 2014 to 2017 and conferred the Doctorate in Political Science by the University.

Tan Sri (Dr) Zulhasnan Rafique was then appointed as the Malaysian **Ambassador Extraordinary & Plenipotentiary** with Ministerial status to the United States of America from 2017 to 2018.

Tan Sri (Dr) Zulhasnan Rafique also sits on the Board of a subsidiary of the Company.

Tan Sri (Dr) Zulhasnan Rafique is a Director of Malaysia Aviation Group Berhad and Malaysia Airlines Berhad.

TUNKU DATO' YAACOB KHYRA

Non-Independent Non-Executive Director

Aged 62, Male, Malaysian

Tunku Dato' Yaacob Khyra was appointed to the Board as a Non-Independent Non-Executive Director on 1 November 2021.

Tunku Dato' Yaacob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.

Tunku Dato' Yaacob started his career as an Auditor with Price Waterhouse in London from 1982 to 1985 and subsequently, employed by the same firm in Kuala Lumpur from 1986 to 1987. Tunku Dato' Yaacob joined Malaysian Assurance Alliance Berhad (now known as Zurich Life Insurance Malaysia Berhad) in 1987 until October 2006.

Currently, Tunku Dato' Yaacob is the Executive Chairman of MAA Group Berhad, Melewar Industrial Group Berhad and Mycron Steel Berhad. He is a Board Member of Melewar Group Berhad, Khyra Legacy Berhad, Yayasan Khyra, MAA Bancwell Trustee Berhad, Ithmaar Holding B.S.C. (listed in Bahrain), Ithmaar Bank B.S.C. (Closed), Altech Chemicals Limited (listed in Australia), Chase Perdana Sdn Bhd and several private limited companies.

Tunku Dato' Yaacob is also the Chairman of the Board of Trustees for Yayasan Amal Maaedicare and The Budimas Charitable Foundation.

PROFILE OF DIRECTORS
(CONTINUED)

TAN KOON PING

Group Chief Executive Officer/ Executive Director

Age 52, Male, Malaysian

Mr Tan Koon Ping (Terence Tan) was appointed as the Group Finance Director of KNM Group Berhad on 11 March 2013 and assumed the position of Group Finance Director/Group Chief Financial Officer on 26 March 2013. He is also the Joint Managing Director of BORSIG Group in Germany as well as the Chairman of FBM Group in Italy. Subsequently on 9 July 2020, he was appointed as the Group Chief Executive Officer/Executive Director of the Company.

Mr Terence Tan possess a professional degree in finance and accounting from the Malaysian Institute of Certified Public Accountants (MICPA) and has more than 25 years of experience in areas of auditing, accounting, business operation and corporate finance in various industries, locally and internationally. Prior to joining the KNM Group, he held various senior management positions in several companies in Malaysia such as I-Berhad, Pulai Springs Berhad and the Mayland Group of Companies from 2004 to 2012, and was attached with Assurance and Advisory of Deloitte Touche Tohmatsu from 1995 to 2004.

Mr Terence Tan is a member of Remuneration Committee and ESOS Committee

Mr Terence Tan also sits on the Boards of other subsidiaries of the Company. He is not a Director of any other public or public listed companies.

DATUK UWE AHRENS

Non-Independent Non-Executive Director

Aged 57, Male, German

Datuk Uwe Ahrens was appointed to the Board as a Non-Independent Non-Executive Director on 21 October 2021.

Datuk Ahrens holds Masters in both Mechanical Engineering and Business Administration from the Technical University Darmstadt, Germany.

Upon graduation, Datuk Ahrens joined the international engineering and industrial plant supplier, KOCH Transporttechnik GmbH in Germany, now belonging to FLSmidth Group, where Datuk Ahrens held a senior management position for 12 years

Datuk Ahrens joined Melewar Group in 2002 and has since held senior management positions including Group Chief Technical Officer and was a Director of Melewar Industrial Group Berhad from 2012 - 2017. Datuk Ahrens is Managing Director of MIE Tech Sdn Bhd.

Datuk Ahrens is CEO & Director of Altech Advanced Materials AG listen in Germany and the Alternate Non-Executive Director to Tunku Dato' Yaacob Khyra in Altech Chemicals Limited, listed in Australia.

He is not a Director of any other public or public listed companies.

DATUK MOHD IRWAN BIN MOHD MUBARAK

Independent Non-Executive Director

Aged 43, Male, Malaysian

Datuk Mohd Irwan Bin Mohd Mubarak was appointed to the Board as an Independent Non-Executive Director of the Company on 19 July 2021.

Datuk Mohd Irwan graduated with Bachelor of Laws (Honours) (L.L.B) and Master's Degree in Comparative Law (MCL), both from International Islamic University Malaysia. Datuk Mohd Irwan holds Diploma in Syariah and Legal Practice (DSLA) from MARA Institute of Technology. Datuk Mohd Irwan is a Certified Mediator from Sydney Australia.

Datuk Mohd Irwan is a Consummate senior executive, change agent and entrepreneur with over 24 years of cross functional experience across litigation, corporate law, contractual / compliance management, company laws, contract negotiations, and licensing operations. Recognized for promoting a culture of high performance and continuous improvement that values learning, a commitment to quality by upgrading and implementing appropriate systems of policies, internal controls, standards, and procedures.

Datuk Mohd Irwan is an Independent Non-Executive Director of Bank Kerjasama Rakyat Malaysia Berhad.

Datuk Mohd Irwan is the Chairman of ESOS Committee and Remuneration Committee, a member of Audit Committee and Nomination Committee of the Company.

PROFILE OF DIRECTORS
(CONTINUED)

FLAVIO PORRO

Group General Counsel/
Executive Director

Aged 52, Male, Italian

Mr Flavio Porro obtained his law degree magna cum laude in Milan and holds post-graduate degrees in EC Community Law and Competition Law from King's College London, United Kingdom

Mr Flavio was appointed as Group General Counsel of KNM Group Berhad on 5 January 2015 and subsequently in December 2019 and 25 June 2021, he was made as a Joint Managing Director of BORSIG Group and Executive Director of KNM Group Berhad respectively.

Mr Flavio is a registered lawyer and has more than 22 years of experience as a senior corporate lawyer essentially in the oil & gas, renewables and power production sectors focusing on challenging merger and acquisition projects, international bids, compliance and dispute resolution. Prior to his employment with KNM Group Berhad, he was the General Counsel of ERG Supply & Trading and a Senior Counsel in major energy corporations such as ENI Group, Snam S.p.A., ERG Power and Gas S.p.a. and Saipem in Italy and in France.

Mr Flavio also sits on the Boards of the other subsidiaries of the Company. He is not a Director of any public or public listed companies

LIM MUN KEE

Independent Non-Executive
Director

Aged 55, Male, Malaysian

Mr Lim Mun Kee was appointed to the Board as an Independent Non-Executive Director of the Company on 19 July 2021. Mr Lim is the Chairman of Audit Committee, member of Nomination Committee and Remuneration Committee and ESOS Committee of the Company.

Mr Lim obtained his professional qualification from the Malaysian Institute of Certified Public Accountant (MICPA) and has been a member of the association since 1996. Mr Lim is also a member of the Malaysia Institute of Accountant (MIA).

Mr Lim has over 30 years of experience spanning the profession, management strategies, governance, corporate and taxes. Throughout his professional experience, he was exposed to various industries including Hotel, Oil & Gas, manufacturing and trading. He was appointed Accountant, Financial Controller and Head of Internal Audit in a few listed companies and subsequently managing a few private companies which mainly in trading and manufacturing of building materials, lighting and industrial products.

Mr Lim is a Director of FACB Industries Berhad, a company listed in Bursa.

Mr Lim is also a Director of Nagacorp Ltd, a company listed in Hong Kong Stock Exchange where he is the Chairman of Audit Committee.

PROFILE OF DIRECTORS
(CONTINUED)

SAFIA BINTI AHMAD JAHIDI

Independent Non-Executive Director

Aged 39, Female, Malaysian

Pn Safia Binti Ahmad Jahidi was the appointed to the Board as an Independent Non-Executive Director of the Company on 9 August 2021.

Pn Safia graduated with Bachelor Degree of Law from International Islamic University Malaysia.

Pn Safia began her career as a Legal Assistant at Messrs Balendran Chong from 2009 until 2016. She possesses vast experience in diverse legal matters across a broad spectrum of laws mainly in Civil Litigation, Corporate, Conveyancing and Arbitration. Currently, she is the Managing Partner of Messrs Nik Safia & Co.

Pn Safia is not a Director of any other public or public listed companies.

Pn Safia is a member Audit Committee, Nomination Committee, Remuneration Committee and ESOS Committee of the Company.

HO SOO WOON

Independent Non-Executive Director

Aged 59, Male, Malaysian

Mr Ho Soo Woon (Steve Ho) was appointed to the Board as an Independent Non-Executive Director on 18 September 2021.

Mr Steve Ho graduated with a Bachelor of Business Administration (Banking & Finance) from the National University of Singapore on a Singapore Government's scholarship in 1985.

Mr Steve Ho is the founder and Managing Director of Tesoro Capital Sdn Bhd a corporate consultancy outfit which specializes in initial public offerings, secondary capital and debt fund raisings, reverse takeovers, mergers and acquisition exercises.

Mr Steve Ho has over 36 years of experience in the corporate, commercial, financial and operational matters spanning across various business sectors including banking, manufacturing, real estate, healthcare, oil & gas and mining.

Mr Steve Ho started his career as a bank executive in 1985 with the Arab Malaysian Banking Group. Subsequently in 1987 he was recruited by the Hong Leong Banking Group as one of their pioneer team members in the Corporate Division to spearhead the Bank's new strategic focus to grow its small & medium enterprises loan portfolio In Malaysia.

Mr Steve Ho left in 1992 to set up Quantum Corporation Sdn Bhd, a Corporate Finance consultancy outfit as a co-founding partner. During his 26 years as Managing Director of Quantum Corporation, he was instrumental in the successful listing of numerous corporate clients on the Kuala Lumpur Stock Exchange as well as numerous M&A exercises Involving PLCs and private entitles.

Mr Steve Ho currently serves on the Boards of several public and private companies where he advises on their corporate strategies and financing. He was previously the commercial director of Atrium Reit (a real estate investment trust listed on Kuala Lumpur Stock Exchange) In 2018 and AHB Holdings Bhd (a furniture manufacturer listed on Kuala Lumpur Stock Exchange) in 2020.

Mr Steve Ho is not a Director of any other public or public listed companies

PROFILE OF DIRECTORS
(CONTINUED)

JAMES BELTRAN

Non-Independent
Non-Executive Director

Aged 56, Male, Malaysian

Mr James Beltran was appointed to the Board as a Non-Independent Non-Executive Director on 1 December 2021.

Mr James holds a Bachelor of Laws awarded by University of West London, United Kingdom and completed his Certificate of Legal Practice from the University of Malaya. He is a qualified lawyer by profession. He is also a Certified Financial Planner and a founder member of the Financial Planners Association of Malaysia.

He is a Board Member of Langkawi Yacht City Berhad and an Independent Board Director of DFNN Inc, a public listed technology company in the Philippines and had served as Chairman of its Risk Committee. He is also currently holds various directorships within the Melewar Group of Companies involved at Group level matters across the spectrum of groups business activities.

He is a former Independent Board Member at Solidarity Group Holdings, a Bahrain Headquartered Insurance Group with multiple listed operational financial institutional entities across the Middle East and was Chairman of the group Audit Committee for 8 years. He was also a former Independent Board Member of Arshiya International, an Indian Public listed logistics and integrated supply chain company operating across India. In addition, he is also a former Group Head of MAA International responsible for oversight of Insurance operations in Philippines, Indonesia and Thailand for MAA Group.

He currently sits as an advisor to two sustainability focused organisations namely The Lost Food Project and Thought For Food SEA.

He is not a Director of any other public or public listed companies.

DATO' INDERA NARESH MOHAN

Non-Independent
Non-Executive Director

Aged 57, Male, Singaporean

Dato' Indera Naresh Mohan was appointed to the Board as a Non-Independent Non-Executive Director on 1 December 2021.

Dato' Indera Naresh started his career in the family business representing textile mills in Europe for South East Asian markets in year 1986. In 1994, Dato' Indera Naresh formed a partnership to create a diversified trading company called Glorient Trading Sdn Bhd and the group was sold in 2001.

Dato' Indera Naresh currently holds the position of Group Chief Executive Officer of Hospitality 360 Sdn Bhd.

Dato' Indera Naresh is a member of Malaysian Association of Hotels, Malaysia India Business Council and SKAL International Kuala Lumpur - Club 179. Dato' Indera Naresh is also an Advisor to Pahang Tourism for Visit Pahang Year 2017, Vice-Chancelier of Chaine Des Rotisseurs and EXCO member of Kuala Lumpur Tourism Association. Dato' Indera Naresh is also panel member of Perunding Wilayah Incorporated.

Dato' Indera Naresh currently sits on the Board of Yayasan Tunku Naquiyuddin and Board of Governors of Budimas Education Charity Fund.

Dato' Indera Naresh is not a Director of any other public or public listed companies.

RAVINDRASINGHAM BALASINGHAM

Non-Independent Non-Executive Director

Aged 57, Male, Malaysian

Mr Ravindrasingham Balasingham was appointed to the Board as a Non-Independent Non-Executive Director on 1 December 2021.

He started his career in public practice in the UK, before joining Ernst and Young Chartered Accountants, Malaysia. He then joined Kinta Kellas PLC. Following which he joined the Corporate Finance division of RHB Investment Bank Bhd. Thereafter, he took on the role of Vice-President in Melewar Group.

He returned to investment banking with Bank Labouchere NV, London (an investment banking arm of Aegon NV) as the Head of Finance, a role he retained after a takeover by Dexia Banking Group. Subsequently, following an MBO exercise, he led the formation of a pan-European stockbroking operation, as the Group Finance Director and Controller.

After this spell in investment banking, he returned to industry to turn around underperforming companies, most notably as the Group CEO of Malaysian Merchant Marine Bhd.

He then went on to lead the restructuring and IPO of Eversendai Bhd, and subsequently has been involved in various consultancies and interim roles.

He holds a First-Class Honours degree in Finance and Accounting from University of Salford, Manchester (UK) and is a Fellow of the Institute of Chartered Accountants in England and Wales. He has also completed the SFA Registered Persons examinations by the Securities Institute (UK).

He is not a Director of any other public or public listed companies.

PROFILE OF KEY SENIOR MANAGEMENT

WONG TOH SING

Group Chief Financial Officer

Aged 57, Male, Malaysian

Mr Wong Toh Sing (Bryan Wong) was appointed as Group Chief Financial Officer on 9 July 2020. He was appointed as the appointed Chief Executive Officer of FBM Group on 4 June 2018 and relinquished this position on 8 November 2021 due to the restructuring of Management within the Group.

Trained in the area of accounting and economics, Mr Wong has 31 years of working experiences including auditing, accounting, treasury, operations and management in 5 different countries including New Zealand, Australia, Italy, Thailand and Malaysia. He graduated with a Bachelor of Commerce Degree from University of Otago, New Zealand in 1988. The industries that he has worked in covers auditing, manufacturing of food & aerosols cans, timber harvesting and processing, direct selling of electrical appliances and retailing of fashion apparels.

Mr Bryan Wong also sits on the Boards of the subsidiaries of the Company. He is not a Director of any public or public listed companies.

JÜRGEN STEGGER

Managing Director, BORSIG Group

Aged 59, Male, German

Mr Jürgen Stegger was recruited in 1999 as General Manager under BORSIG Group and subsequently, appointed as Managing Director of BORSIG Group in September 2018.

Mr. Jürgen has undergone various extra postgraduate training, among others inclusive of PLC Engineering, HAZOP, International Contracting and others in addition to graduating from RWTH Aachen in Germany.

Mr Jürgen started his career as Project & Service Engineer in at PREUSSAG Anlagenbau in Essen, Germany in 1992 and then became a General Manager of the Engineering Department, PREUSSAG Anlagenbau in 1994, prior to joining Borsig Group.

Mr Jürgen also sits on the Boards of the subsidiaries of BORSIG Group. He is not a Director of any public or public listed companies.

CHUA THIAM CHYE

Chief Operating Officer, (Process Equipment Division, Malaysia)

Aged 55, Male, Malaysian

Mr Chua Thiam Chye was appointed as the Chief Operating Officer, Process Equipment Division, Malaysia on 15 November 2017. Prior to his current position, he had assumed various managerial positions within the KNM Group, Malaysia Divisions.

Mr Chua possesses a professional degree in Chemical & Process Engineering from Universiti Kebangsaan Malaysia and registered engineer with Institution of Engineers Malaysia. He has more than 25 years of experience in areas of project management, procurement strategy, contracts and commercial negotiation, project budgeting and cost control, and fabrication shop operation. Prior to joining KNM in his early years he worked with Petrochemicals (M) Sdn Bhd as technical sales engineer and Primotech Sdn Bhd as project engineer.

Mr Chua also sits on the Board of a subsidiary of the Company. He is not a Director of any public or public listed companies.

PIERCARLO ALIPRANDI

Chief Operating Officer, FBM HUDSON ITALIANA S.P.A.

Aged 54, Male, Italian

Mr Piercarlo Aliprandi was recruited in July 2020 as Chief Operating Officer of FBM HUDSON ITALIANA S.P.A.

Mr. Aliprandi graduated in Mechanical Engineering and attended several Management and Leadership postgraduate courses. He has more than 25 years of experience in the Oil & Gas business, having worked as Technical Director for different Italian companies.

During his career Mr. Aliprandi gained deep knowledge of ASME codes and collected significant experience in areas such as team management, estimation and engineering. He is member of the ASME Italian Working Group and of the European Federation of National Engineering Associations.

He is not a Director of any public or public listed companies.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board upholds the value of good governance and supports the need to cultivate an ethical and good corporate governance culture in the Group to promote accountability and build a sustainable business. It stands guided by the principles set forth in the Malaysian Code of Corporate Governance 2021 ("the Code"), the relevant chapters of the Main Market Listing Requirements of Bursa Malaysia ("Bursa MMLR") on corporate governance ("CG") and all applicable laws and regulations throughout the financial period under review.

This Corporate Governance Overview Statement is prepared pursuant to the principles and recommendations of the Code issued by the Securities Commission of Malaysia ("SC") and Paragraph 15.25 of the Bursa MMLR.

A copy of the Company's annual Corporate Governance Report ("CG Report") comprising the detailed explanation on the application of the corporate governance practices and principles throughout the Company is available online as published in the Company corporate website at www.knm-group.com ("corporate website").

THE BOARD

Role and Principal Responsibilities

The Company is headed by the Board who leads and plays a key role in driving the overall performance of its Group by setting up the strategic objectives and direction of the Group, reviewing the adequacy and integrity of the Group's risk management and internal control systems, observing and developing the Group's businesses in a sustainable and responsible manner, ensuring a management succession plan as well as having a dedicated investor relations programme and shareholders' communication policy in place. The Board maintains a close and effective working partnership with the management in achieving the Company's vision and mission and is guided by the Board Charter in the performance of its duties.

The roles and responsibilities of Executive Chairman ("EC") and Group Chief Executive Officer/Executive Director ("GCEO/ED") are clearly divided to ensure a balance of power and authority. In addition, the roles and responsibilities of the EC and GCEO/ED are well defined whereby, the Board is led by the EC who encourages constructive and healthy deliberation to ensure Board effectiveness and that resolutions are circulated and deliberated so that all Board decisions reflect the collective view of the Board and not the views of an individual or small group of individuals. The EC also responsible to ensure the integrity and effectiveness of the governance process of the Board and maintaining regular dialogue with the GCEO/ED and respective operational Heads/Chief Operating Officers over all operational matters and will consult with the Board promptly over any matter that gives cause for major concern.

Whilst the management is led by the GCEO/EC in formulating the business plan to enhance the Company's business growth towards the mission and vision set by the Board and create shareholders' value, and implementing the Board's policies, strategies and decisions as well as managing the day to day business operations. The GCEO/ED also foster a corporate culture that promotes ethical practices, encourages individual integrity and fulfill social responsibility, maintain a positive and ethical work climate that is conducive to attracting, retaining, and motivating a diverse group of employees at all levels, formulate and oversee the implementation of major corporate policies, responsible for the financial management of the Company and/or Group and oversees the handling of financial matters for prudent and economical administration, avoidance of waste and extravagance for efficient and effective use of all the resources as may be required and ensure compliance and give confirmations to the Board in accordance to the Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

However, certain key matters are reserved to be determined by the Board. These stewardship responsibilities include, determining overall corporate strategy and business direction, determining funding needs and capital expenditure, approving financial plans and budgets, reviewing financial statements and financial performance of the Company, ensuring necessary financial and other resources allocation to the management to facilitate successful strategy implementation as well as undertaking of corporate exercises involving mergers and acquisitions, new issues of securities, fund raising activities and so on. The Board empowers the Management to operate within defined limits of authority as approved by the Board to ensure efficiency in carrying out day-to-day operations of the Company.

Standards of Conduct and Best Practices

The Standards of Conduct and Best Practices as formulated by the Board for the members' observance are as set out in the Board Charter which is published in the Company's website.

Board Charter

The Board Charter is a source of reference to guide the Board members on their roles and responsibilities. It also details *inter alia*, the board responsibilities, the terms of reference of the Board Committees, and the standards of conduct and best practices to be observed by the Board and Board Committees.

The Board Charter is reviewed periodically to ensure that all new regulations and legislative changes, and other relevant developments that have or may have an impact on the Group's businesses are taken into account when necessary.

The Board Charter may be gleaned from the Company's website.

Whistleblowing Policy & Guidelines

In line with good corporate governance practices, the Whistleblowing Policy and Guidelines ("the Whistleblowing Policy") was established to encourage its employees, directors and stakeholders to commit to the highest possible standards of integrity in the conduct of the Group's business activities. Consistent with this commitment, the Whistleblowing Policy aims to support good management practices and sound corporate governance practices within the Group.

The Whistleblowing Policy aims to provide a structured mechanism for its employees, directors and associates to rise or report suspected and/or known misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Company included but not limited to as set out hereunder to provide reassurance that they shall be protected from reprisals or victimisation for whistleblowing in good faith:

a. Fraud, bribery, corruption/corrupt practices, forgery, cheating and malpractices;
b. Non-disclosure of conflict of interest situation;
c. Misappropriation of unauthorised use of the Group's funds or assets;
d. Sale of proprietary information and/or collusion with competitors;
e. Failure to comply with legal obligations or regulatory requirements;
f. Criminal breach of trust or offence;
g. Collusion and money laundering;
h. Misuse or abuse of the Group's funds or assets or assets misappropriation;
i. Financial irregularity or financial fraudulent within the Group;
j. Breach of the Group's standard operating procedures and financial authority limit;
k. Repeated ill treatment of a client/customer/supplier despite a complaint being made;
l. Activities, which otherwise amount to serious misconduct or transgression, including the code of conduct, company policies and human resource policies of the Group;
m. Actions which endanger the health or safety of employees or the public and the environment;
n. Actions which endanger national and public interest;
o. Gross mismanagement within the Group;
p. Illegal or unlawful conduct or failure to comply with the provisions of the laws and regulations where the wrongdoer, knowingly, disregards or does not comply with such provisions;
q. Sexual harassment;
r. Knowingly directing or advising a person to commit any of the above wrongdoings; and
s. Any action which is intended to conceal any of the above.

The in-depth information on the Whistleblowing Policy may be gleaned from the Company's website.

Anti-Bribery & Anti-Corruption Policy Statement

The Company strives to uphold its commitment to prohibit bribery and corruption in the business conduct within the Group. Anti-Bribery & Anti-Corruption Policy Statement ("ABAC Policy") aims to support good management practices and sound corporate governance practices within the Company. The ABAC Policy aims to set guided principles for its employees, directors and associates within the Group in relation to dealing with improper solicitation, bribery and other corrupt activities and issues that may arise in the course of business.

The in-depth information on the ABAC Policy may be gleaned from the Company's website.

Board Composition

The establishment of an active and independent Board of Directors is paramount in improving corporate governance practices. During the financial period under review, the Board composition consist of twelve (12) Directors. Of which, three (3) are EDs (inclusive the EC, the GCEO/ED and the Group General Council/ED), five (6) are Non-Independent Non-Executive Directors and the rest are Independent Non-Executive Directors. Of the twelve (12) Directors, one-third (1/3) are Independent Non-Executive Directors and 8% is woman Director as only one (1) woman Director was appointed. Both in comply with Bursa MMLR but departure from the Code. The Board takes cognizance of the above and will take into consideration when appointing new director(s) and/or restructuring the Board composition in the future.

The appointment of Board members and senior management are based on objective criteria, merit and due regard for diversity in skills and experience.

Together, the Board members and senior management with their diverse age, financial, commercial, technical and operational expertise as well as business acumen and skills, brings with them a wide and diverse range of experience essential in the management and direction of the Company. In view of the composition of the Board and having regard to the calibre of the Directors and their diverse range of skills, expertise and experience; the interest of investors, including the Company's minority shareholders, are adequately protected and advanced. The profiles of the members of the Board are set out in the Profile of Directors section of this Annual Report.

The Independent Non-Executive Directors are independent of management and are free from any and all business or other relationship which may materially affect or interfere with the exercise of their independent judgment. The role of the Non-Executive Directors is to constructively review and help develop proposals on strategy, scrutinise the performance of management in meeting agreed objectives, as well as monitoring the reporting of the Group's performance including satisfying themselves on the integrity of financial information, financial control and risk management systems that have been put in place by the Company, are effective. Any queries or concerns regarding the Group may be conveyed to Mr Lim Mun Kee, an Independent Non-Executive Director or any other Independent Directors of the Company.

None of the Board members hold positions in other boards of public companies exceeding the prescribed limits. All Directors are committed and have devoted their time and effort to fulfil their obligations by *inter alia*, attending and participating actively in the Board and Board Committee meetings, general meetings of the Company and such other events or functions organised by the Company.

Appointments to the Board and Re-election of Directors

All appointments to the Board and its various Board Committees together with senior management are assessed and considered by the Nomination Committee. In making these recommendations, due consideration is given to the required mix of skills, knowledge, expertise, experience, professionalism and integrity that the proposed candidate(s) shall bring to complement the Board and/or Board Committees. The Board may also consider and exercise judgment in determining the appropriate number and size of the Board relative to the level of investment by the shareholders in the Company.

The Board does not reply only the recommendations from existing directors, management or major shareholders for the appointment of new director, it also utilise the independent source to identify suitably qualified candidates.

In compliance with the Bursa MMLR and the provisions of the Company's Constitution, all Directors of the Company shall retire from office at least once in every three (3) years but shall be eligible for re-election at the annual general meeting. New Director(s) appointed during any year shall retire and seek re-appointment at the next annual general meeting. This provides an opportunity for shareholders to renew their mandates and ensures that shareholders have a regular opportunity to re-assess the composition of the Board.

Independence

The Board recognises that independence and objective judgement are crucial and imperative in decision making process. Hence, Independent Directors play an essential role in upholding good corporate governance. The Nomination Committee will undertake annual assessments of the Board, the Board Committees and each of its board members. The Nomination Committee will also evaluate and ensure that those Independent Directors who have served a tenure exceeding 9 years are independent and will exercise their independent judgment and act in the best interests of the Company in safeguarding the interests of the minority shareholders.

Under the recommendation of the Code, the tenure of an Independent Director shall not exceed a cumulative term of 9 years or the subject Independent Director shall be re-designated as Non-Independent Director. In the event that the Board wishes to retain the said Director as Independent Director beyond 9 years, an approval from the shareholders shall be obtained via a two-tier voting process at the annual general meeting.

Board Meetings and Supply of Information

The Board meets on a scheduled basis of at least four (4) times a year. Additional Board meetings will be convened as and when necessary. Dates for Board meetings are decided in advance after consultation with all Board members. During the financial period under review, twenty two (22) Board meetings were held. The attendance of each Director at the Board meetings is as set out below:-

	Number of meetings attended	**%**
Tan Sri (Dr) Zulhasnan Bin Rafique *(appointed on 18 September 2021)*	10/10	100
Tunku Dato' Yaacob Khyra *(appointed on 1 November 2021)*	9/9	100
Tan Koon Ping	22/22	100
Flavio Porro *(appointed 25 June 2021)*	14/14	100
Lim Mun Kee *(appointed on 19 July 2021)*	13/14	93
Datuk Mohd Irwan Bin Mohd Mubarak *(appointed on 19 July 2021)*	12/14	86
Safia Binti Ahmad Jahidi *(appointed on 9 August 2021)*	13/14	93
Ho Soo Woon *(appointed on 18 September 2021)*	10/10	100
Datuk Uwe Ahrens *(appointed on 21 October 2021)*	9/9	100
Dato' Indera Naresh Mohan *(appointed on 1 December 2021)*	7/7	100
James Beltran *(appointed on 1 December 2021)*	7/7	100
Ravindrasingham A/L Balasingham *(appointed on 1 December 2021)*	7/7	100
Dato' Ab Halim Bin Mohyiddin *(resigned on 26 June 2021)*	8/8	100
Gan Siew Liat *(resigned on 26 June 2021)*	8/8	100
Dato' Dr Khalid Bin Ngah *(resigned on 26 June 2021)*	8/8	100
Soh Yoke Yan *(resigned on 28 June 2021)*	8/8	100
Mohd Rizal Bahari Bin Md Noor *(resigned on 31 May 2021)*	7/7	100

The Board has a formal schedule of matters specifically reserved to it for decision making to ensure that the direction and control of the Company are firmly in the Board's hand. In consultation with the Board, the Group Chief Executive Officer/Executive Director and the respective committees and/or management team, where applicable, will develop the Group's corporate objectives and set out the limits of empowerment for the committees' or management committees' authorities, duties and responsibilities.

The Board stresses on having timely reports and full access to quality information which is not just historical or financial oriented but information which goes beyond assessing the quantitative performance of the Company and/or the Group. The Board also looks at other information such as customer satisfaction, product and service quality, market share, market reaction and so forth, thereby enabling each Board member to participate in Board deliberations and decisions as well as to discharge their duties effectively.

The Group Chief Executive Officer/Executive Director assisted by the Company Secretary team, undertakes primary responsibility for organising information necessary for the Board to deal with at Board meetings as well as the circulation of Board papers to all Board members in a timely manner to facilitate effective deliberation of matters brought up in meetings. During the course of a meeting, proposals put forth by management to the Board for the Board's deliberation and decision are provided with written reports and supporting documents with due facts, analysis and recommendations. The EC ensures that all Board members are given ample opportunity to express their views and opinions during the meeting. Constructive debates on issues before the Board are highly encouraged. External parties and management representatives may present to provide additional insights into matters to be discussed during Board meetings. Advisers and professionals appointed by the Company in relation to any corporate proposals would be invited to attend Board meetings to explain, advise and clarify any issues raised.

The Board is adequately briefed on issues raised at Board and Board Committees meetings. All discussions, decisions and conclusions are duly recorded in the minutes of meeting. Such minutes are subsequently circulated to ensure that all Directors are kept well informed of the Board's and Board Committees' activities and recommendations. These minutes are kept by the Corporate Secretarial Department and are open for inspection by the Directors at any time.

Access to Information and Advice

The Directors, whether individually or as a full Board, have full and direct access to all information of the Company and advice of the Company Secretary team, Senior Management, Company Auditors and independent professionals at the Company's expense in furtherance of their duties, wherever necessary and on a case to case basis depending on the complexities of the matter involved.

Currently, the Company Secretary team effect all proper documentation, to meet all statutory obligations and compliances as well as to support the EC of the Board in ensuring the effective functioning of the Board. The Company Secretary team meets the requirements for the discharge of their duties.

THE BOARD COMMITTEES

As managing and controlling companies have become more complex and demanding, where appropriate, the Board resorts to the various Board Committees to assist the Board in discharging its duties and responsibilities. The existence of Board Committees does not diminish the Board's responsibility for the affairs of the Company as the Board will review the recommendations of the various Board Committees as well as the feedbacks from the management.

Currently, there are four (4) standing Board Committees, comprising of the Audit Committee, Nomination Committee, Remuneration Committee and Employees Share Option Scheme ("ESOS") Committee. Each Board Committee operates within the approved and clearly defined terms of reference and reports to the Board with their findings and recommendations. Extension of such authority may be expressly given for a specific purpose and the Board may delegate to such Board Committees or other ad-hoc Committees to act on its behalf.

Audit Committee

The Audit Committee comprises three (3) members, all of whom are Independent Directors. The Audit Committee is chaired by an Independent Non-Executive Director who is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. The duties of the Audit Committee include *inter alia*, reviewing the Group's accounting policies, financial reporting procedures, the Group's system of internal controls, status of the Group's risks and approval of the annual internal audit plan. In addition, all the Audit Committee members are able to read, analyse and interpret the quarterly results and year-end financial statements from the external auditors in order to effectively discharge their functions.

The Company's internal and external auditors do attend the Audit Committee meetings and they have the opportunity to raise matters or concerns independently or separately with the Audit Committee without the presence of the Executive Directors and management team. The Chairman and Audit Committee members have free and direct access to consult, communicate and enquire with any senior management of the Company and the external and internal auditors of the Company at any time to stay informed of all matters affecting the Company.

The Audit Committee has explicit authority to investigate any matter within its terms of reference and full access to all information and resources required.

The composition and activities of the Audit Committee during the financial period under review are set out in the Audit Committee Report.

Nomination Committee

The Nomination Committee comprises of three (3) members, all of whom are Independent Non-Executive Directors. It is chaired by an Independent Non-Executive Director who is also the Chairman of the Audit Committee. The Board believes that the Chairman is well placed to act on behalf of the Board and able to ensure that the Nomination Committee meets the needs of the Company. The Nomination Committee is mainly responsible for assessing and recommending candidates with the required mix of skills and attributes to fill Board, Board Committees and senior management vacancies as well as review or evaluate the appropriate balance, gender diversification, size, optimum mix of skills, experience and other qualities including core competencies which Non-Executive Directors will bring to the Board. The Nomination Committee recommends to the Board, those Directors who are seeking approvals from the Company's shareholders at annual general meetings to be re-elected or re-appointed. The Nomination Committee also assesses on an annual basis the effectiveness of the Board as a whole and the Board Committees as well as the respective individual Directors' performance and contribution. All assessments and evaluations are duly discussed and recorded in the minutes of meeting.

The Nomination Committee will meet at least once a year. During the financial period under review, the Nomination Committee met up six (6) times and the attendance of each member at the meetings is as set out below:-

	Number of meetings attended	**%**
Lim Mun Kee *(appointed on 27 August 2021)*	4/4	100
Datuk Mohd Irwan Bin Mohd Mubarak *(appointed on 27 August 2021)*	3/4	75
Safia Binti Ahmad Jahidi *(appointed on 27 August 2021)*	4/4	100
Dato' Ab Halim Bin Mohyiddin *(resigned on 26 June 2021)*	2/2	100
Dato' Dr Khalid Bin Ngah *(resigned on 26 June 2021)*	2/2	100
Soh Yoke Yan *(resigned on 28 June 2021)*	2/2	100

Activities of the Nomination Committee carried out during the financial period under review were as follows:

i) assessment and evaluation of the performance of the Board, the Board Committees and the respective Directors, and the independence of the directors;

ii) reviewed the independence of Independent Directors as well as considering the Board's and senior management succession plans; and

iii) recommending for the Board's approval:-
   a) the retiring director(s) to be re-elected;
   b) the extension of Service Agreements of GCEO/ED and Group Chief Financial Officer.

Remuneration Committee

The Remuneration Committee comprises four (4) Independent Non-Executive Directors, and the GCEO/ED. It is chaired by an Independent Non-Executive Director. The Remuneration Committee is responsible for recommending to the Board, inter alia, the remuneration of all applicable directors pertaining to set annual fees and allowances and this includes remuneration packages of the Executive Directors and senior management, in all its forms, drawing from external advice where necessary. With the availability of Directors remuneration policy and market survey information from external sources or human resources consultants, the Remuneration Committee ensures that the remuneration packages recommended are appropriate and competitive. All recommendations of the Remuneration Committee in respect of remuneration packages of all directors and the senior management are recommended to the Board for approval.

The Company's remuneration scheme is linked to performance, service seniority, experience and scope of responsibilities. The Remuneration Committee ascertains and recommends the remuneration packages of the Executive Directors, including the GCEO/ED in accordance with the Company's policy guidelines that link remuneration to performance and benchmark the remuneration against that of the market surveys conducted by external sources or human resource consultants periodically.

Determination of Directors remuneration packages, be it that of the Executive Directors or the Non-Executive Directors, is a matter for the Board as a whole. No Director shall take part in any discussion or decision concerning his or her remuneration. Fees are paid to the Directors subject to the approval of shareholders at the annual general meeting.

The Remuneration Committee met three (3) times during the financial period under review, and the attendance of each member at the meeting is as set out below:-

	Number of meetings attended	**%**
Lim Mun Kee *(appointed on 27 August 2021)*	1/1	100
Datuk Mohd Irwan Bin Mohd Mubarak *(appointed on 27 August 2021)*	1/1	100
Safia Binti Ahmad Jahidi *(appointed on 27 August 2021)*	1/1	100
Tan Koon Ping *(appointed on 27 August 2021)*	1/1	100
Dato' Dr Khalid Bin Ngah *(resigned on 26 June 2021)*	2/2	100
Dato' Ab Halim Bin Mohyiddin *(resigned on 26 June 2021)*	2/2	100
Soh Yoke Yan *(resigned on 28 June 2021)*	2/2	100
Gan Siew Liat *(resigned on 26 June 2021)*	2/2	100
Mohd Rizal Bahari Bin Md Noor *(resigned on 31 May 2022)*	2/2	100

ESOS Committee

The ESOS Committee comprises four (4) members that consist of three (3) Independent Non-Executive Directors, one of whom is the Chairman and the GCEO/ED. The ESOS Committee is primarily responsible for inter alia, recommending to the Board, the criteria and allocation of any ESOS Options to be granted to eligible employees and directors of the Company and its subsidiaries and ensuring that all exercises of ESOS Options are in compliance with Bursa MMLR, and in accordance with the ESOS By-Laws and Company's Constitution which shall be in force from time to time. The ESOS Committee shall meet whenever necessary to fulfil its functions.

The ESOS Committee met four (4) during the financial period under review, and the attendance of each member at the meeting is as set out below:-

	Number of meetings attended	**%**
Lim Mun Kee *(appointed on 2 August 2021)*	1/1	100
Datuk Mohd Irwan Bin Mohd Mubarak *(appointed on 2 August 2021)*	1/1	100
Safia Binti Ahmad Jahidi *(appointed on 9 August 2021)*	1/1	100
Tan Koon Ping *(appointed on 2 August 2021)*	1/1	100
Dato' Dr Khalid Bin Ngah *(resigned on 26 June 2021)*	3/3	100
Soh Yoke Yan *(resigned on 28 June 2021)*	3/3	100
Gan Siew Liat *(resigned on 26 June 2021)*	3/3	100
Mohd Rizal Bahari Bin Md Noor *(resigned on 31 May 2021)*	3/3	100

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors' Remuneration

The primary objective of the Group's remuneration policy is to attract and retain the Directors who perform and lead the Group. The remuneration of each Director generally reflects the level of responsibilities and commitment.

For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities, whereas, the component parts of remuneration package of the Executive Directors are structured to link to corporate and individual performance in line with the Company's remuneration policy for its Directors.

The Remuneration Committee reviews annually the salaries of the Executive Directors and formulates recommendations to the Board for approval. The individuals concerned will abstain from all deliberation and decisions affecting his or her remuneration and that of the persons deemed connected to him or her.

The Board will subsequently recommend the total Directors' fees and other benefits payable to Directors to the shareholders for approval at the annual general meeting of the Company. Specific details of the remuneration of the Directors for the financial period under review are provided in the CG Report.

The aggregate remuneration of the Company's Directors as analysed into bands for the financial period under review are as follows:-

Range of Total Remuneration	Executive Directors	Non-Executive Directors	Total
RM50,000 to RM100,000		5#	5
RM100,001 to RM200,000		8^	7
RM200,001 to RM300,000		1	1
RM1,000,001 TO 1,500,000	2		2
RM1,500,001 to RM2,500,000	1		1
Total	**3**	**13**	**17**

Notes:

* One of the executive director and resigned during the financial period under review.
\# One of the non-executive directors resigned during the financial period under review.
^ Three of the non-executive directors resigned during the financial period under review.

Remuneration of Key Senior Management

In determining the remuneration packages of the Group's key senior management, the Board has taken into consideration the Senior Management responsibilities, skills, expertise, contributions to the Group's performance, and the competitiveness of the remuneration packages to attract and retain executive talents.

The Board has taken the reporting approach of a no-named basis for senior management due to the fact that the Board is of the opinion that such disclosure would be disadvantageous to the Group's business interests, given the highly competitive conditions in the oil and gas industry where sourcing and poaching of executives are rampant.

The aggregate remuneration of the Company's top five key Senior Management as analysed into bands of RM50,000 for the financial period under review are as follows:-

Range of Total Remuneration	Key Senior Management
RM400,001 to RM450,000	1
RM700,001 to RM800,000	1
RM800,001 to RM850,000	1
RM1,000,001 to RM1,500,000	1
RM3,000,001 to RM3,500,000	1
Total	**5**

DIRECTORS' TRAINING

The Company realises and stresses the importance of training and having continuous upgrading of skills, knowledge and competencies as the strategic advancement and competitive tool not just for the Company but also for personal development of the respective Directors and the relevant employees. The Company is committed to ensure that its Directors receive continuous education and further training updates from time to time. The Board shall, on a continuous basis, evaluate and determine the training needs of its members and subject matters of training that aid the Directors in the discharge of their duties as Directors.

All the current Directors of the Company have attended and completed the Mandatory Accreditation Programme and save for Datuk Uwe Ahrens who didn't attend any training in the 1st half of 2022 due too short of time as he was only appointed in October 2021, all Directors had attended at least one (1) training during the financial year under review and they will undergo continuous training and education programmes from time to time to equip and keep themselves abreast of the latest developments in order to discharge their duties and responsibilities more effectively. Datuk Uwe will attend training in 2nd half of 2022. A brief description of the various trainings and courses attended by the Directors for the financial period under review are as set out below:-

Directors	Date of Course / Name of Organiser	Title of Courses Attended
Tan Sri (Dr) Zulhasnan Bin Rafique	1st – 3rd November 2021/ Iclif Executive Education Center	Mandatory Accreditation Program
Tunku Dato' Yaacob Khyra	18 & 19 February 2021/ Iclif Executive Education Center	Understanding Board Decision-Making Process
	23 & 24 February 2021/ Iclif Executive Education Center	Corruption Risk Management
	29 & 30 March 2021/ Iclif Executive Education Center	Raising Defenses: S17A, MACC Act
	2 & 3 March 2021 Iclif Executive Education Center	Dawn Raid: Don't Be Caught Unprepared
	16 February 2022/ Malaysian Institute of Corporate Governance	Becoming a Boardroom Star
	10 March 2022/ Malaysian Institute of Corporate Governance	Malaysian Institute of Corporate Governance
	15 March 2022/ Malaysian Institute of Corporate Governance	Artificial Intelligence (AI) for Company Directors and Executives
	12 April 2022/ Malaysian Institute of Accountants (MIA)	Trigger Finger & Carpal Tunnel Syndrome
	17 June 2022/ Malaysian Institute of Corporate Governance	AI for Non-AI Personnel - What Every Business Must Consider to Create Value

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONTINUED)

Directors	Date of Course / Name of Organiser	Title of Courses Attended
Tan Koon Ping	27 May 2021/ Tricor Axcelasia	MCCG 2021 : What's New
	27 September 2022/ Financial Times Live	Closing Asia's Financial Inclusion Gap
Flavio Porro	11th – 13th October 2021 / Iclif Executive Education Center	Mandatory Accreditation Programme
Lim Mun Kee	12 May 2022/ CKM Advisory Sdn Bhd	Related Party Transactions Simplified
Datuk Mohd Irwan Bin Mohd Mubarak	11th – 13th October 2021/ Iclif Executive Education Center	Mandatory Accreditation Programme
Safia Binti Ahmad Jahidi	6th – 8th December 2021/ Iclif Executive Education Center	Mandatory Accreditation Programme
Ho Soo Woon	1st – 3rd November 2021/ Iclif Executive Education Center	Mandatory Accreditation Programme
Dato' Indera Naresh Mohan	28 April 2022/ MAA Group Berhad	Sustainability Workshop 2022
	27 September 2022/ Financial Times Live	Closing Asia's Financial Inclusion Gap
James Beltran	4 June 2021/ MAA Group Berhad	Corporate Liability Provision in the MACC Act 2009, Adequate Procedures and the ISO 37001: 2016 Anti Bribery Management System
Ravindrasingham A/L Balasingham	7 - 9 June 2022/ FT Financial Times UK	The Global Boardroom 5th Edition : Where Next on the Road to Recovery ? (Digital Conference)
	13 - 14 July 2022 (24 hours Virtual Event)/ Global Network of Director Institutes (GNDI) in collaboration with Malaysian Alliance of Corporate Directors (MACD)	Global Conference 2022 Good Governance Never Sleeps

ACCOUNTABILITY AND AUDIT

Financial Reporting

Shareholders are provided with fair assessments on the Company's financial performance and prospects vide timely issuance of all quarterly reports, annual audited financial statements and announcements on significant developments affecting the Company in compliance with Bursa MMLR and/or the Companies Act, 2016 ("the Act") (wherever applicable). The financial statements for the financial period ended 30 June 2022 is prepared in accordance with the Act.

The Board is assisted by the auditors, the Company Secretary team and the Audit Committee to scrutinize information for disclosure to ensure its timeliness, accuracy and adequacy.

Directors' Responsibilities for the Financial Statements

Pursuant to the Act, the Directors are required to prepare and ensure that financial statements are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act so as to give a true and fair view of the state of affairs of the Company and the Group for each financial year.

The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, and to detect and prevent frauds or other irregularities. The Directors are also responsible for ensuring that the Company keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Company and the Group and in compliance with the applicable approved accounting standards and the provisions of the Act.

The annual financial statements are audited by external auditors in accordance with the approved standards on auditing in Malaysia and they continue to remain independent throughout the conduct of their audit engagement. In conducting the audit, the external auditors will obtain reasonable assurance that the financial statements are free from material misstatements. The external auditors assess the accounting principles used and significant estimates made by Directors in addition to evaluate the overall presentation of the financial statements.

Internal Controls and Internal Audit Functions

The Board has overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets, which encompass risk management, financial, organisational, operational and compliance controls necessary for the Group to achieve its objectives within an acceptable risks profile. These controls can only provide reasonable but not absolute assurances against material misstatements, errors of judgment and losses or frauds.

Internal Audit function is established by the Board for the Group to review the adequacy of operational controls system, and in identifying, evaluating, monitoring and managing risks to provide reasonable assurance that such system will continue to operate satisfactorily and effectively in the Group. The Internal Audit function adds value and improves the Group's operations and assists the Audit Committee to effectively discharge its duties by providing independent and objective assurance.

The Internal Audit function reports directly to the Audit Committee and operates in accordance with the framework set out by the Internal Audit Charter as approved by the Audit Committee. It is independently positioned to assist the Board and Audit Committee in obtaining the assurance they require in relation to the effectiveness of the Group's system of internal controls. The Head of Internal Audit regularly reviews and appraises the systems of risk management, internal controls and governance processes within the Company and/or the Group.

The Company's Internal Audit function is competently and adequately resourced to fulfil its purpose and perform its activities. It is currently managed and performed in-house and fortified with the assistance of an independent external firm of professional internal auditors, and the costs attributable to the discharge of duties and performance of the Internal Audit function of the Company for the financial period under review is RM84,000 (2020: RM84,000). In addition, the costs amounting to approximately RM210,000 (2020: RM321,000) were incurred for the operation process review in respect of the 18-month financial period ended 30 June 2022.

More details of the system of internal controls of the Company are set out in the Statement on Risk Management and Internal Control of this Annual Report.

Sustainability Governance Structure

The sustainability governance practices of the Group are led by the Group General Council/Executive Director ("GGC/ED") who chairs the Sustainability Committee ("SC") which comprises the Group senior management team. Findings of the SC are reported to the Board of Directors who shall authorise and approve the Sustainability Report(s) (i.e. relating to the management of all economic, operational, governance and financial aspects of the Group).

The SC undertakes periodic reviews to ensure various sustainability issues across the organisation are addressed. Any decision made by the Board shall then be cascaded downwards to the GGC/ED who together with the Group senior management team, will execute and implement the decisions of the Board.

The in-depth information on sustainability governance is laying in the Sustainability Statement outlined in the ensuing pages of this Annual Report.

Relationship with the Auditors

The Company maintains a transparent and professional relationship with its internal and external auditors at all times. Under its terms of reference, the Audit Committee has explicit authority to communicate directly with the Company's internal and external auditors. The Audit Committee reviews the appointment of the Company's external auditors and the fees payable to them on an annual basis. Meetings with the senior management, internal and/or external auditors are held as appropriate to discuss any issues arising from the interim and final audits, audit plans, audit findings and any other matters of concern that the internal and/or external auditors may wish to discuss. The Audit Committee meets the external auditors independently at least twice a year or whenever deemed necessary without any management or Executive Board members presence.

The Audit Committee also receives other information such as that of the non-audit services provided by the external auditors. Based on such information, the Audit Committee has no reason to believe that such engagements have impaired or would impair the independence of the external auditors.

Further details of the terms of reference of the Audit Committee are set out in the Board Charter and the activities of Audit Committee during the financial period under review are as set out in the Audit Committee Report.

CORPORATE DISCLOSURE

The Board is mindful that disclosure of material information shall be factual, clear, unambiguous, accurate, succinct, and contains sufficient information to enable investors to make informed investment decisions. In addition, it shall be on a timely basis so as to enable all investors to have equal access to such material information.

In respect thereto, the Board is guided by the Bursa MMLR, Bursa Malaysia's Corporate Disclosure Guide and the Code in making all material disclosures to the shareholders and investors.

SHAREHOLDERS

The Company provides an open channel of communication with its shareholders, institutional investors and the investing public at large with the objectives of inter alia, providing timely, clear and complete information of the Group's operations, updates, performance and new development based on permissible disclosures. The Company values feedbacks and dialogues with its investors, and believes that a constructive and effective investor relationship is essential to enhance shareholders' value.

Communication with shareholders is also maintained by way of immediate announcements made in connection with material developments in the Company's business and operations in addition to the timely issuance of quarterly and annual reports. Whilst the Company endeavours to provide as much information as possible to its shareholders and other stakeholders, it is mindful of the legal and regulatory framework governing the release and disclosure of material and/or price-sensitive information. Information which is price-sensitive or those which may be regarded as undisclosed material information about the Group will not be disclosed until after the prescribed announcement has been released to Bursa Malaysia Securities Berhad ("Bursa Securities").

Investor Relations

The Company utilised the following key investor relations activities to update and engage with its investors:-

1) holding briefings, plant visits, conference calls and meetings with the shareholders, institutional fund managers and financial analysts; and
2) establishing a corporate website for easy access and dissemination of the Group's corporate information, quarterly and annual financial results, annual reports, announcements to Bursa Securities, news and latest happenings.

Annual General Meeting and Extraordinary General Meeting

Shareholder meetings, especially the annual general meetings, represent an important platform and forum for dialogue and interaction between the Company and its shareholders. Such general meetings are normally attended by all Directors. Explanations are provided during shareholders' meetings in relation to any queries that are posted by shareholders and clarification made to proposed resolutions on key corporate proposals to enable shareholders to make informed decisions. Notice of general meetings provide separate resolutions to be proposed at the general meetings for each distinct issue and any item of special business included in a notice of general meeting is accompanied by an explanatory note on the effects of the proposed resolution. Voting is conducted by poll for any resolutions tabled at the Annual General Meeting subject to Paragraph 8.29A of the Bursa MMLR. Questions from and interaction with shareholders are encouraged to further enhance communication between shareholders and the Board.

The Company's external auditors and the relevant advisers of the Company will attend such general meetings upon invitation and be available to answer questions raised where appropriate. The Company always accord sufficient time for discussion and questions at general meetings, and ensures all questions and issues are properly addressed and explained thereat. The proceedings of all general meetings are recorded by the Company Secretary in the minutes of the meeting and a copy of which is posted on the Company's corporate website and available for inspection at the Company's registered office.

In addition, a press conference may be held immediately after such general meetings, whereat the Directors would explain and clarify any issues posed by the members of the media regarding the Company, save and except for such information that may be regarded as material or price-sensitive in nature, which disclosure shall be made in strict adherence to the disclosure requirements as prescribed under the Bursa MMLR and other various contractual or statutory rules and provisions that the Group may be subjected to.

ADDITIONAL COMPLIANCE INFORMATION

The following additional information is provided in compliance with Bursa MMLR:-

1. **Approved Utilisation of Proceeds Raised from Corporate Proposal(s) announced to Bursa Securities**

On 22 November 2021, on behalf of the Board of Directors of the Company, M&A Securities Sdn. Bhd. announced that the Company proposes to undertake a private placement of up to 334,132,800 new ordinary shares in the Company, representing not more than 10% of the issued ordinary shares in the Company ("Private Placement"). Bursa Securities Berhad had vide its letter dated 26 November 2021, approved the Private Placement.

On 28 December 2021, the Company completed the private placement by raising a total of RM45,552,264 for listing a total of 334,132,800 new ordinary shares. The status of the utilisation of proceeds raised in respect thereto is as follows:-

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation (from listing date)
Working capital requirements	14,252	14,252	Completed
Repayment of bank borrowings	30,000	30,000	Completed
Expenses for the Private Placement	1,300	1,300	Completed
Total	**45,552**	**45,552**	

2. **Related Party Transactions**

All related party transactions for the 18-month financial period ended 30 June 2022 are set out in Note 31 to the Financial Statements.

An internal compliance framework exists to ensure the Company meets its obligations, including that of related party transactions under Bursa MMLR. The Audit Committee will review all related party transactions and report the same to the Board.

A Director who has interest in a transaction abstains from deliberation and voting on the relevant resolution in respect of such transaction at the Board meeting and at any general meeting convened to consider such transaction.

3. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the external auditors and its affiliates in connection with services rendered to the Group and/or the Company for the 18-months financial period ended 30 June 2022 were as follows:-

	Company RM'000	Group RM'000
• **Audit services**		
- Messrs KPMG PLT		
• Current year	345	785
• Prior year	–	57
- Affiliates of KPMG PLT in overseas	–	3,028
- Other auditors	–	237
• **Non-audit services**		
- Messrs KPMG PLT*	15	15
- Affiliates of KPMG PLT in Malaysia**	–	91
- Affiliates of KPMG PLT in overseas***	–	655
- Other auditors**	–	102
Total	**360**	**4,970**

Notes:

* *Professional fees rendered for review of Statement on Risk Management and Internal Control and other Engagements*

** *Professional fees rendered for taxation, financial and tax due diligence*

*** *Professional fees rendered for taxation, financial and in overseas tax due diligence*

4. Material Contracts

Save as disclosed in Note 37 of to the Financial Statements, there were no material contracts entered into by the Company and/or its subsidiaries which are not in the ordinary course of business or involving Directors and/or major shareholders' interests either still subsisting at the end of the 18-month financial period ended 30 June 2022 or which were entered into since the end of the previous financial year.

5. Contracts Related to Loans

There was no material contracts related to loans entered into by the Company and/or its subsidiary companies involving the Company's directors and/or major shareholder's interests during the financial period under review.

SUSTAINABILITY REPORT

18-month financial period ended 30 June 2022

KNM Group is a well diversified multinational group with core businesses in project management, engineering, manufacturing and construction for the renewable energy, power, utilities, refining and petrochemical industries. KNM Group has also embarked into the renewable energy sector as a project owner and developer in strategic investments to develop long term recurring income and sustainable growth.

What's KNM in 2022

Established since **1990**
Trusted by more than **188** customers globally

3,083 active suppliers from **58** countries
Total procurement value
812.9 RM million

1,654 employees
17,806 training hours

10 manufacturing plants in **6** countries

Revenue
1,436 RM million
Total assets
3,080 RM million

Solid waste generated
5,311 metric tonnes
Solid waste recycled
98%

INTRODUCTION

KNM Group Berhad ("KNM") recognises the importance of observing and developing its businesses in a sustainable and responsible manner.

This Sustainability Report covers the key sustainability activities of the KNM Group Berhad and its subsidiaries ("the Group") for the financial period under review; whereby the Group is committed to observe and assist in elevating the economic, environmental and social well-being of the community ("EES"). This report focuses on the key sustainability challenges that are faced by the Group, the ways of responding the matters and topics most concerning the stakeholders in tandem with its growth aspirations.

To the Group, the EES sustainability practices have been deeply rooted within the Group's corporate values i.e.

- To achieve customer satisfaction through continuous improvement on quality, safety, environment and timely delivery
- To enhance stakeholders' value with corporate social responsibility
- To enhance organisational infrastructure and human capital development

Reporting Period and Scope

This report covers the Group's performance from 1 January 2021 to 30 June 2022, unless otherwise specified.

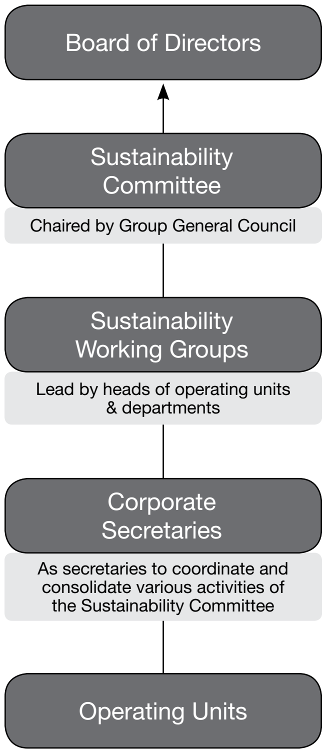
This report covers the Group's material operating units that we have direct operational control. Unless otherwise stated, the information presented in this report covers our operating units in Malaysia, Germany, Italy and United Arab Emirates.

Assurance

The financial information contained in this report which was extracted from the consolidated audited financial statements for the 18-month financial period ended 30 June 2022 was audited by KPMG PLT.

SUSTAINABILITY GOVERNANCE STRUCTURE

We have instituted a KNM Group Sustainability Committee ("KNMG SC") chaired by the Group General Counsel/Executive Director ("GGC/ED") for the implementation and monitoring of our sustainability agenda. KNM SC's members are from senior management team of the Group and assisted by the business and group functional support units worldwide.



Findings of the KNMG SC are reported to the Board who shall authorise and approve the Sustainability Report(s) (i.e. relating to the management of all economic, operational, governance and financial aspects of the Group).

The KNMG SC undertakes periodic reviews to ensure various sustainability issues across the organisation are addressed. Any decision made by the Board shall then be cascaded downwards to the GGC/ED who together with the Group senior management team, will execute and implement the decisions of the Board.

In addition to participating in the KNMG SC meetings, senior management members are also interacting among themselves via the quarterly Global Executive Committee Meetings, participating in various international conferences and other internal business unit meetings. These meetings deal with the latest business development, practical experience, changes in laws and regulations, and other current topics. These meetings provide feedbacks to the Group in developing approaches to resolve business problems and encourage employees to share their experiences with one another in implementing the Group's sustainability initiatives.

The Board has the overall responsibility for risk oversight, management and sustainability governance within the Group. The Group emphasises creating sustainable business growth for its stakeholders. Accordingly, proper risk management is essential to business operations that constantly facing uncertainties and continual changes in our operating environment and enables the Group to accomplish its objectives. A proper risk management reduces losses, increases competitiveness and potentially creates new business opportunities to the Group.

As the Group is operating in various geographical regions, it is important to consider differences in legislation, cultures, infrastructure as well as variations in climate conditions in each of the countries that it's operating in. In view thereto, the Group sustainability approaches are country-specific and flexible. Subsidiaries are responsible for adapting the Group's sustainability aspirations in their operations, developing strategies appropriate to their business environments and in compliance with local legal requirements in their respective countries.

Further details are set out in the Corporate Governance Overview Statement and the Statement on Risk Management and Internal Control in Annual Report 2022.

The Group creates sustainable value and grow its businesses by balancing between economic, environmental and social well being of the community. These purposes are integrated into our corporate values, unites our employees and guide our decision making and actions.

INTERACTION WITH STAKEHOLDERS

We strive to actively and regularly communicate with our stakeholders through multiple communication platforms in order to understand their perception of the EES aspects related to our businesses, to better respond to stakeholders' needs and to deliver sustainable value to our shareholders. The stakeholder engagement process focus on identification and prioritisation of material issues and the periodic review of actions taken to deal with concerns. The Group is committed to ensure that all material information released is accurate, concise, timely and in compliance with the various regulatory requirements that the Group is subjected to.

The Group maintains good visibility and constantly interacts with its stakeholders such as investors, portfolio analysts, fund managers, bankers, government bodies and its corporate clients through a variety of channels, whereby accurate and concise information on the Group is provided through briefings, meetings, teleconferences, dialogues and visits to the Group's manufacturing facilities to enable its stakeholders to better understand its business operations.

Its employees particularly in sales, marketing and production functions are the interface to our customers and business partners along our value chain. They make the Group unique and actively committed to ensuring that our brands and operations make significant positive contributions to our business, environmental and social challenges.

Our stakeholder engagements include both formal and informal dialogues. The summary of key engagements with the Group's customers, business partners, industries practitioners, investors and shareholders is set out in the table hereunder.

The following table covers a list of key stakeholder groups, various methods of engagement, matters discussed:

Stakeholders	Methods of Engagement	Frequency	Focus / Matters Discussed
Principal Partners & Suppliers	• Prequalification registrations, exhibitions, congress, seminars, conference • Project meetings and site visits • Product launches and roadshows	As and when required	• Operational & business performance; product / service quality; health & safety • Sharing of best practices • Compliance with rules and regulations • Ethical and responsible conduct • Opportunities for business collaboration
Customers	• Exhibitions, Congress, Conference • Customer Satisfaction Survey • Customer feedback / complaints channel by emails, phone-in and face to face meetings. • Customer visit / audit to manufacturing facilities. • Face to face technical and commercial meeting	Project by project	• Product & service quality and delivery • Qualification of manufacturing facilities • Commercial terms & conditions • Product and service quality • Customer experience • Health, safety and security

SUSTAINABILITY REPORT
(CONTINUED)

Stakeholders	Methods of Engagement	Frequency	Focus / Matters Discussed
Industry Practitioners	Meeting of environmental experts hosted by Chamber of Commerce and Industry in Germany	3 times per annum	Environmental updates and sharing of industrial knowledge
Investors, financial institutions & shareholders	• Annual general meeting • Analysts meeting • Announcements to Bursa Malaysia Securities Berhad • KNM corporate website	Annually / as and when required	Performance, future strategies and any important updates of the Group
Employees	• Performance appraisal • Newsletter & internal memorandum • Annual reports • KNM corporate website • Trainings	Annually / as and when required	• Performance, future strategies and any important updates of the Group • Better working environment, career progression and employee welfare
Government & Regulators	• Official meetings and visits • Industry dialogues, events and seminars	As and when required	• Workplace health and safety • Investment opportunities • Compliance with rules and regulations
Media	• Press releases • Official launches and corporate events • Website and social media	As and when required	Performance, future strategies and any important updates of the Group
Communities	• Community outreach programmes • Charitable contributions • Internship	As and when required	• Local community supports including donations, fundraising and volunteering programmes • Project-based initiatives

MATERIALITY

The stakeholder interaction described above helps us identify material sustainability matters. Based on our engagements with the stakeholders, the following are the most significant material sustainability matters identified concerning the Group's future growth, profitability and meeting our stakeholders' expectations:

1. financial sustainability of the Group;
2. occupational health and safety, including COVID-19 pre-cautious measures
3. environmental protection.

The Group's responds to the material matters above are outlined in the following sections.

ECONOMIC

Our Operations

Firstly, the Group desires to run its operations responsibly and profitably.

The Group's operations spread across a great number of industries and geographical locations. Currently, the Group's subsidiaries are located in 6 countries with 10 manufacturing plants, leading edge high end process equipment products, delivering value to its customers through comprehensive design, project management and process equipment manufacturing capabilities. The Group offers a broad range of products and services under renowned brands of KNM, BORSIG and FBM Hudson with industry experience spanning over 200 years.

The Group aligns its brands, technologies and product portfolio to meet the challenges and create value to its customers' sustainability. The value and capability the Group delivered to its customers are enabled by its approximately 1,654 dedicated employees who are committed to making a positive impact on the Group, its customers and communities.

Financial Sustainability

On 3 December 2021, KNM announced that it had defaulted on the principal payment of bonds that it had issued in Thailand amounting to Thai Baht 2.78 billion which had matured on 18 November 2021. Through this, KNM triggered the criteria prescribed in Paragraph 8.04 and Paragraph 2.1(f) of PN17. However, Bursa Securities had on 16 June 2021 granted relief to listed companies that would become PN17 Issuers during the period of 1 July 2021 to 31 December 2021, from complying with the required obligations under Paragraph 8.04 and PN17 of the Listing Requirements for a period of 18 months from the date of triggering the relevant criteria. Pursuant thereto, KNM is not classified as PN17 Issuer at this juncture.

In view of the above, the Board has reassessed the financial position of the Group in order to improve its financial position as well as indebtedness. Accordingly, the Board has on 22 December 2021 announced the various corporate exercise to enhance its financial position and accelerate future growth, which include monetarise some of the Group's assets. The proceeds from these proposed corporate exercise will not only enable us to rectify the outstanding amount due under Thai Bonds, but will also enable the Management to focus on growing our businesses and unlock the sum-of-the-parts value of the Group for its shareholders. The enhanced financial position and better clarity on the future prospects of the Group will also be essential in convincing our customers and suppliers to engage in business dealings with us and would further improve employee retention.

To further support this, on 19 January 2022, the Company announced the proposed flotation of its wholly-owned indirect subsidiaries, FBM Hudson Italiana SpA and FBM-KNM FZCO on the Catalist, the sponsor-supervised board of the Singapore Stock Exchange Securities Trading Limited by way of an initial public offering. Additionally, the Group will continue to consider other fund raising corporate exercises such as a private placement exercise to obtain additional funding to further improve the cashflow position of the Group.

Recurring Income from Green Energy Businesses

Guided by its strategic intent of integration and adding value, the Group is continuously seeking opportunities in strategic investments for growth and diversification from its product value chain towards realization of a recurring income for sustainable growth in the long term.

Currently, the Group's revenue is entirely derived from the supply of process equipment. The Group's business strategy moving forward is to expand in the renewable energy industry through organic growth and/ or joint ventures with the long-term objective of increasing the revenue contribution of its renewable energy businesses to 50% of the Group's consolidated revenue.

Renewable energy refers to energy derived from renewable and natural resources such as wind, solar, biomass, hydro and geothermal that are constantly replenished and non-fossil fuel based. Globally, there are greater focus on carbon neutrality and increased interest in alternative fuel solutions, which enable transportation to use biofuels to reduce their environmental impact.

SUSTAINABILITY REPORT
(CONTINUED)

The Group has been involved in the renewable energy businesses related to biomass, such as production of bio-ethanol from cassava chips for automotive fuel and generating power from municipal solid wastes and scheduled wastes, and will continue to seek for new opportunities related to these areas. As the new renewable energy businesses typically requires high capital expenditure and proprietary technologies that the Group does not presently own/possess, the Group may enter into joint venture(s) with suitable partners to meet the funding and/or technology required by such business. The Group may also acquire equity interest in companies that process and provide the biomass/wastes to the renewable energy businesses as part of its feedstock supply strategy.

ENVIRONMENTAL

The Group operates responsibly to safeguard the environment.

The Group recognises the world's demands for low-carbon economy, control climate change and to reduce greenhouse gas emissions. As such, the Group focuses on and promotes the renewable energy business such as the waste to energy power plant in United Kingdom and bio-ethanol in Thailand.

The first phase of the waste to energy power plant in United Kingdom is still under development. Once operational, the plant will diverse the waste from landfill and create renewable energy and recycled products at the same time.

Our bio-ethanol plant in Thailand produces the bio-ethanol using the renewable and sustainable source of biomass feed stock, i.e. cassava chips. It can be a cost-effective way to reduce carbon dioxide emissions in the transport sector. Our bio-ethanol plant also recycles the cassava wastes to generate biogas which is used as fuels for boiler and for gas engine to generate electricity for internal use. This further enhance our contribution to the environment by reducing the carbon food print of our bio-ethanol production plant. Currently, Management intends to accelerate the ethanol production plan going forward and to rollout the contract farming within next twelve months to mitigate the feedstock supply risk.

Resources Efficiency

The Group works continuously to improve the efficiency of its assets. This includes monitoring of electricity and water usage, enhance efficiency of the equipment through regular and smart scheduling of maintenance, and increasingly by seeking opportunities to use renewable energy sources. During the financial period under review, the electricity consumption per man hour worked has reduced from 3.3Kwh/man-hour worked to 2.5Kwh/man-hour worked.

In addition, our subsidiaries in Europe are also subject to energy audit in accordance with EN 16247-1 standard which consists of systematic examination and analysis of the energy usage of a plant, organisation etc. with the aim of identifying and documenting energy efficiency potentials.

With the reduction of electricity consumption, it helps to conserve the earth's natural resources and reduce the environmental pollution.

Waste and Resources Management

We are committed to reduce waste and pollutants while conserving resources and recycling materials at our production sites.

We also managed our waste responsibly and ensured proper storage as well as disposal to reduce impact on the environment.

During the financial period under reviewed, our process equipment fabrication plants generated approximately 5.3 million metric tonnes of solid waste of which approximately 98% were recycled. KNM continues to explore best practices to improve the implementation of waste management.

SOCIAL

The third aspect of sustainability for the Group is to contribute positively to the communities where it operates and in wider society. This include creating jobs, workplace safety, help raise people's quality of life by supporting education, sports, youth, arts and culture, as well as preserving religion and local traditions.

Health and Safety

The Group's Health, Safety and Environment ("HSE") Division establishes policies and procedures and reinforces the Group's safety culture by inculcating good safety and fire prevention practices, heightening safety awareness and providing safety gear, conducting safety talks, as well as implementing such other safety courses and training activities so as to attain zero loss time injury hours at its manufacturing facilities.

The Group considers that the management of health, safety and environment is of fundamental importance in continually improves the quality of product and services that the Group provides. The Group believes that workplace injuries are preventable. As such, all its operations worldwide have implemented HSE systems that comply with the local HSE regulations and other international HSE standards such as ISO 14001 & OHSAS 18001. Regular training courses are held at all its factories to make employees aware of the HSE procedures and to guide them to work safely.

The compliance of the HSE level is monitored continuously and employees are awarded for achieving the outstanding HSE compliance.

During the financial period under review, 2 customers had conducted quality and HSE audit at our plants in Malaysia and we have also completed the ISO 9001 / 14001 / 45001 recertification.

Workplace

The Group acknowledges and commits to create a safe and conducive working environment for all its employees. The Group does not practise discrimination in gender, age, race, religion, culture or nationality. The Group views diversity in the workplace as a good indicator of a healthy working environment which improves its employees' safety and business performance.

Sustainability Through Covid-19 Pandemic

In addition to the operational procedures as mandated by the local Government, the Group has implemented a stringent hygiene policy, restriction of gathering party, prohibiting in conducting of physical meetings and disinfection the work places frequently, to make sure that the work places are safe and clean. Notices were given to staffs to create their awareness on the seriousness of the disease outbreak with advices on the precautionary actions shall be taken by each individual. This may indirectly curb the spread of the disease and contribute to environmental safe.

Ethics and Business Conduct

Our well-structured risk management and policies help us to maintain a sound risk management system to ensure significant risks are identified and adequately managed. We also seek to uphold a culture of ethics and integrity. Following the implementation of section 17 of MACC Act, we released a new Anti-Bribery and Corruption policy this year to ensure that our employees and those who work with us, including suppliers and contractors understand their responsibilities to comply with the Group's zero tolerance for bribery and corruption within the organisation. These are made available and easily accessible on our company's website by employees and the public. We are dedicated to providing the highest standard of data security and privacy to safeguard personal data and privacy of our customers, employees and other stakeholders.

Any form of corruption and bribery is not acceptable in the Group. The Group believes that corruption and bribery harm fair competition, healthy growth of the markets and sustainability of successful business. The Group always require all staff to act honestly, with integrity and conduct lawful and responsible business practices.

KNM has mandated an established professional services firm in governance, risk and compliance to assist us to roll out anti-corruption and anti-bribery awareness programmes to its employees in various countries. Such anti-corruption programmes will also be incorporated into the Group's internal audit compliance.

There were no material non-compliance incidents involving fraud, bribery or money laundering offences. We neither condone lobbying practices, nor make any political contributions. There were also no significant incidents of non-compliance with any relevant environmental and socio-economic laws or regulations in locations where we operate.

Human Capital Development

The Group conducts formalised and structured training on both internal and external training programs to help operational sustainability besides achieving the Group's commitment to job enrichment, promoting morale, to enhance and improve employees' skills and technical knowledge in order to improve the work productivity and efficiency.

The Group encourages exchange knowledge within the Group by sending the existing employees to other subsidiaries in various countries for training. The Group implements a variable pay incentive system to reward employees who have achieved their key performance indicators. The Group also arrange inhouse trainings for its employees to enhance their skills.

The Group's business unit leaders in various countries are responsible to plan the training needs in their respective organisations. During the financial period under review, the Group's employees in various countries had attended various courses with approximately 17,806 training hours.

Employees' Share Option Scheme ("ESOS")

The Group believes that it is important for its employees to share in the success of its business. By doing this, it not only improves the motivation to its employees and it also creates a sense of belonging of the employees in the Group. Since 2014, KNM has granted a total of approximately 335 million share options to eligible employees within the Group. The intention of this ESOS is to align the interests of the Group and its employees more closely, while giving its employees an attractive opportunity to invest and enhance their wealth.

AUDIT COMMITTEE REPORT

The Audit Committee ("Committee") of the Company is pleased to present the Audit Committee Report for the 18-month financial period ended 30 June 2022.

MEMBERS, MEETINGS HELD AND ATTENDANCE OF MEMBERS

The members of the Committee are totally Non-Executive Directors, with a majority of them being independent directors and they comprise of three (3) in numbers. The attendance of each member at the thirteen (13) meetings held during the 18-month financial period ended 30 June 2022 is as follows:-

Name of member	Designation	Directorship of the member	Attendance
Soh Yoke Yan *(Resigned on 28 June 2021)*	Chairman	Independent Non-Executive Director	7/7 (100%)
Dato' Ab Halim Bin Mohyiddin *(Resigned on 26 June 2021)*	Member	Non-Independent Non-Executive Chairman	7/7 (100%)
Dato' Dr Khalid Bin Ngah *(Resigned on 26 June 2021)*	Member	Senior Independent Non-Executive Director	7/7 (100%)
Lim Mun Kee *(Appointed on 19 July 2021)*	Chairman	Independent Non-Executive Director	6/6 (100%)
Datuk Mohd Irwan Bin Mohd Mubarak *(Appointed on 19 July 2021)*	Member	Independent Non-Executive Director	6/6 (100%)
Safia Binti Ahmad Jahidi *(Appointed on 9 August 2021)*	Member	Independent Non-Executive Director	6/6 (100%)

The Terms of Reference of the Committee is available on the Company's corporate website.

SUMMARY OF WORKS DURING THE YEAR

During the financial period under review, the Committee had:-

1. reviewed and adopted the internal audit plan for 2023, including its scope and areas of audit;

2. reviewed and considered the appointment of outsourced internal auditors and any re-appointment of external auditors;

3. reviewed recurrent related party transactions that were entered into by the Group;

4. reviewed significant accounting policies that were affected by the introduction of the new Malaysian Accounting Standards and Financial Reporting Standards;

5. reviewed the Directors' Report, Auditors' Report and Audited Financial Statements, and relevant statements or reports for inclusion in the Company's Annual Report;

6. reviewed the Internal Audit Report(s) issued by outsourced internal auditors and noted the observations, recommendations and management's responses thereto;

7. reviewed the Risk Management Report and updated the internal Committee on action plans taken to manage identified risks;

SUMMARY OF WORKS DURING THE YEAR (CONT'D)

During the financial period under review, the Committee had:- (Cont'd)

8. reviewed and approved the unaudited quarterly results prior to submission to Board of Directors for consideration and approval;

9. reviewed and approved the periodic audit plans and actions presented by the internal and external auditors;

10. reviewed and approved the Audit Committee Report; and

11. verified the ESOS allocation proposed by ESOS Committee.

INTERNAL AUDIT FUNCTIONS

The primary function of internal audit is to provide reasonable assurance to Audit Committee members in the effective execution of the Group's system of internal controls, address potential areas of non-compliances, and develop continuous improvement in the risk management controls and governance processes.

The Group's internal audit function is outsourced to a professional firm, Tricor Axcelasia Sdn Bhd (formerly known Axcelasia Columbus Sdn Bhd). The key personnel and their respective qualifications of this professional firm are as follows:-

Name	Designation	Role	Qualifications
Ranjit Singh	Regional Managing Director of Tricor Axcelasia Sdn Bhd *(f.k.a Axcelasia Columbus Sdn Bhd)*	Service Partner	• Certified Internal Auditor ("CIA") • Certification of Risk Management Assurance ("CRMA") • Certified Public Accountant ("CPA") (M) • Chartered Accountant ("CA")
David Low	Executive Director of Tricor Axcelasia *(f.k.a Axcelasia Columbus Sdn Bhd)*	Engagement Director	• CA • Professional Member of Institute of Internal Auditors

The outsourced internal audit team comprises of six (6) team members allocated for the internal audit reviews. The staff involved in the internal audit possesses professional qualification and/or a university degree. The internal audit team had conducted three (3) internal audit cycles during the financial year, covering the major operating locations of the Group.

During 18 month financial period ended 30 June 2022, the scope of internal audit comprises both core and support functions of certain operating units in the Group, namely production, maintenance management, inventory management, quality assurance & control, health, safety & environmental management, procurement, sales & marketing, human resources and finance.

The Group's internal coordination of internal audit key activities is managed by the Coordinator.

The costs amounting to approximately RM 84,000 (2020: RM 70,000) were incurred for the internal audit functions in respect of the 18 month financial period ended 30 June 2022.

The costs amounting to approximately RM 210,000 (2020: RM 265,000) were incurred for the operation process review in respect of the 18 month financial period ended 30 June 2022.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide the following statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of its Risk Management and Internal Control of the Group during the financial year under review and up to the date of this Statement. This Statement also takes into account the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers released by Bursa Malaysia Securities Berhad ("Bursa Securities") on the issuance of Internal Control Statement pursuant to paragraph 15.26(b) of the Listing Requirements of Bursa Securities for Main Market.

THE BOARD'S RESPONSIBILITY

The Board acknowledges its overall responsibility of a sound system of internal control and effective risk management for the Group and for reviewing its adequacy, effectiveness and integrity and so as to safeguard the shareholders' investment and the Group's assets. Such systems cover financial controls, operational and compliance controls and risk management procedures.

The Board, through the Audit Committee, ensures effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations through regular reviews and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

RISK MANAGEMENT

The Board has established and put in place an enterprise-wide risk management system to identify the key risks faced by the Group, the potential impact and likelihood of those risks occurring, the control effectiveness and the action plans being taken to manage those risks to the desired level. Such a system is designed to identify, evaluate and manage the significant risks faced by the Group to achieve its objectives and strategies. A process has been put in place for the year under review and up to the date of this Statement.

On-going reviews are carried out timely by the Risk Management Committee ("RMC"). RMC, chaired by the Group Chief Financial Officer, is to assist the facilitation of the continuous monitoring and evaluating of the Group's risk management system and reports to Audit Committee and the Board to achieve the Group's business objective and to ensure that the Group is always vigilant to any situation that might affect its assets, income and profits. The Audit Committee is entrusted by the Board to oversee the overall management of all identified risks of the Group and overall compliance with applicable laws & regulations, internal policies and approved limits.

The risks are identified through a series of discussions with the key personnel and management of the Group, which is then documented into a Key Risk Profile that includes details on the nature of the risk as well as the severity. The Key Risk Profile is updated by the respective Heads of Departments/ Risk Owners and submitted to Risk Manager via email. The information is consolidated to provide an enterprise overview of material risks faced by the Group and the associated risk mitigation plans, which are tracked and reviewed. The Key Risk Profile serves as a tool for heads of departments or business units to manage key risks applicable to their areas of business activities on a continual basis.

Through these mechanisms, key risks identified in the Key Risk Profile are assessed and control procedures or mitigating factors are re-evaluated accordingly in order to ensure that the key risks are mitigated to an acceptable level.

INTERNAL CONTROL

The Board acknowledges the importance of the internal audit function and is committed to articulating, implementing and reviewing the Group's system of internal control. The internal audit function has been outsourced to an independent professional service provider to assist the Audit Committee in discharging their responsibilities and duties. To ensure independence, the Internal Auditors report directly to the Audit Committee.

The outsourced internal auditors carried out internal control reviews on the financial and operating activities of the Group based on an annual plan that was presented and approved by the Audit Committee. The internal Auditors are report directly to the Audit Committee and independent.

The key elements of certain operating activities of the Group's system of internal control are as follows: -

- Group organisational structures with formally defined lines of responsibility and delegation of authority that act as a control mechanism in terms of lines of reporting and accountability.
- All departments and divisions of the Group have documented policies and procedures incorporating control and scope of responsibilities.
- The Financial Authority Limits are periodically reviewed and updated as to ensure their suitability for implementation. The Financial Authority Limit delineate authorization limits of various activities of the Group for each level of management to ensure proper identification of accountabilities, segregation of duties and effective risk management.
- Management executive committee meetings involving the Executive Directors, senior management and projects personnel were conducted to discuss the state of affairs and progress for projects and operational businesses.
- The Quality Assurance department conducted internal quality audits to monitor compliance with ISO requirements at respective subsidiaries with ISO accreditation.
- The Health, Safety and Environment department at the fabrication facilities carried out health, safety and environment activities to promote staff safety awareness and compliance.
- An annual budget is adopted by the Board to facilitate the review of the Group's business and financial performance and its sub-committees. The Board reviewed and monitored the achievements of the Group's performance on a quarterly basis.
- The Board and Audit Committee reviewed the operational and financial performance at quarterly Board and Audit Committee meetings.
- Enhancement of the Group's policies and guidelines in relation to subsection (5) of the new section 17A of Malaysian Anti-Corruption Commission Act 2009 (MACC Act) introduced via Section 4 of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and provide continuous training to the employees of the Group.
- Enhance the Whistleblowing policy and guidelines for reporting of potential rule breaking in the Group.

MONITORING AND REVIEW OF THE ADEQUACY AND INTERGRITY OF SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL

The process adopted to monitor and review the adequacy and integrity of the systems of risk management and internal control include:

- Periodic confirmation by the reporting unit heads on the effectiveness of the systems of risk management and internal control, highlighting any weaknesses and changes in risk profile.

- Periodic examination of business processes and state of internal controls by internal audit function. Reports on the reviews carried out by the internal audit function are submitted on a quarterly basis to the Audit Committee.

The monitoring, review and reporting arrangements in place provide reasonable assurance that the structure of controls and its operations are appropriate to the Group's operations and that risks are at acceptable level throughout the Group's businesses. Such arrangements, however, do not eliminate that possibility of human error, deliberate circumvention of control procedures by employees and others, or the occurrence of unforeseeable circumstances. The Board is of the view that the systems of risk management and internal control in place for the year under review are sound and sufficient to safeguard shareholders' investment, stakeholders' interest and the Group's assets.

Pursuant to Paragraph 15.23 of the Bursa Malaysia's Main Market Listing Requirements, the external auditors had reviewed the Statement on Risk Management and Internal Control and report the results thereof to the Board of KNM Group.

ASSOCIATES AND JOINT VENTURES

The Group's systems of risk management and internal control do not include the state of risk management and internal controls in associates and joint ventures.

ASSURANCE

The Board has received reasonable assurance from the Group Chief Executive Officer and Group Chief Financial Officer that the Group's systems of risk management framework and internal control are operating adequately and effectively, in all material aspects, to meet the Group's objectives during financial period under review.

The Board is of view that the Group's systems of risk management and internal control of the Group are satisfactory. The Board and management continuously take pertinent measures to sustain and, where required, to improve the existing systems risk management and internal control of the Group.

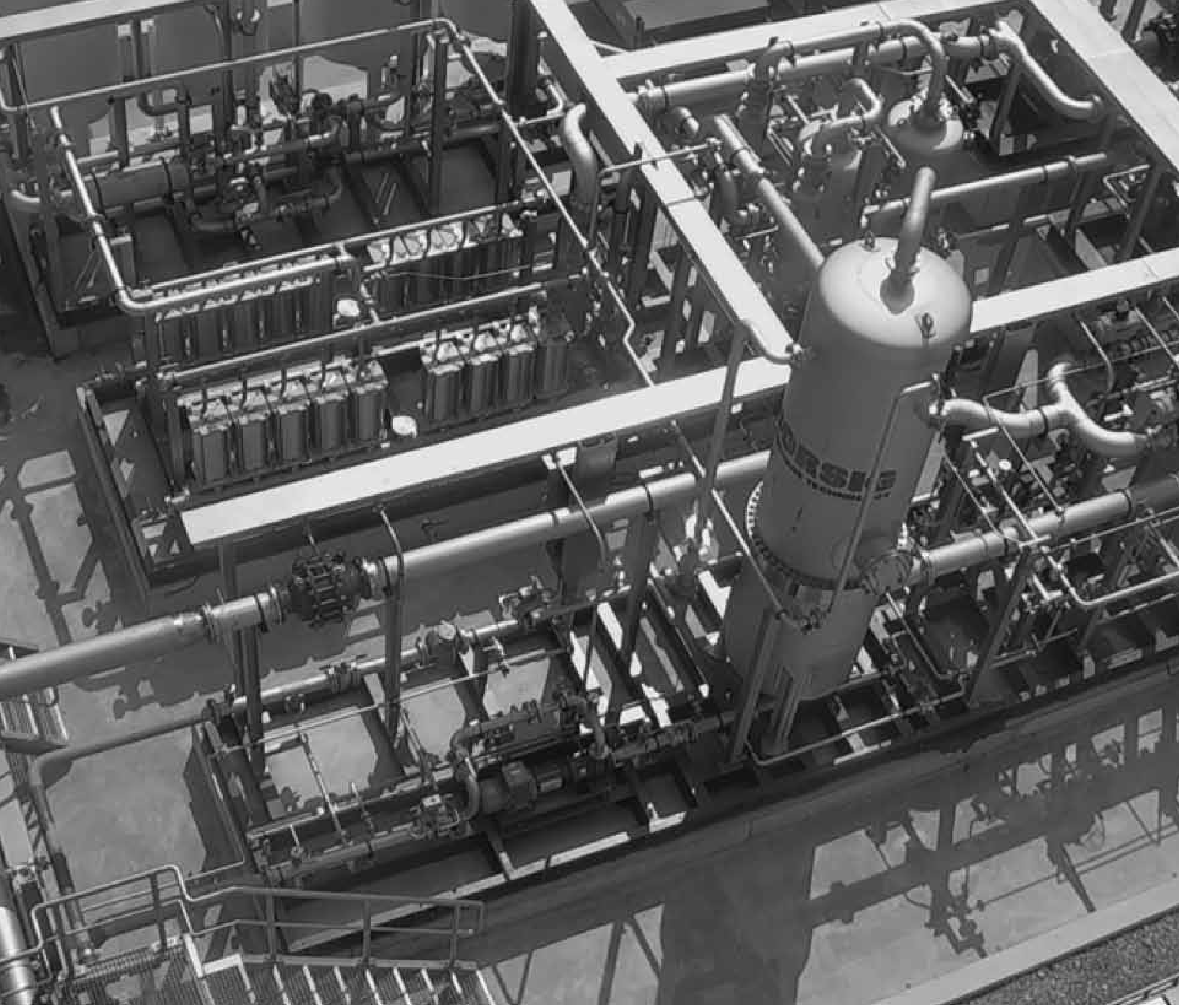


TABLE OF
FINANCIAL STATEMENTS

DIRECTORS'
REPORT
FOR THE PERIOD ENDED 31 JUNE 2022

On 21 March 2022, the Board of Directors has approved the change of the Group and the Company's financial year end from 31 December to 30 June. The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period ended 30 June 2022.

Principal activities

The Company is principally engaged in investment holding activities and the provision of management services, while the principal activities of the subsidiaries are as stated in Note 35 to the financial statements. There has been no significant change in the nature of these activities during the financial period.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 35 to the financial statements.

Results

	Group RM'000	Company RM'000
Loss for the period attributable to:		
Owners of the Company	(826,581)	(167,910)
Non-controlling interests	(38,079)	-
	(864,660)	(167,910)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial period under review except as disclosed in the financial statements.

Dividends

No dividend was paid during the financial period and the Directors do not recommend any dividend to be paid for the financial period under review.

Directors of the Company

Directors who served during the financial period and until the date of this report are:

Tan Koon Ping	
Flavio Parro	(Appointed on 25 June 2021)
Lim Mun Kee	(Appointed on 19 July 2021)
Datuk Mohd Irwan Bin Mohd Mubarak	(Appointed on 19 July 2021)
Safia Binti Admad Jahidi	(Appointed on 9 August 2021)
Tan Sri (Dr.) Zulhasnan Bin Rafique	(Appointed on 17 September 2021)
Ho Soo Woon	(Appointed on 17 September 2021)
Datuk Uwe Ahrens	(Appointed on 21 October 2021)

Directors of the Company (continued)

Directors who served during the financial period and until the date of this report are (continued):

Tunku Dato' Yaacob Khyra	(Appointed on 1 November 2021)
Ravindrasingham A/L Balasingham	(Appointed on 1 December 2021)
Dato Indera Naresh Mohan	(Appointed on 1 December 2021)
James Beltran	(Appointed on 1 December 2021)
Mohd Rizal Bahari Bin Md Noor	(Resigned on 31 May 2021)
Dato' Ab. Halim Bin Mohyiddin	(Resigned on 26 June 2021)
Dato' Dr. Khalid Bin Ngah	(Resigned on 26 June 2021)
Gan Siew Liat	(Resigned on 26 June 2021)
Soh Yoke Yan	(Resigned on 28 June 2021)

List of directors of subsidiaries

Pursuant to Section 253 of the Companies Act 2016, the list of directors of the subsidiaries (excluding directors who are also Directors of the Company) in office during the financial period and during the period from the end of the financial period to the date of this Report are:

Abdulllatif Mohammed Salem Al Barrak	
Arnold Mendoza	
Carsten Birk	
Chew Fun Sing	
Chua Thiam Chye	
Dr. Thomas Beeskow	
Flavio Porro	
Gregory Douglas Mallam	
Johan Nor Zaimi Bin Johari	
Johannes Wilhelmus Petrus Jansen	
Jürgen Stegger	
Marcus Friedrichs	
Marlito Manuel	
Mohammed Nasser Hazza Al Fehaid Al Subaei	
Oliver Kuehner	
Ong Kuan Ming	
Thanika Chintanapunt	
Wong Toh Sing	
Rosli Bin Said	(Appointed on 23 August 2021)
Markus Becker	(Appointed on 19 January 2021)
Vandana Jhupsee-Ramooah	(Appointed on 31 January 2021)
Housnabee Mohungoo Sham	(Appointed on 21 January 2022)
Mohd Zaini Bin Buang	(Deceased on 23 August 2021)
Sandeep Fakun	(Resigned on 31 January 2021)
Dr. Timo Bauer	(Resigned on 31 March 2021)
Ramesh A/L Arunasalam	(Resigned on 15 November 2021)
Chen Xu	(Resigned on 11 January 2022)
Guo Zhiqiang	(Resigned on 11 January 2022)
Naushad Ally Sohoboo	(Resigned on 21 January 2022)
Filippo Molinari	(Resigned on 24 February 2022)

List of directors of subsidiaries (continued)

Pursuant to Section 253 of the Companies Act 2016, the list of directors of the subsidiaries (excluding directors who are also Directors of the Company) in office during the financial period and during the period from the end of the financial period to the date of this Report are (continued):

Mohd Yusoff Bin Kotok	(Resigned on 28 March 2022)
Chew Fook Sin	(Resigned on 1 July 2022)

Directors' interests

The interests and deemed interests in the shares, warrants and options over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial period end (including the interest of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
Shareholdings in which Directors have interests in the Company	**At 1.1.2021/date of appointment**	**Bought**	**Sold**	**At 30.6.2022**
<u>Direct interests</u>				
Flavio Parro	-	500,000	-	500,000
Tan Koon Ping	7,500,000	10,000,000	(17,500,000)	-
<u>Indirect interests</u>				
Tunku Dato' Yaacob Khyra	346,751,800	-	(750,000)	346,001,800

	Number of ESOS Options				
Employee share option scheme ("ESOS") options of the Company in which Directors have interests	**At 1.1.2021/date of appointment**	**Granted**	**Exercised**	**Forfeited**	**At 30.6.2022**
Datuk Mohd Irwan Bin Mohd Mubarak*	-	1,650,000	-	-	1,650,000
Flavio Parro*	250,000	4,350,000	(500,000)	-	4,100,000
Lim Mun Kee*	-	1,650,000	-	-	1,650,000
Safia Binti Admad Jahidi*	-	1,650,000	-	-	1,650,000
Tan Koon Ping	1,000,000	20,500,000	(10,000,000)	-	11,500,000

* ESOS allocations are subject to the approval of shareholders to be obtained at the forthcoming Annual General Meeting.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial interest.

The directors' benefits paid to or receivable by directors in respect of the financial period ended are as follows:

	From the Company RM'000	From subsidiary companies RM'000
Directors of the Company:		
Fees	2,186	-
Remuneration	5,183	14,517
Estimated money value of any other benefits	2,772	18
	10,141	14,535

There were no arrangements during and at the end of the financial period which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the warrants and the ESOS issued by the Company.

Issue of shares and debentures

During the financial period, the Company issued:

a) 631,056,200 new ordinary shares via a private placement to eligible investors. The private placement was completed on 21 January 2021, and 26 November 2021 with the issuance of 296,923,400 new ordinary shares at RM0.175, 141,000,000 new ordinary shares at RM0.145 and 193,132,800 new ordinary shares at RM0.130 respectively.

b) 42,961,350 new ordinary shares at RM0.11 per share, 9,014,800 new ordinary shares at RM0.165 per share and 2,655,350 new ordinary shares at RM0.19 per share to the eligible employees pursuant to the Company's ESOS.

Other than the above, there were no other changes in the issued and paid-up capital of the Company during the financial period.

There were no debentures issued during the financial period.

Options granted over unissued shares

No option was granted to any person to take up unissued shares of the Company during the financial period apart from the issuance of the options pursuant to the ESOS.

Employee Share Option Scheme ("ESOS")

At an Extraordinary General Meeting held on 18 April 2014, the Company's shareholders approved the establishment of an ESOS not exceeding 15% of the issued and paid-up share capital of the Company (excluding treasury shares) at any time during the existence of the ESOS, to the eligible Directors and employees of the Group and the Company.

Options granted over unissued shares (continued)

Employee Share Option Scheme ("ESOS") (continued)

The salient features of the ESOS are as follows:

i) Subject to the discretion of the ESOS Committee, any employee of at least eighteen (18) years of age on the date of offer, shall be eligible to participate.

ii) The option is personal to the grantee and is non-assignable, non-transferable and non-disposable.

iii) The option price shall be determined by the weighted average of the market price of the shares as shown in the daily official list issued by Bursa Malaysia Securities Berhad for the five (5) Market Days immediately preceding the dates of offer subject to a discount of not more than ten percent (10%) thereto to be decided by the ESOS committee or at the par value of the share, whichever is higher.

iv) The options shall not carry any right to vote at any general meeting of the Company and the grantee shall not be entitled to any dividends, rights, allotments and or other distributions on his/her unexercised options.

v) The options granted may be exercised in respect of such lesser number of new shares as the grantee may decide provided that the number shall be in multiples of and not less than one hundred (100) new shares.

vi) The new shares to be allotted and issued upon any exercise of the options will upon such allotment and issuance, rank *pari passu* in all respect with the then existing issued and fully paid-up shares

The options offered to take up unissued ordinary shares and the option prices at are as follows:

Grant date	Expiry date	Exercise price RM	At 1.1.2021	Granted and allocated	Exercised during the financial period	Expired/Lapsed during the financial period	At 30.6.2022
27.03.2019	19.04.2022	0.11	74,039,800	-	(42,961,350)	(31,078,450)	-
14.01.2021	13.01.2023	0.165	-	141,309,800	(9,014,800)	(91,567,400)	40,727,600
19.08.2021	18.08.2024	0.19	-	103,946,200	(2,655,250)	(5,065,300)	96,225,650
			74,039,800	245,256,000	(54,631,400)	(127,711,150)	136,953,250

Share buy-back

On 2 April 2021 and 24 April 2021, the Company resold 9,000,000 and 12,500,000 shares at an average price of RM0.195 and RM0.185 respectively.

As at 30 June 2022, the Company held 1,841,275 ordinary shares as treasury shares out of its total issued and paid-up share capital. Hence, the number of outstanding shares in issue and paid-up after deducting treasury shares as at 30 June 2022 is 3,676,421,980 ordinary shares. The treasury shares have no rights to voting, dividends or participation in other distribution.

Indemnity and insurance costs

During the financial period, the total amount of indemnity coverage given to Directors and officers of the Group pursuant to a Directors and Officers Liability Insurance is RM20,000,000 at a cost of RM74,210. There is no indemnity or insurance effected for the auditors of the Group and of the Company.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial period and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial period, other than as disclosed in Note 29.

Other statutory information (continued)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the impairment loss on property, plant and equipment of RM57,889,000, impairment loss of goodwill of RM446,704,000, impairment loss on investment in subsidiaries of RM1,794,000 and impairment loss on the amount due from subsidiaries of RM161,826,000, as disclosed in the Note 3, Note 5 and Note 6, to the financial statements, respectively the financial performance of the Group and of the Company for the financial period ended 30 June 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

Significant events during the financial period

The significant events during the financial period are disclosed in Note 37 to the financial statements.

Event subsequent to period end

The significant events subsequent to period end is disclosed in Note 38 to the financial statements.

Auditors

The auditors, KPMG PLT retire and are not seeking re-appointment.

The auditors' remuneration of the Group and of the Company during the financial period are RM4,107,000 and RM345,000 respectively.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………
Tan Sri (Dr.) Zulhasnan Bin Rafique
Chairman

……………………………………………………………
Tan Koon Ping
Director

Kuala Lumpur,

Date : 31 October 2022

STATEMENTS OF
FINANCIAL POSITION
AS AT 30 JUNE 2022

		Group		Company	
	Note	2022 RM'000	2020 RM'000	2022 RM'000	2020 RM'000
Assets					
Property, plant and equipment	3	1,169,705	1,517,621	-	-
Right-of-use assets	4	27,864	48,911	-	-
Goodwill	5	-	902,467	-	-
Other intangible assets	5	-	416,278	-	-
Interests in subsidiaries	6	-	-	1,969,004	2,019,451
Investments in associates	7	-	47	-	-
Investments in joint ventures	8	-	-	-	-
Other investments	9	174	187	-	-
Deferred tax assets	10	52	82	-	-
Total non-current assets		1,197,795	2,885,593	1,969,004	2,019,451
Inventories	11	36,235	96,912	-	-
Current tax assets		7,130	3,553	832	729
Contract assets	12	120,762	303,075	-	-
Trade and other receivables	13	231,575	292,489	308,565	320,377
Derivative financial assets	14	648	1,119	-	-
Cash and cash equivalents	15	66,914	275,297	63	72
		463,264	972,445	309,460	321,178
Assets classified as held for sale	16	1,419,363	-	-	-
Total current assets		1,882,627	972,445	309,460	321,178
Total assets		3,080,422	3,858,038	2,278,464	2,340,629
Equity					
Share capital		2,061,878	2,005,665	2,061,878	2,005,665
Treasury shares		(4,215)	(53,425)	(4,215)	(53,425)
Reserves		(1,158,729)	(177,164)	(265,811)	(102,549)
Equity attributable to owners of the Company	17	898,934	1,775,076	1,791,852	1,849,691
Non-controlling interests		(66,678)	(22,824)	-	-
Total equity		832,256	1,752,252	1,791,852	1,849,691

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2022
(CONTINUED)

	Note	Group 2022 RM'000	Group 2020 RM'000	Company 2022 RM'000	Company 2020 RM'000
Liabilities					
Loans and borrowings	18	172,238	650,701	-	-
Lease liabilities		25,963	37,834	-	-
Long term payables	20	5,962	7,721	100,223	97,437
Long service leave liability		7,787	6,940	-	-
Deferred tax liabilities	10	42,810	218,366	-	-
Total non-current liabilities		254,760	921,562	100,223	97,437
Loans and borrowings	18	1,089,488	711,903	347,027	369,921
Lease liabilities		3,439	11,996	-	-
Current tax liabilities		27,690	33,293	-	-
Contract liabilities	12	73,951	93,522	-	-
Trade and other payables	21	410,330	330,896	39,362	23,580
Derivative financial liabilities	14	-	2,614	-	-
		1,604,898	1,184,224	386,389	393,501
Liabilities classified as held for sale	16	388,508	-	-	-
Total current liabilities		1,993,406	1,184,224	386,389	393,501
Total liabilities		2,248,166	2,105,786	486,612	490,938
Total equity and liabilities		3,080,422	3,858,038	2,278,464	2,340,629

The notes on pages 71 to 183 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2022

		Group		Company	
	Note	1.1.2021 to 30.6.2022	1.1.2020 to 31.12.2020 (Restated)	1.1.2021 to 30.6.2022	1.1.2020 to 31.12.2020
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue	22	478,719	575,818	5,337	3,871
Contract costs recognised as an expense		(460,355)	(453,743)	-	-
Cost of sales		(415)	(16,534)	-	-
Gross profit		17,949	105,541	5,337	3,871
Administrative expenses		(133,644)	(80,403)	(15,992)	(6,004)
Other income		78,081	111,785	26,319	1,318
Other operating expenses		(708,585)	(122,882)	(206,508)	(2,500)
Results from operating activities	23	(746,199)	14,041	(190,844)	(3,315)
Finance costs	24	(180,011)	(58,051)	(38,949)	(17,668)
Finance income	25	330	245	61,883	24,899
(Loss)/Profit before tax		(925,880)	(43,765)	(167,910)	3,916
Tax expense	26	(926)	11,102	-	-
(Loss)/Profit from continuing operations		(926,806)	(32,663)	(167,910)	3,916
Discontinued operations					
Profit from discontinued operations, net of tax	27	62,146	89,234	-	-
(Loss)/Profit for the period/year		(864,660)	56,571	(167,910)	3,916
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedge		2,278	(342)	-	-
Foreign currency translation differences for foreign operations		(82,859)	76,153	-	-
Hedge of net investment in subsidiaries		(37,559)	(84,803)	-	-
Revaluation of property, plant and equipment		(43,497)	(224)	-	-
Share of gain of equity-accounted investees		-	106	-	-
Other comprehensive expense for the period/year, net of tax		(161,637)	(9,110)	-	-
Total comprehensive (expense)/ income for the period/year		(1,026,297)	47,461	(167,910)	3,916

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2022
(CONTINUED)

	Note	Group		Company	
		1.1.2021 to 30.6.2022	1.1.2020 to 31.12.2020 (Restated)	1.1.2021 to 30.6.2022	1.1.2020 to 31.12.2020
		RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to:					
Owners of the Company		(826,581)	64,199	(167,910)	3,916
Non-controlling interests		(38,079)	(7,628)	-	-
(Loss)/Profit for the period/year		(864,660)	56,571	(167,910)	3,916
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		(985,193)	56,070	(167,910)	3,916
Non-controlling interests		(41,104)	(8,609)	-	-
Total comprehensive (expense)/income for the period/year		(1,026,297)	47,461	(167,910)	3,916
Basic (loss)/earnings per ordinary share (Sen)					
from continuing operations		(26.03)	(0.93)		
from discontinued operations		1.82	3.32		
	28	(24.21)	2.39		
Diluted (loss)/earnings per ordinary share (Sen)					
from continuing operations		(26.02)	(0.92)		
from discontinued operations		1.82	3.29		
	28	(24.20)	2.37		

The notes on pages 71 to 183 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022

Group	Attributable to owners of the Company — Non-distributable: Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Warrant reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2020	1,924,046	(53,425)	186,054	(330,780)	23,339	(1,369)	27,468	(111,264)	1,664,069	(14,215)	1,649,854
Foreign currency translation differences for foreign operations	-	-	-	77,134	-	-	-	-	77,134	(981)	76,153
Hedge of net investment in subsidiaries	-	-	-	(84,803)	-	-	-	-	(84,803)	-	(84,803)
Cash flow hedge	-	-	-	-	-	(342)	-	-	(342)	-	(342)
Realisation of revaluation reserve on disposal of investment in a subsidiary	-	-	(12,323)	-	-	-	-	12,323	-	-	-
Revaluation of property plant and equipment	-	-	(224)	-	-	-	-	-	(224)	-	(224)
Share of gain of equity-accounted investees	-	-	-	106	-	-	-	-	106	-	106
Other comprehensive (expense)/income for the year	-	-	(12,547)	(7,563)	-	(342)	-	12,323	(8,129)	(981)	(9,110)
Profit for the year	-	-	-	-	-	-	-	64,199	64,199	(7,628)	56,571
Total comprehensive (expense)/income for the year	-	-	(12,547)	(7,563)	-	(342)	-	76,522	56,070	(8,609)	47,461
Contributions by and distributions to owners of the Company											
- Own shares sold	349	978	-	-	-	-	-	-	1,327	-	1,327
- Own shares acquired	-	(978)	-	-	-	-	-	-	(978)	-	(978)
- Share-based payment	-	-	-	-	786	-	-	-	786	-	786
- Share issuance arising from private placement	43,685	-	-	-	-	-	-	-	43,685	-	43,685
- Share issuance arising from ESOS	10,117	-	-	-	-	-	-	-	10,117	-	10,117
- Warrant expired	27,468	-	-	-	-	-	(27,468)	-	-	-	-
- Share options cancelled	-	-	-	-	(20,321)	-	-	20,321	-	-	-
Total transactions with owners of the Company	81,619	-	-	-	(19,535)	-	(27,468)	20,321	54,937	-	54,937
At 31 December 2020	2,005,665	(53,425)	173,507	(338,343)	3,804	(1,711)	-	(14,421)	1,775,076	(22,824)	1,752,252
	Note 17.1	Note 17.2	Note 17.3	Note 17.4	Note 17.5	Note 17.6	Note 17.7				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2022

(CONTINUED)

	Attributable to owners of the Company										
		Non-distributable									
Group	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Warrant reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2021	2,005,665	(53,425)	173,507	(338,343)	3,804	(1,711)	-	(14,421)	1,775,076	(22,824)	1,752,252
Foreign currency translation differences for foreign operations	-	-	-	(83,000)	-	-	-	-	(83,000)	141	(82,859)
Hedge of net investment in subsidiaries	-	-	-	(37,559)	-	-	-	-	(37,559)	-	(37,559)
Cash flow hedge	-	-	-	-	-	2,278	-	-	2,278	-	2,278
Revaluation of property plant and equipment	-	-	(40,331)	-	-	-	-	-	(40,331)	(3,166)	(43,497)
Other comprehensive (expense)/income for the period	-	-	(40,331)	(120,559)	-	2,278	-	-	(158,612)	(3,025)	(161,637)
Loss for the period	-	-	-	-	-	-	-	(826,581)	(826,581)	(38,079)	(864,660)
Total comprehensive (expense)/income for the period	-	-	(40,331)	(120,559)	-	2,278	-	(826,581)	(985,193)	(41,104)	(1,026,297)
Contributions by and distributions to owners of the Company											
- Own shares sold	(45,156)	-	-	-	-	-	-	-	(45,156)	-	(45,156)
- Own shares acquired	-	49,210	-	-	-	-	-	-	49,210	-	49,210
- Share-based payment	-	-	-	-	5,429	-	-	-	5,429	-	5,429
- Share options expired	-	-	-	-	(3,804)	-	-	3,804	-	-	-
- Share issuance arising from private placements	94,651	-	-	-	-	-	-	-	94,651	-	94,651
- Share issuance arising from ESOS	6,718	-	-	-	-	-	-	-	6,718	-	6,718
- Dividend paid to non-controlling interests										(4,551)	(4,551)
- Change in ownership interests in subsidiaries	-	-	-	-	-	-	-	(1,801)	(1,801)	1,801	-
Total transactions with owners of the Company	56,213	49,210	-	-	1,625	-	-	2,003	109,051	(2,750)	106,301
At 30 June 2022	2,061,878	(4,215)	133,176	(458,902)	5,429	567	-	(838,999)	898,934	(66,678)	832,256
	Note 17.1	Note 17.2	Note 17.3	Note 17.4	Note 17.5	Note 17.6	Note 17.7				

STATEMENT OF
CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022

Company	Attributable to owners of the Company: Non-distributable: Share capital RM'000	Treasury shares RM'000	Share option reserve RM'000	Warrant reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2020	1,924,046	(53,425)	23,339	27,468	(116,661)	1,804,767
Profit and total comprehensive income for the year	-	-	-	-	3,916	3,916
Contributions by and distributions to owners of the Company						
- Own shares sold	349	978	-	-	-	1,327
- Own shares acquired	-	(978)	-	-	-	(978)
- Share-based payment	-	-	786	-	-	786
- Share issuance arising from private placement	43,685	-	-	-	-	43,685
- Share issuance arising from ESOS	10,117	-	-	-	-	10,117
- Warrant expired	27,468	-	-	(27,468)	-	-
- Share options cancelled	-	-	(20,321)	-	6,392	(13,929)
Total transactions with owners of the Company	81,619	-	(19,535)	(27,468)	6,392	41,008
At 31 December 2020/1 January 2021	2,005,665	(53,425)	3,804	-	(106,353)	1,849,691
(Loss)/Profit and total comprehensive income for the year	-	-	-	-	(167,910)	(167,910)
Contributions by and distributions to owners of the Company						
- Own shares sold	(45,156)	-	-	-	-	(45,156)
- Own shares acquired	-	49,210	-	-	-	49,210
- Share-based payment	-	-	5,429	-	-	5,429
- Share options expired	-	-	(3,804)	-	3,023	(781)
- Share issuance arising from private placements	94,651	-	-	-	-	94,651
- Share issuance arising from ESOS	6,718	-	-	-	-	6,718
Total transactions with owners of the Company	56,213	49,210	1,625	-	3,023	110,071
At 30 June 2022	2,061,878	(4,215)	5,429	-	(271,240)	1,791,852
	Note 17.1	Note 17.2	Note 17.5	Note 17.7		

The notes on pages 71 to 183 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2022

	Note	Group 1.1.2021 to 30.6.2022 RM'000	Group 1.1.2020 to 31.12.2020 (Restated) RM'000	Company 1.1.2021 to 30.6.2022 RM'000	Company 1.1.2020 to 31.12.2020 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax:					
Continuing operations		(925,880)	(43,765)	(167,910)	3,916
Discontinued operation		62,146	124,902	-	-
		(863,734)	81,137	(167,910)	3,916
Adjustments for:					
Amortisation of intangible assets		43,600	29,239	-	-
Change in fair value - Forward contracts		128	(230)	-	-
Depreciation of property, plant and equipment		30,826	22,035	-	-
Depreciation of right-of-use assets		7,758	5,369	-	-
(Gain)/Loss on disposal of:					
- Property, plant and equipment		(9,449)	(241)	-	-
- Investment in subsidiaries		-	(5,932)	-	-
Interest expense		183,694	60,175	38,943	17,665
Interest income		(886)	(780)	(61,883)	(24,899)
Provision for/(Reversal of):					
- Foreseeable losses		-	(17,711)	-	-
- Re-organisation expense		-	(16,722)	-	-
- Late delivery charges		25,229	1,200	-	-
- Warranty		(1,605)	(5,865)	-	-
- Project claims		38,755	-	-	-
Provision for/(Reversal of) impairment loss on:					
- Property, plant and equipment	3.6	57,889	-	-	-
- Goodwill		446,704	31,170	-	-
- Interests in subsidiaries		-	-	1,794	40
- Trade receivables		2,389	(4,351)	-	-
- Other receivables		8,606	-	-	-
- Investment in joint venture		47	-	-	-
- Amounts due from joint ventures		(5,206)	(3,222)	-	(222)
- Amounts due from subsidiaries		-	-	134,675	1,211
Share-based payments	19	5,429	786	2,772	331
Unrealised (gain)/loss on foreign exchange		(34,890)	9,636	16,326	(960)
Revaluation of PPE					
Write off/(Write back):					
- Property, plant and equipment		5,165	320	-	-
- Trade receivables		(3,124)	192	-	-
- Amount due from subsidiaries		-	-	-	136

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2022
(CONTINUED)

	Note	Group 1.1.2021 to 30.6.2022 RM'000	Group 1.1.2020 to 31.12.2020 RM'000	Company 1.1.2021 to 30.6.2022 RM'000	Company 1.1.2020 to 31.12.2020 RM'000
Operating profit /(loss) before changes in working capital		(62,675)	186,205	(35,283)	(2,782)
Changes in working capital:					
Inventories		(16,327)	6,683	-	-
Contract assets		9,780	(119,429)	-	-
Contract liabilities		27,771	12,049	-	-
Trade and other receivables		(55,685)	85,444	(27,142)	1,927
Trade and other payables		196,214	35,922	77,566	40
Cash generated from/(used in) operations		99,078	206,874	15,141	(815)
Tax paid		(34,699)	(21,665)	(103)	(320)
Interest paid		(263)	(457)	-	-
Interest received		886	780	-	-
Net cash generated from/(used in) operating activities		65,002	185,532	15,038	(1,135)
Cash flows from investing activities					
Acquisition of other intangible assets		(240)	(2,245)	-	-
Acquisition of goodwill		(874)	-		
Acquisition of property, plant and equipment	(i)	(20,798)	(8,936)	-	-
Change in ownership		(1,801)	-	-	-
Proceeds from disposal of plant and equipment		70,824	968	-	-
Derecognition of lease liabilities		675	-	-	-
Disposal of discontinued operation		-	(238)	-	-
Advances to subsidiaries		-	-	(83,403)	(39,744)
Expiration of ESOS		-	-	1,876	-
Net cash generated from/(used in) investing activities		47,786	(10,451)	(81,527)	(39,744)
Cash flows from financing activities					
Interest paid		(183,431)	(58,746)	(38,943)	(13,469)
Payments for lease liabilities		(21,075)	(10,815)	-	-
Net proceeds from disposal of treasury shares		4,054	349	4,054	349
Net (repayments of)/proceeds from					
- Bills payable		(36,762)	(8,982)	-	-
- Hire purchase liabilities		(9,557)	(6,151)	-	-
- Term loans, bond and revolving credits		(27,427)	(63,184)	-	-
Proceeds from share issuance arising from private placement		94,651	43,685	94,651	43,685

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2022
(CONTINUED)

	Note	Group 1.1.2021 to 30.6.2022 RM'000	Group 1.1.2020 to 31.12.2020 RM'000	Company 1.1.2021 to 30.6.2022 RM'000	Company 1.1.2020 to 31.12.2020 RM'000
Proceeds from share issuance arising from ESOS		6,718	10,117	6,718	10,117
Dividends paid to NCI		(4,551)	-	-	-
Net cash (used in)/generated from financing activities		(177,380)	(93,727)	66,480	40,682
Net increase/(decrease) in cash and cash equivalents		(64,592)	81,354	(9)	(197)
Effect of foreign currency translation		(151,787)	(152,958)	-	-
Cash and cash equivalents at beginning of period/year		266,031	337,635	72	269
Cash and cash equivalents at end of period/year	(ii)	49,652	266,031	63	72

Reconciliation of liabilities arising from financing activities

The following tables illustrated the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes during the financial period/year of the Group and of the Company:

Group	**Bills payable RM'000**	**Term loans RM'000**	**Revolving credits RM'000**	**Hire purchase liabilities RM'000**
At 1 January 2020	58,998	1,231,712	152,121	18,762
Acquisition of property, plant and equipment	-	-	-	5,440
Disposal of subsidiary	-	(24,477)	-	-
Net (repayments)/proceeds	(8,982)	12,402	(75,586)	(6,151)
Unrealised loss on foreign exchange	2,073	7,153	-	-
Effect of foreign currency translation	(830)	(17,345)	(824)	(1,128)
At 31 December 2020/1 January 2021	51,259	1,209,445	75,711	16,923
Acquisition of property, plant and equipment	-	-	-	2,721
Transfer to asset held for sale	-	(78)	-	(7,936)
Net repayments	(36,762)	(13,895)	(13,532)	(9,557)
Unrealised loss on foreign exchange	(1,748)	(38,416)	-	-
Effect of foreign currency translation	1,690	10,121	(2,336)	854
At 30 June 2022	14,439	1,167,177	59,843	3,005

Reconciliation of liabilities arising from financing activities (continued)

Group	**Lease liabilities RM'000**
At 1 January 2020	53,760
Acquisition of right-of-use assets	9,843
Payment of lease liabilities	(10,815)
Effect of foreign currency translation	(2,958)
At 31 December 2020/1 January 2021	49,830
Acquisition of right-of-use assets	77,114
Transfer to asset held for sale	(78,881)
Payment of lease liabilities	(21,075)
Effect of foreign currency translation	2,414
At 30 June 2022	29,402

	Fixed rate Guaranteed Thai Baht Bond	
Company	**2022 RM'000**	**2020 RM'000**
At 1 January 2021/2020	369,921	374,954
Amortisation effect of borrowing costs	38,943	17,665
Unrealised gain on foreign exchange	(22,894)	(9,229)
Interest paid	(38,943)	(13,469)
At 30 June 2022/31 December 2020	347,027	369,921

Notes to statements of cash flows:

(i) Acquisition of property, plant and equipment

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of RM23,519,000 (2020: RM78,945,000) of which Nil (2020: RM60,386,000) was self-constructed assets, RM2,721,000 (2020: RM5,440,000) was acquired by means of hire purchase and Nil (2020: RM4,183,000) was a leasehold land reclassified from right-of-use assets.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2022
(CONTINUED)

Notes to statements of cash flows (continued):

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2022 RM'000	2020 RM'000	2022 RM'000	2020 RM'000
Cash and bank balances	15	41,450	238,759	63	72
Deposits with licensed banks	15	25,464	36,538	-	-
Less: Bank overdrafts	18	(17,262)	(9,266)	-	-
		49,652	266,031	63	72

The notes on pages 71 to 183 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

KNM Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office is as follows:

Principal place of business and registered office
15, Jalan Dagang SB 4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial period ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the financial period ended 30 June 2022 do not include other entities.

The Company is principally engaged in investment holding activities and the provision of management services, while the principal activities of the other Group entities are as stated in Note 35 to the financial statements.

These financial statements were authorised for issuance by the Board of Directors on 31 October 2022.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022 (continued)

- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17* and *MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxed – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128*, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments in the respective financial years when the abovementioned accounting standards, interpretations and amendments become effective, where applicable.

The initial adoption of the abovementioned accounting standards, interepretations and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 and on the assumption that the Group and Company are going concerns.

The Group and the Company have incurred a net loss of RM864,660,000 and RM167,910,000 respectively for the financial period ended 30 June 2022 and as of that date, the Group and the Company is in net current liabilities position of RM110,779,000 and RM76,929,000 respectively. These indicators including matters disclosed below under items (i), (ii), (iii) indicate the existence of material uncertainties which may cast significant doubt about the Group’s and the Company’s ability to continue as going concerns.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future. Accordingly, the Directors have considered the developments of the following matters:

(i) On 18 November 2016, the Company has issued a bond in Thailand amounting to THB 2,780 million (equivalent to approximately RM347 million) ("Thai Bonds") with maturity of 5 years from the date of issuance. The Thai Bonds are guaranteed by Credit Guarantee and Investment Facility ("CGIF"), a trust fund managed by the Asian Development Bank. The Thai Bonds had matured on 18 November 2021 and under the terms and conditions of the Thai Bonds, the Company is required to pay the principal sum of the bond within 14 days from the bond maturity date and to pay the coupon arose within 21 days from the bond maturity date.

On 6 December 2021, the Company has announced that an event of default has occurred on 3 December 2021 in relation to the payment of the principal sum of the Thai Bonds. Subsequently, the Company, on 10 December 2021, has announced another event of default in relation to coupon payment of the Thai Bonds. On 15 December 2021, the guarantor, CGIF, has made payment to the Bondholders on behalf of the Company and on the same day, CGIF has demanded immediate payment from the Group and the Company for the principal amount and interest amount paid on behalf of the Company, with additional guarantee fee, reimbursable cost, and indemnity interest charged by CGIF. The Company has on 29 December 2021, made payment to CGIF for the coupon and interest paid by CGIF and reimbursed the cost and expenses incurred by CGIF.

As of the date of the financial statements, bilateral discussion with CGIF for the repayment of principal sum is still ongoing.

(ii) In prior years, the Group has drawn down term loans amounting to USD23 million (equivalent to approximately RM115 million) and EUR68.5 million (equivalent to approximately RM336 million), which were due for payment during the financial period. The Group has obtained an extension of time from the lenders to defer the repayment until 30 November 2022.

(iii) On 23 May 2022, a subsidiary of the Company has entered into a Sale and Purchase Agreement ("SPA") with a purchaser for the proposed disposal of 15 BORSIG GMmBH ("BORSIG") Shares, representing 100% equity interest in BORSIG for a total disposal consideration of EUR220.8 million (equivalent to RM1.02 billion). The consideration to be received from this transaction is mainly intended to be utilised for the repayment of the loans and borrowings of the Group, including the loans and borrowings as dislosed under items (i) and (ii). The proposed disposal was approved by the shareholders of the Company on 28 September 2022. The disposal has not been concluded to date as certain conditions precedent stipulated in the SPA has not been fulfilled by the purchaser. On 31 October 2022, the purchaser and the Group have in principle agreed to revise the Closing Date of the SPA to 30 November 2022 and is currently preparing the necessary documents to effect this revision.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

The Directors acknowledged the current liquidity exposure of the Group and the Company and have reviewed the operational cash flow projections as part of the going concern assessment. Aside from the disposal of BORSIG as disclosed under item (iii), the Directors have also appointed consultants to explore the opportunities to monetise other overseas investments of the Group and its non core assets. The Directors have a reasonable expectation that the Group and the Company will be able to meet their liabilities when they fall due and will have adequate resources to continue in operational existence for the foreseeable future based on the successful outcome of the disposal of BORSIG, the continued financial support from lenders and ability to attain profitable operations. On this basis, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

Accordingly, the financial statements of the Group and of the Company do not include any adjustments relating to the classification and recoverability of recorded assets amounts or the classification and additional amounts of liabilities that may be necessary if the disposal of BORSIG is unsuccessful, support from lenders are not forthcoming and inability to attain profitable operations.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3 - Revaluation of properties

  The Group revalues its freehold land, leasehold land and buildings every 5 years. The freehold land, leasehold land and buildings are stated at Directors' valuation based on professional valuation on the open market basis conducted in December 2019.

- Note 4 - Extension options and incremental borrowing rate in relation to leases

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

- Note 5 - Measurement of the recoverable amounts of cash-generating units

  The Group assesses goodwill and other intangible assets with indefinite useful lives for impairment annually. The other intangible assets with finite useful lives are amortised and assessed for impairment if there is an indication for impairment. The recoverable amounts of the cash-generating units ("CGUs") were determined based on fair value less costs of disposal and value in use calculations respectively for the Germany and Thailand units. The calculation requires the use of estimates and assumptions as set out in Note 5 to the financial statements.

- Note 12 - Liquidated ascertained damages for contract assets

- Note 13 - Impairment of intercompany receivables

- Note 22 - Construction contracts revenue, costs and profits

  The Group recognises revenue when (or as) it transfers control of goods or services to a customer at a point in time, unless the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. In this case, the Group recognises construction contracts revenue based on the percentage of completion method, determined based on surveys of work performed/completion of a physical proportion of contract work. Judgement is required in the estimation of physical proportion of contract work. Where actual differs from the estimated physical proportion, such difference will impact the contract costs and profits recognised.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

The Group controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group’s share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group’s interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates (continued)

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment loss, unless the investments are classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the period between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(viii) Transactions eliminated on consolidation (continued)

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the respective functional currencies of Group entities at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposed of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of the investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(l)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2(l)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses including any interest expenses are recognised in the profit or loss.

(b) Amortised cost

Other financial liabilities not measured at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gains or losses on derecognised are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Any changes in the fair value of the asset to be received during the period between the trade date and settlement date is accounted in the same way as it accounts for the acquired asset.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial liabilities (continued)

(iv) 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 guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(v) Hedge accounting

At inception of a designated hedging relationship, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial liabilities (continued)

(v) Hedge accounting (continued)

(a) Cash flow hedge (continued)

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(b) Hedge of a net investment

A hedge of a net investment is a hedge in the interest of the net assets of a foreign operation. In a net investment hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss on disposal of the foreign operation.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

Financial liabilities (continued)

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expired or transferred, or control of the assets is not retained or substantially all of the risks and rewards of ownership of the financial assets are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, or cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land, leasehold land and capital work-in-progress are stated at cost or valuation less any accumulated impairment losses. All other items of property, plant and equipment are measured at cost or valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalues its freehold land, leasehold land and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to their revaluation are stated in the financial statements at cost until the next revaluation exercise.

Freehold land, leasehold land and buildings are stated at Directors' valuation based on professional valuations on the open market basis conducted in December 2019. The next valuation is expected to be in 2024.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Surpluses arising from revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged into profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other operating expenses” respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction (capital work-in-progress) are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	22 - 75 years
Buildings	20 - 60 years
Building improvements	5 - 15 years
Plant and machineries	4 - 20 years
Motor vehicles	3 - 10 years
Furniture, fittings and equipment	2.5 - 10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefit from use of the assets throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

2. Significant accounting policies (continued)

(e) Leases (continued)

(i) Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying assets or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or leases of low-value assets. The Group recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the entire risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15, *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement (continued)

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of “revenue”.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint ventures.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite and indefinite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of technology and marketing related intangible assets acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the intangible assets being owned. The fair value of customer related intangible assets acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject assets is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iv) Amortisation (continued)

The estimated useful lives for the current and comparative periods are as follows:

- Technology related intangible asset 5 - 15 years
- Customer and marketing related intangible asset 1 - 20 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Other investments

Other investments are stated at cost less impairment loss, if any, in accordance to Note 2(c).

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is determined on a first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Contract assets/Contract liabilities

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of the time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is used from the customers).

For construction contracts, contract assets represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of contract liabilities in the statement of financial position.

2. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks, financial institutions and highly liquid investments which have an insignificant risk of change in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Assets classified as held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

(l) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due more than 180 days. The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group or the Company in full, without recourse by the Group or the Company to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group or the Company is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax assets and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial period in which the reversals are recognised.

2. Significant accounting policies (continued)

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(iv) Warrant reserve

The proceeds from the Rights Issue with Warrants is allocated to both Rights Share and Warrants using a reasonable and appropriate method of allocation.

The Warrants issued are recognised as “Warrant Reserve”, which is part of “Reserves” in the statements of financial position, at fair value as at the date of issuance and credited to “Warrant Reserve” account which is non-distributable. The “Warrant Reserve” will be transferred to “Share Capital” account upon the exercise of Warrants. The “Warrant Reserve” in relation to the unexercised Warrants will be transferred to “Share Capital” account upon expiry of the exercise period of the Warrants.

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group or the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

(ii) State plans

The Group or the Company's contributions to statutory pension funds are charged to profit or loss in the financial period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

(iii) Long service leave liability

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The long-term employee benefits have been measured at the present value of the future cash outflows to be made for those benefits.

(iv) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using the Trinomial Option Pricing Model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2. Significant accounting policies (continued)

(p) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

The Group recognises revenue when (or as) control is transferred to a customer at a point in time, unless the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. In this case, the Group recognises construction contracts revenue in proportion to the stage of completion of the contract, which is assessed by reference to surveys of work performed/completion of a physical proportion of contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Services

Revenue from recurring (or as a series of) services is recognised over time, based on output method, measured in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

If not recognised over time, revenue is recognised at a point in time when services have been completely rendered to the customer.

2. Significant accounting policies (continued)

(p) Revenue and other income (continued)

(i) Revenue from contracts with customers (continued)

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that control of the goods is transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Management fee

Management fee is recognised on an accrual basis.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2. Significant accounting policies (continued)

(q) Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial periods.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(s) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(t) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise warrants issued by the Company and share options granted to employees.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(v) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (continued)

(v) Contingencies (continued)

(i) Contingent liabilities (continued)

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(w) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

3. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Building improve-ments RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation								
At 1 January 2020	339,989	712,675	10,531	612,797	17,652	131,617	379,655	2,204,916
Additions	4,202	34	148	7,911	1,129	5,045	60,476	78,945
Disposals	-	-	-	(3,503)	(1,553)	(2,409)	-	(7,465)
Reclassification	-	-	-	1,356	-	-	(1,356)	-
Write-offs	-	-	(757)	(3,820)	(65)	(26,395)	(99)	(31,136)
Effect of movements in exchange rates	9,924	(353)	(2,333)	(22,340)	424	3,940	(17,818)	(28,556)
At 31 December 2020/1 January 2021	354,115	712,356	7,589	592,401	17,587	111,798	420,858	2,216,704
Additions	-	971	1,873	7,850	343	8,773	3,709	23,519
Disposals	(9,905)	(55,729)	(2,375)	(53,766)	(1,665)	(7,930)	(375)	(131,745)
Revaluation	(4,636)	-	-	-	-	-	-	(4,636)
Reclassification	-	27	-	558	-	-	(585)	-
Write-offs	(3,179)	(1,751)	-	(9,337)	(31)	(6,045)	(427)	(20,770)
Classified as held for sale	(24,301)	(60,938)	(5,614)	(90,536)	(4,947)	(62,248)	(2,485)	(251,069)
Effect of movements in exchange rates	(8,203)	(14,280)	(154)	2,146	(1,187)	(3,059)	(18,113)	(42,850)
At 30 June 2022	303,891	580,656	1,319	449,316	10,100	41,289	402,582	1,789,153

3. Property, plant and equipment (continued)

Group	Land RM'000	Buildings RM'000	Building improve-ments RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2020								
Accumulated depreciation	-	34,273	2,845	508,820	13,833	110,255	-	670,026
Accumulated impairment loss	5,296	7,618	-	2,844	-	57	17,545	33,360
	5,296	41,891	2,845	511,664	13,833	110,312	17,545	703,386
Depreciation for the year	1,005	25,870	757	21,910	1,352	7,253	-	58,147
Disposals	-	-	-	(2,933)	(1,477)	(2,328)	-	(6,738)
Write-offs	-	-	(724)	(3,800)	(65)	(26,227)	-	(30,816)
Effect of movements in exchange rates								
Accumulated depreciation	(14)	(831)	(2,652)	(24,462)	353	3,161	-	(24,445)
Accumulated impairment loss	4	(120)	-	(16)	-	(1)	(318)	(451)
At 31 December 2020								
Accumulated depreciation	991	59,312	226	499,535	13,996	92,114	-	666,174
Accumulated impairment loss	5,300	7,498	-	2,828	-	56	17,227	32,909
	6,291	66,810	226	502,363	13,996	92,170	17,227	699,083

3. Property, plant and equipment (continued)

Group	Land RM'000	Buildings RM'000	Building improve-ments RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2021								
Accumulated depreciation	991	59,312	226	499,535	13,996	92,114	-	666,174
Accumulated impairment loss	5,300	7,498	-	2,828	-	56	17,227	32,909
	6,291	66,810	226	502,363	13,996	92,170	17,227	699,083
Depreciation for the period	1,530	36,675	1,170	28,119	1,795	9,218	-	78,507
Disposals	(5,352)	(5,523)	(208)	(51,876)	(1,600)	(5,436)	(375)	(70,370)
Write-offs	-	(225)	-	(9,337)	(31)	(6,012)	-	(15,605)
Classified as held for sale	-	(5,287)	(688)	(71,046)	(3,844)	(49,228)	-	(130,093)
Impairment loss for the period	-	10,524	31	165	(1)	69	47,101	57,889
Effect of movements in exchange rates			-		-	-	-	-
Accumulated depreciation	56	(1,947)	(17)	6,235	(1,077)	(2,475)	-	775
Accumulated impairment loss	52	(307)	(1)	(2,141)	-	4	1,655	(738)
At 30 June 2022								
Accumulated depreciation	2,577	83,005	483	401,630	9,239	38,181	-	535,115
Accumulated impairment loss	-	17,715	30	852	(1)	129	65,608	84,333
	2,577	100,720	513	402,482	9,238	38,310	65,508	619,448
Carrying amounts								
At 1 January 2020	334,693	670,784	7,686	101,133	3,819	21,305	362,110	1,501,530
At 31 December 2020/1 January 2021	347,824	645,546	7,363	90,038	3,591	19,628	403,631	1,517,621
At 30 June 2022	301,314	479,936	806	46,834	862	2,979	336,974	1,169,705

3. Property, plant and equipment (continued)

3.1 Depreciation charge for the period/year is allocated as follows:

	Note	Group 1.1.2021 to 30.6.2022 RM'000	Group 1.1.2020 to 31.12.2020 RM'000
Construction work-in-progress	12.1	47,681	36,112
Profit or loss	23	30,826	22,035
		78,507	58,147

3.2 Revaluation

Freehold land, leasehold land and buildings are stated at Directors' valuation based on professional valuations on the open market basis conducted in December 2019 by chartered surveyors in various countries/locations which amongst others include Appraisal (Malaysia) Sdn. Bhd., Nilai Harta Consultant Sdn. Bhd., Fadzilah & Fikri Sdn. Bhd., Italiana Assessment S.r.1, Savills Dubai, Independent Real Property Appraisal Ltd, Saudi Asset Valuation Company, KJPP Sarwono, Indriasari & Rekan, Prime Assets Appraisal Co, Ltd, Lambert Smith Hampton and PricewaterhouseCoopers GmbH.

Had the freehold land, leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, the carrying amount of the freehold land, leasehold land and buildings that would have been included in the financial statements at the end of the period would be as follows:

	Group 2022 RM'000	Group 2020 RM'000
Freehold land	198,622	217,822
Leasehold land	9,175	9,626
Buildings	385,906	454,568
	593,703	682,016

3.3 Security

Certain freehold land, leasehold land and buildings of subsidiaries costing/valued at RM570,304,000 (2020: RM448,323,000) are charged to financial institutions as security for facilities granted to the subsidiaries of the Company (see Note 18).

3. Property, plant and equipment (continued)

3.4 Assets acquired under hire purchase

The carrying amounts of property, plant and equipment acquired under hire purchase agreements are as follows:

	Group	
	2022 RM'000	2020 RM'000
Freehold land	5,345	5,732
Buildings	16,668	17,506
Plant and machineries	14,009	18,616
Motor vehicles	169	1,285
	36,191	43,139

3.5 Capital work-in-progress

Included in carrying amounts of capital work-in-progress are costs of self-constructed assets of RM334,545,000 (2020: RM359,625,000).

During the financial period, Nil (2019:RM5,900,000) of general borrowing cost has been capitalised into the capital work-in-progress with a capitalisation rate at Nil (2020: 8.6%).

3.6 Impairment loss

An impairment loss of RM57,889,000 (2020: Nil) has been made after the assessment that these assets have carrying amounts higher than their estimated recoverable amounts, determined based on fair value less costs of disposal in accordance with Note 2(l)(ii).

No reversal of impairment was recognised for the previously identified impaired assets, as there is no indication that the impairment loss had decreased or no longer exists.

4. Right-of-use assets

Group	Note	Land RM'000	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost							
At 1 January 2020		35,175	22,289	3,018	3,792	7,954	72,228
Additions		6,544	1,056	-	1,657	586	9,843
Revaluation	4.2	(4,183)	(1,287)	-	-	(8)	(5,478)
Effect of movements in exchange rates		(579)	1,202	228	341	514	1,706
At 31 December 2020/1 January 2021		36,957	23,260	3,246	5,790	9,046	78,299
Additions		255	74,764	250	1,845	-	77,114
Classified as held for sale		(1,166)	(91,473)	(2,789)	(4,554)	(5,707)	(105,689)
Derecognition		(711)	(399)	(38)	(1,265)	(1,422)	(3,835)
Effect of movements in exchange rates		(6,004)	(1,434)	150	(391)	(419)	(8,098)
At 30 June 2022		29,331	4,718	819	1,425	1,498	37,791
Depreciation							
At 1 January 2020		3,237	6,131	617	1,728	2,608	14,321
Depreciation for the year		3,577	6,651	582	1,765	2,119	14,694
Derecognition		-	(339)	-	-	-	(339)
Effect of movements in exchange rates		(211)	471	61	187	204	712
At 31 December 2020/1 January 2021		6,603	12,914	1,260	3,680	4,931	29,388
Depreciation for the period		5,710	11,621	1,057	2,175	2,499	23,062
Classified as held for sale		(77)	(19,429)	(1,900)	(3,289)	(4,406)	(29,101)
Derecognition		(36)	(399)	(38)	(1,265)	(1,422)	(3,160)
Effect of movements in exchange rates		(8,334)	(1,523)	235	(346)	(294)	(10,262)
At 30 June 2022		3,866	3,184	614	955	1,308	9,927
Carrying amounts							
At 1 January 2020		31,938	16,158	2,401	2,064	5,346	57,907
At 31 December 2020/1 January 2021		30,354	10,346	1,986	2,110	4,115	48,911
At 30 June 2022		25,465	1,534	205	470	190	27,864

4. Right-of-use assets (continued)

4.1 Depreciation of right-of-use assets charged for the year is allocated as follows:

Group	Note	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Construction work-in-progress	12.1	15,304	9,325
Profit or loss	23	7,758	5,369
		23,062	14,694

4.2 Revaluation

In the previous financial year, a leasehold land was stated at Directors' valuation based on professional valuation on the open market basis conducted in December 2019 by Fadzilah & Fikri Sdn. Bhd..

The leasehold land was derecognised from right-of-use assets and recognised as property, plant and equipment upon transfer of the land title to a subsidiary of the Group.

4.3 Extension options

Certain lease contracts contain extension option exercisable before the end of the non-cancellable contract period. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4.4 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgements whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgements and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rate before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. Intangible assets

Group	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 1 January 2020	872,110	841,217	1,713,327
Additions	-	2,245	2,245
Effect of movements in exchange rates	64,321	64,624	128,945
At 31 December 2020/1 January 2021	936,431	908,086	1,844,517
Additions	-	240	240
Acquisition of a subsidiary	874	-	874
Disposal of a subsidiary	(2,794)	-	(2,794)
Classified as held for sale	(841,187)	(847,074)	(1,688,261)
Effect of movements in exchange rates	(60,914)	(61,252)	(122,166)
At 30 June 2022	32,410	-	32,410
Amortisation and impairment loss			
At 1 January 2020			
Accumulated amortisation	-	428,783	428,783
Accumulated impairment loss	2,794	-	2,794
	2,794	428,783	431,577
Amortisation for the year	-	29,239	29,239
Effect of movements in exchange rates	-	33,786	33,786
Impairment loss	31,170	-	31,170
At 31 December 2020/1 January 2021			
Accumulated amortisation	-	491,808	491,808
Accumulated impairment loss	33,964	-	33,964
	33,964	491,808	525,772
Amortisation for the period	-	43,600	43,600
Disposal of a subsidiary	(2,794)	-	(2,794)
Impairment loss	446,704	-	446,704
Classified as held for sale	(442,292)	(500,297)	(942,589)
Effect of movements in exchange rates	(3,172)	(35,111)	(38,283)
At 30 June 2022			
Accumulated amortisation	-	-	-
Accumulated impairment loss	32,410	-	32,410
	32,410	-	32,410
Carrying amounts			
At 1 January 2020	869,316	412,434	1,281,750
At 31 December 2020/1 January 2021	902,467	416,278	1,318,745
At 30 June 2022	-	-	-
	Note 5.1	Note 5.2	

5. Intangible assets (continued)

5.1 Goodwill

The goodwill recognised on acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the companies into the Group's existing oil, gas, petrochemical and renewable energy industry.

5.2 Other intangible assets

Other intangible assets comprise technology including patents and software, customers related intangibles including customer contracts and supply agreement and marketing related intangibles including tradenames. The intangible assets with finite useful lives are amortised over their useful lives ranging from 1 to 20 years. Tradenames of RM261,626,000 (2020: RM280,563,000) with indefinite useful lives are tested for impairment annually or shorter if there is an indication of impairment. All other intangible assets are classified as held for sales as at the period end (see Note 16).

5.3 Amortisation

Amortisation of technology and customers related intangible assets is included as other operating expenses in profit or loss.

5.4 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's geographical unit which represents the lowest level within the Group at which the goodwill is monitored for internal management purpose.

The aggregate carrying amounts of goodwill allocated to each unit are as follows of which, all are classified as held for sales as at period end (see Note 16):

	Group	
	2022 **RM'000**	**2020** **RM'000**
Germany unit	398,895	902,467

Germany unit

For current financial period, the recoverable amounts of the cash-generating units ("CGU") were based on fair value less costs of disposal estimated using the market approach calculations.

In prior year, the recoverable amounts was determined by discounting the future cash flows generated from the continuing use of the unit approved by management covering a five-year detailed planning and a five-year gross planning period. The estimated EBITDA margin used for the five-year period is 14% and based on the following key assumptions:

(i) The determination of the budgeted EBITDA margin was based on the estimated achievable margin of on-going projects and the estimated margins of new projects to be secured for the budgeted years.

(ii) The after-tax discount rate used was 7.91%.

5. Intangible asset (continued)

5.4 Impairment testing for cash-generating units containing goodwill (continued)

Germany unit (continued)

The values assigned to the key assumptions represent management's assessment of future trends in the industry and were based on both external and internal sources (historical data).

In prior year, the estimates are particularly sensitive in the following areas:-

- An increase of 1.00% in the discount rate used would result in an impairment loss of RM54.0 million.

- A decrease of 2.00% in the EBITDA margin used would result in an impairment loss of RM55.6 million.

Due to significant decline in fair value from the open market, the Group has impaired the carrying amount of the goodwill arose from the acquisition of the Germany unit by RM445,830,000 in current financial period (2020: Nil).

6. Interests in subsidiaries

	Company	
	2022 RM'000	2020 RM'000
Unquoted shares - at cost	1,658,930	1,658,930
Amounts receivable from subsidiaries	337,408	386,061
Less: Impairment loss	(27,334)	(25,540)
	1,969,004	2,019,451

The amounts receivable from subsidiaries relate to advances which are unsecured, non-repayable and interest free except for RM337,407,620 (2020: RM360,829,000) due from a subsidiary which is subject to interest at rate of 6.25% (2020: 6.25%) per annum. As these advances are for capital investment purposes and not repayable within the next twelve months after reporting date, these advances are recognised as the Company's interests in subsidiaries.

Details of the subsidiaries are shown in Note 35 to the financial statements.

6. Interests in subsidiaries (continued)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

1.1.2021 to 30.6.2022	Impress Ethanol Co., Ltd RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	28%		
Carrying amount of NCI	(55,026)	(11,652)	(66,678)
(Loss)/Profit allocated to NCI	(43,504)	5,425	(38,079)
1.1.2020 to 31.12.2020			
NCI percentage of ownership interest and voting interest	28%		
Carrying amount of NCI	(11,332)	(11,492)	(22,824)
Profit allocated to NCI	(11,665)	4,037	(7,628)

Summarised financial information before intra-group elimination

As at 30 June 2022	
Non-current assets	463,205
Current assets	3,521
Non-current liabilities	(513,369)
Current liabilities	(149,879)
Net liabilities	(196,522)
1.1.2021 to 30.6.2022	
Revenue	-
Loss for the period	(155,371)
Total comprehensive expense	(156,049)
Cash flows used in operating activities	(44,809)
Cash flows used in investing activities	(1,889)
Cash flows used in financing activities	47,282
Net increase in cash and cash equivalents	584
Dividends paid to NCI	-

6. Interests in subsidiaries (continued)

Non-controlling interests in subsidiaries (continued)

Summarised financial information before intra-group elimination	
As at 31 December 2020	
Non-current assets	572,664
Current assets	16,560
Non-current liabilities	(484,781)
Current liabilities	(144,878)
Net liabilities	(40,435)
1.1.2020 to 31.12.2020	
Revenue	17,953
Loss for the year	(41,660)
Total comprehensive expense	(41,660)
Cash flows used in operating activities	(1,969)
Cash flows used in investing activities	(16,441)
Cash flows used in financing activities	(1,882)
Net decrease in cash and cash equivalents	(20,292)
Dividends paid to NCI	-

7. Investments in associates

	Group 2022 RM'000	Group 2020 RM'000
Unquoted shares - at cost	-	47
Share of post-acquisition reserve	-	-
	-	47

Details of the associates are as follows:

Name of company	Principal activities	Principal place of business/ Country of incorporation	Effective ownership Interest and voting interest 2022 %	Effective ownership Interest and voting interest 2020 %
ADAP KNM (S) Sdn. Bhd. ^&	Dormant	Malaysia	49	49
Impress Farming Co., Ltd ^	Plantation and distributor of cassava	Thailand	49	49

7. Investments in associates (continued)

^ Equity-accounted using management accounts as at 30 June 2022
& Pursuant to the shareholders agreement, the Group was not having full control over ADAP KNM (S) Sdn. Bhd. (‘ADAP") in the context of MFRS 10 but has joint control in ADAP. Accordingly, ADAP was being classified as a joint venture of the Group in accordance with MFRS 11. This resulted in ADAP being equity-accounted instead of consolidated.

8. Investments in joint ventures

	Group	
	2022 RM'000	2020 RM'000
Unquoted shares – at cost	832	1,702
Share of post-acquisition reserve	(867)	(1,545)
Effect of movements in exchange rates	35	55
Less: Impairment loss	-	(212)
	-	-

Name of Company	Principal activities	Principal place of business/ Country of incorporation	Effective ownership Interest and voting interest 2022 %	2020 %
ADAP KNM (S) Sdn. Bhd. ^&	Dormant	Malaysia	49	49
CNI Engineering & Construction Malaysia Sdn. Bhd.*	Engineering, procurement, construction, service fabrication and maintenance works for mechanical, electrical and erection related to oil and gas, power, petrochemical and renewable energy industries	Malaysia	100	70
KHH Infrastructures Sdn. Bhd.*	Provision of all kinds of infrastructure, civil engineering, building and construction, project development, roadwork, sanitary facilities and utilities, engineering works and consultancy services for all industries	Malaysia	50	50

8. Investments in joint ventures (continued)

Name of Company	Principal activities	Principal place of business/ Country of incorporation	Effective ownership Interest and voting interest 2022 %	2020 %
Hansol KNM Greentech Sdn. Bhd.*#	Engineering, Procurement, Construction, Commissioning ("EPCC") contractor	Malaysia	40	40

* Audited by another firm of accountants.
^ Equity-accounted using management accounts as at 30 June 2022.
# The company is in the process of liquidation.

<u>CNI Engineering & Construction Malaysia Sdn. Bhd. ("CNIEC") (continued)</u>

On 20 December 2021, a wholly-owned subsidiary of the Company, KNM International Sdn. Bhd. had entered into a share sale agreement with China Nuclear Industry 23 Construction Co. Ltd., to acquire the remaining 30% equity interest in CNIEC for a consideration of RM136,000. The acquisition had been completed on 23 December 2021 and CNIEC has became a wholly-owned subsidiary of the Group.

The following table summarises the financial information of the Group's interest in the entities, which is accounted for using the equity method:

	Group 30.6.2022 RM'000	31.12.2020 RM'000
At the end of the period/year		
Group's share of net assets/carrying amount in the statement of financial position	-	-
Group's share of results for the period/year ended		
Group's share of profit for the period/year	-	-
Group's share of other comprehensive income	-	-
Group's share of total comprehensive income	-	-

9. Other investments

	Group 2022 RM'000	2020 RM'000
Non-current		
Financial assets measured at fair value through profit or loss		
- Unquoted shares	174	187

10. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 RM'000	**2020 RM'000**	**2022 RM'000**	**2020 RM'000**	**2022 RM'000**	**2020 RM'000**
Group						
Property, plant and equipment	5,877	6,197	(20,874)	(22,950)	(14,997)	(16,753)
Revaluation*	2,324	714	(40,783)	(218,898)	(38,459)	(218,184)
Provisions	5,259	7,727	-	-	5,259	7,727
Other items	1,483	2,345	(5,644)	(51)	(4,161)	2,294
Tax loss carry-forward and unutilised capital allowances	9,600	6,632	-	-	9,600	6,632
Tax assets/(liabilities)	24,543	23,615	(67,301)	(241,899)	(42,758)	(218,284)
Set off of tax	(24,491)	(23,533)	24,491	23,533	-	-
Net tax assets/(liabilities)	52	82	(42,810)	(218,366)	(42,758)	(218,284)

* Includes deferred tax arising from revaluation of property, plant and equipment and fair value adjustment in purchase price allocation exercise.

10. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

No deferred tax has been recognised for the following items (stated at gross amounts):

	Group		Company	
	2022 RM'000	2020 RM'000	2022 RM'000	2020 RM'000
Tax loss carry-forwards	856,657	712,505	8,285	4,502
Unutilised capital allowances	46,290	46,288	-	-
Other incentives	1,299,716	1,299,716	-	-
Other deductible temporary differences	127,300	132,980	-	-
	2,329,963	2,191,489	8,285	4,502

Deferred tax assets have not been recognized in respect of the above items because it is not probable that future taxable profit will be available against which the Group entities can utilise the benefits therefrom.

Due to tax legislation in certain countries, the tax loss carry-forward of certain Group entities are subject to expiry as follows:

	Group		Company	
	2022 RM'000	2020 RM'000	2022 RM'000	2020 RM'000
Subject to expiry in:				
- Year of Assessment 2022	10,496	10,496	-	-
- Year of Assessment 2023	1,339	1,339	-	-
- Year of Assessment 2024	370,887	370,887	-	-
- Year of Assessment 2025	105,647	105,647	2,294	2,294
- Year of Assessment 2026	12,086	12,613	1,062	1,062
- Year of Assessment 2027	2,867	3,844	1,146	1,146
- Year of Assessment 2028	124,151	36,990	3,783	-
- Year of Assessment 2034	141	141	-	-
- Year of Assessment 2035	9	9	-	-
- Year of Assessment 2036	2,886	2,886	-	-
- Year of Assessment 2037	4,343	4,343	-	-
- Year of Assessment 2038	4,044	4,044	-	-
- Year of Assessment 2039	46	46	-	-
- Year of Assessment 2040	4,090	4,090	-	-
	643,032	557,375	8,285	4,502
Not subject to expiry	213,625	155,130	-	-
	856,657	712,505	8,285	4,502

Unrecognised deferred tax assets in respect of the unutilised capital allowances, other incentives and other deductible temporary differences are not subject to expiry.

10. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the financial period

Group	At 1.1.2020 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive income RM'000	Effect of movements in exchange rates RM'000	At 31.12.2020/ 1.1.2021 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive income RM'000	Included in asset held for sale RM'000	Effect of movements in exchange rates RM'000	At 30.6.2022 RM'000
Property, plant and equipment	(16,773)	258	-	(238)	(16,753)	820	773	-	163	(14,997)
Revaluation*	(205,909)	(3,814)	71	(8,532)	(218,184)	24,637	4,127	139,288	11,673	(38,459)
Provisions	9,212	(968)	-	(517)	7,727	(2,038)	-	-	(430)	5,259
Other items	1,222	2,532	-	(1,460)	2,294	(1,523)	-	(4,940)	8	(4,161)
Tax loss carry-forward and unutilised capital allowance	4,527	1,706	-	399	6,632	3,184	-	-	(216)	9,600
	(207,721)	(286)	71	(10,348)	(218,284)	25,080	4,900	134,348	11,198	(42,758)

* Includes deferred tax arising from revaluation of property, plant and equipment and fair value adjustment in purchase price allocation exercise.

11. Inventories

	Group 2022 RM'000	Group 2020 RM'000
At cost:		
Raw materials	12,995	54,182
Tools and consumables	6,592	23,700
Work-in-progress	-	374
Finished goods	995	1,133
	20,582	79,389
At net realisable value:		
Raw materials	15,653	17,523
	36,235	96,912
Recognised in profit or loss:		
Inventories written down to net realisable value	-	-

12. Contract assets/(liabilities)

	Note	Group 2022 RM'000	Group 2020 RM'000
Contract assets	12.1	120,762	303,075
Contract liabilities	12.1	(73,951)	(93,522)

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed within 90 days and payment is expected within 30 to 90 days.

The contract liabilities primarily relate to the advance consideration received from customers for construction contracts which revenue is recognised over time during the construction period. The contract liabilities are expected to be recognised as revenue over a period of 30 days.

12.1 Construction work-in-progress

	Group 2022 RM'000	Group 2020 RM'000
Aggregate costs incurred to date	1,334,087	3,279,862
Add: Attributable profits	195,211	749,634
Less: Foreseeable losses	-	(9,863)
Less: Impairment loss	-	(11,547)
	1,529,298	4,008,086
Less: Progress billings	(1,482,487)	(3,798,533)
	46,811	209,553
Represented by:		
Contract assets	120,762	303,075
Contract liabilities	(73,951)	(93,522)
	46,811	209,533

12. Contract assets/(liabilities) (continued)

12.1 Construction work-in-progress (continued)

Additions to aggregate costs incurred during the financial period include:

	Note	Group 1.1.2021 to 30.6.2022 RM'000	Group 1.1.2020 to 31.12.2020 RM'000
Depreciation of property, plant and equipment	3.1	47,681	36,112
Depreciation of right-of-use assets	4.1	15,304	9,325
Hire of plant and machinery		8,753	5,803
Staff costs		292,443	224,997

13. Trade and other receivables

	Note	Group 2022 RM'000	Group 2020 RM'000	Company 2022 RM'000	Company 2020 RM'000
Trade					
Trade receivables		97,477	188,126	-	-
Amounts due from					
- subsidiaries	13.1	-	-	9,112	6,402
- joint ventures	13.1	-	4,816	-	-
- related parties	13.2	-	11,672	-	-
		97,477	204,614	9,112	6,402
Non-trade					
Amounts due from					
- subsidiaries	13.1	-	-	299,450	313,665
Other receivables	13.3	64,769	20,590	-	1
Deposits	13.4	4,131	7,641	3	3
Prepayments	13.5	65,198	59,644	-	306
		134,098	87,875	299,453	313,975
		231,575	292,489	308,565	320,377

13.1 Amounts due from subsidiaries and joint ventures

The trade amounts due from subsidiaries and joint ventures are subject to normal trade terms. The non-trade amounts due from subsidiaries are unsecured, interest free and repayable on demand.

The amounts due from joint ventures are unsecured, interest free and repayable on demand except for Nil (2020: RM25,591,000) which is subject to interest rate at Nil (2020: 4.35%) per annum. This amount was fully impaired in prior years with a partial reversal of impairment loss of RM3,222,000 in 2020.

13.2 Amount due from related parties

Related party was a company in which certain Directors have substantial interests. This amount was unsecured, interest free and subject to trade term.

13. Trade and other receivables (continued)

13.3 Other receivables

Included in other receivables of the Group are Goods and Services Tax ("GST") and Value Added Tax ("VAT") receivables amounting to RM4,813,000 (2020: RM9,337,000).

13.4 Deposits

Included in deposits of the Group are rental deposit for a building of Nil (2020: RM165,000) paid to a Company in which certain Directors have financial interests.

13.5 Prepayments

Included in prepayments of the Group are advance payments to suppliers of RM34,814,000 (2020: RM40,284,000).

14. Derivative financial assets/(liabilities)

	2022			2020		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives held for trading at fair value through profit or loss						
- Forward foreign exchange contracts	7,290	-	-	22,870	84	(2,614)
Derivatives used for hedging	1,132	648	-	11,883	1,035	-
	8,422	648	-	34,753	1,119	(2,614)

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currencies of Group entities. Most of the forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward contracts are rolled over at maturity.

15. Cash and cash equivalents

	Group		Company	
	2022 RM'000	2020 RM'000	2022 RM'000	2020 RM'000
Cash and bank balances	41,450	238,759	63	72
Short-term deposits with licensed banks	25,464	36,538	-	-
	66,914	275,297	63	72

Included in the deposits placed with licensed banks of the Group is RM23,857,000 (31.12.2020: RM35,057,000) pledged for bank facilities granted to the subsidiaries of the Company.

16. Disposal group held for sale

Part of the fabrication businesses and facility with the Group operating segment is presented as disposal group held for sale following the commitment of the Group's management on 24 May 2022 to a plan to sell as disclosed in the Note 38(a). Efforts to sell these assets have commenced, and the sale transaction is expected to complete within 12 months after the end of the financial period are as follows:

	Note	Group 2022 RM'000
Assets classified as held for sale		
Property, plant and equipment	3	120,976
Right-of-use assets	4	76,588
Goodwill	5	398,895
Other intangible assets	5	346,777
Inventories		72,767
Contract assets		120,536
Trade and other receivables		86,355
Derivative financial assets		7
Cash and cash equivalents		196,462
		1,419,363
Liabilities classified as held for sale		
Non-current loans and borrowings		(6,894)
Non-current lease liabilities		(68,640)
Deferred tax liabilities	10	(134,348)
Current loans and borrowings		(1,120)
Current lease liabilities		(10,241)
Current tax liabilities		(487)
Contract liabilities		(49,016)
Trade and other payables		(117,762)
		(388,508)

The carrying values of the disposal group are equivalent to its carrying value after they were being reclassified to current assets.

17. Capital and reserves

17.1 Share capital

	Group and Company			
	2022		2020	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid shares:				
At 1 January 2021/2020	2,992,575	2,005,665	2,631,414	1,924,046
Issuance arising from private placement (Note 17.1a)	631,056	94,651	269,185	43,685
Issuance arising from ESOS (Note 17.1b)	54,632	6,718	91,976	10,117
Transfer of warrant reserve upon expiry of Warrant B	-	-	-	27,468
Net (loss)/gain on disposal of treasury shares	-	(45,156)	-	349
At 30 June 2022/ 31 December 2020	3,678,263	2,061,878	2,992,575	2,005,665

(a) During the financial period, the Company issued 631,056,200 (31.12.2020: 269,184,000) new ordinary shares via a private placements to eligible investors for a net cash consideration of RM94,651,000 (2020: RM43,685,000).

(b) During the financial period, the Company issued an additional 42,961,350 new ordinary shares at RM0.11 per share, 9,014,800 new ordinary shares at RM0.165 per share and 2,655,350 new ordinary shares at RM0.19 per share to the eligible employees pursuant to the Company's ESOS.

17.2 Treasury shares

On 2 April 2021 and 23 April 2021, the Company resold 9,000,000 and 12,500,000 shares at an average price of RM0.195 and RM0.185 respectively.

As at 30 June 2022, the Company held 1,841,275 (31.12.2020: 23,341,275) ordinary shares as treasury shares out of its total issued and paid-up share capital. Hence, the number of outstanding shares in issue and paid-up after deducting treasury shares as at 30 June 2022 is 3,676,421,980 (31.12.2020: 2,969,234,280) ordinary shares. The treasury shares have no rights to voting, dividends or participation in other distribution.

17.3 Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

17. Capital and reserves (continued)

17.4 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entities with functional currency other than RM as well as the exchange differences arising from monetary items that in substance form the Company's net investment in subsidiaries.

17.5 Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings. Share option is disclosed in Note 19.

17.6 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

17.7 Warrant reserve

All warrant granted has expired on 21 April 2020.

18. Loans and borrowings

			Group	
		Note	2022 RM'000	2020 RM'000
Non-current				
Floating rate term loans	- secured	18.2	85,393	113,087
	- unsecured	18.3	61,395	164,772
Fixed rate term loans	- secured	18.2	15,870	19,385
	- unsecured	18.3	170	330,105
Revolving credits	- secured	18.4	7,749	10,525
Floating rate hire purchase liabilities		18.6	-	530
Fixed rate hire purchase liabilities		18.6	1,661	12,297
			172,238	650,701

18. Loans and borrowings (continued)

		Note	Group 2022 RM'000	Group 2020 RM'000
Current				
Bank overdrafts	- secured	18.1	17,262	9,266
Bills payable	- secured	18.1	-	46,063
	- unsecured		14,439	5,196
Floating rate term loans	- secured	18.2	66,769	56,581
	- unsecured	18.3	76,547	98,878
Fixed rate term loans	- secured	18.2	103,985	1,273
	- unsecured	18.3	410,021	55,443
Revolving credits	- secured	18.4	6,533	15,302
	- unsecured	18.5	45,561	49,884
Floating rate hire purchase liabilities		18.6	-	864
Fixed rate hire purchase liabilities		18.6	1,344	3,232
Fixed rate Guaranteed Thai Baht Bond		18.7	-	369,921
Fixed rate Thai Baht loan		18.7	347,027	-
			1,089,488	711,903
			1,261,726	1,362,604

	Note	Company 2022 RM'000	Company 2020 RM'000
Current			
Fixed rate Guaranteed Thai Baht Bond	18.7	-	369,921
Fixed rate Thai Baht loan	18.7	347,027	-
		347,027	369,921

18.1 Bank overdrafts and bill payable

The secured trade facilities of the Group are secured by way of:

(i) Legal charge over the industrial land and buildings of certain subsidiaries of the Company (see Note 3.3).

(ii) Pledge of the Group's shares in a foreign subsidiary, including assignment over all dividend payments arising therefrom.

(iii) In connection with the trade facilities, the significant covenants, among others:

In respect of the Group for the financial period ended 30 June 2022:

a. Minimum consolidated total net worth of RM1.5 billion (2020: more than RM1.5 billion).

b. The Group's consolidated debt to equity shall not be more than 1.0 time (2020: 1.0 time) at all times.

c. The Group's consolidated secured debt to consolidated total assets shall not be more than 0.4 time (2020: 0.4 time).

d. The Group's consolidated EBITDA over interest expense shall not be less than 2.0 times (2020: 2.0 times).

18. Loans and borrowings (continued)

18.1 Bank overdrafts and bill payable (continued)

Significant covenants in connection with the bill payable of a foreign subsidiary include the following:

(i) The debt to equity ratio of the subsidiary shall not be less than 1.25 times (2020: 1.25 times).

(ii) The Group's consolidated total borrowings to equity (excluding intangible assets and goodwill) shall not be more than 3.0 times (2020: 3.0 times) at all times.

The consolidated total borrowings to equity (excluding intangible assets and goodwill) was 1.52 as at 30 June 2022. Consequently, the bill payable has been classified as a current liability as at 30 June 2022.

18.2 Secured floating term loans and secured fixed term loans

The secured term loans of the Group are secured by way of:

(i) Legal charge over the industrial land and buildings of certain subsidiaries of the Company (see Note 3.3).

(ii) Pledge of the Group's shares in a foreign subsidiary, including assignment over all dividend payments arising therefrom.

(iii) Assignment over proceeds accounts of certain projects of a subsidiary.

In respect of a foreign subsidiary, the covenants as disclosed in Note 18.1(iii) are also applicable.

In respect of another foreign subsidiary, the covenant to be assessed annually in connection with the term loan is the Debt Service Cover Ratio ("DSCR") of the subsidiary shall not be less than 1.25 times (2020: 1.25 times). The DSCR was negative 1.58 as at 30 June 2022. Consequently, the term loan has been classified as a current liability. The subsidiary has paid off the loan subsequent to the end of financial period.

18.3 Unsecured floating term loans and unsecured fixed term loans

The unsecured term loans of the Group are supported by way of corporate guarantee from the Company.

In respect of a local subsidiary, the covenants as disclosed in Note 18.1(iii)(a) are also applicable.

The following covenants relate to a foreign subsidiary to be assessed in accordance to the audited financials prepared using the local Generally Accepted Accounting Principles in that country:

a. The interest cover ratio for periods ending on or after 30 June 2022 shall exceed a ratio of 4.5 times (2020: 4.5 times).

b. Maintenance of leverage ratio of not more than 2.25 times (2020: 2.25 times) for the financial period ended 30 June 2022.

18. Loans and borrowings (continued)

18.3 Unsecured floating term loans and unsecured fixed term loans (continued)

c. Working capital cover ratio for periods ending on or after 30 June 2022 shall be equal to or more than 120% (2020: 120%).

d. Minimum equity for the financial period ended 30 June 2022 shall not be less than 30% (2020: 30%).

18.4 Secured revolving credits

The secured revolving credits of the Group are supported mainly by way of corporate guarantee from the Company and a first party pledge of fixed deposit and a debenture over the entire assets of a subsidiary specifically formed to undertake such secured revolving credits.

Covenants to be assessed semi-annually in connection with the revolving credits of a local subsidiary include the following:

(i) The DSCR of the subsidiary shall not be less than nil (2020: 1.25 times).

(ii) The Group's consolidated total borrowings to equity (excluding intangible assets and goodwill) shall not be more than nil (2020: 1.5 times) at all times.

18.5 Unsecured revolving credits

The unsecured revolving credits of the Group are supported by way of corporate guarantee from the Company.

18.6 Floating rate hire purchase liabilities and fixed rate hire purchase liabilities

Hire purchase liabilities are payable as follows:

	2022			2020		
Group	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Less than one year	1,440	(96)	1,344	4,589	(493)	4,096
Between one and five years	1,736	(75)	1,661	9,081	(1,136)	7,945
More than five years	-	-	-	5,295	(413)	4,882
	3,176	(171)	3,005	18,965	(2,042)	16,923

The hire purchase liabilities are subject to interest at rates ranging from 1.13% to 7.69% (2020: 1.13% to 7.47%) per annum.

18. Loans and borrowings (continued)

18.7 Fixed rate guaranteed Thai Baht Bond

The Thai Baht denominated bond was guaranteed by a Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank, and fully underwritten by United Overseas Bank (Thai) Public Company Limited ("Guaranteed Thai Baht Bond"). The Guaranteed Thai Baht Bond has a tenure of 5 years from its issuance in 2016. Proceeds from the Guaranteed Thai Baht Bond were utilised by a subsidiary, Impress Ethanol Co., Ltd., to refinance its existing term loan, finance plant expansion and for working capital. The Guaranteed Thai Baht Bond has matured on 18 November 2021 and the guarantor has redeemed the Thai Baht Bond on behalf of the Group and the Company (see Note 37.3).

19. Employee benefits

Share-based payment arrangement

On 18 April 2014, the Company's shareholders approved the establishment of an ESOS to all eligible employees including Directors of the Company and its subsidiaries. In accordance with the ESOS, holders of vested ESOS options are entitled to purchase the Company's shares at the market price of the shares at the date of grant.

a) Options allocated on 27.3.2019

Grant date	Number of options '000	Vesting conditions	Contractual life of options
Options granted on 27.3.2019	194,338	Employee in service on grant date	3 years

The number and weighted average exercise price of share options are as follows:

	2022		2020	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Outstanding at the begining of the period/year	RM0.11	74,040	RM0.11	166,680
Granted during the period/year	RM0.11	-	RM0.11	-
Expired/Lapsed during the period/year	RM0.11	(31,078)	RM0.11	(664)
Exercised during the period/year	RM0.11	(42,962)	RM0.11	(91,976)
Outstanding at the end of the period/year	RM0.11	-	RM0.11	74,040
Vested and exercisable at the end of the period/year	RM0.11	-	RM0.11	45,411

19. Employee benefits (continued)

Share-based payment arrangement (continued)

a) Options allocated on 27.3.2019 (contined)

The options outstanding at 30 June 2022 with an average contractual life of 3 years. have expired on 19 April 2022.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Trinomial Option Pricing Model, with the following input:

Fair value of share options and assumptions	**2022**	**2020**
Fair value at grant date	RM0.025	RM0.025
Weighted average share price	RM0.11	RM0.11
Share price at grant date	RM0.12	RM0.12
Expected volatility	77.71%	77.71%
Option life	2 years	3 years
Expected dividends	0.00%	0.00%
Risk-free interest rate	3.01%	3.01%

b) Options allocated on 16.11.2020

Grant date	**Number of options '000**	**Vesting conditions**	**Contractual life of options**
Options granted on 16.11.2020	141,310	Employee in service on grant date	3 years

The number and weighted average exercise price of share options are as follows:

	2022	
	Exercise price	**Number of options '000**
Outstanding at the begining of the period/year	RM0.165	-
Granted during the period/year	RM0.165	141,310
Lapsed during the period/year	RM0.165	(91,567)
Exercised during the period/year	RM0.165	(9,015)
Outstanding at the end of the period/year	RM0.165	40,728
Vested and exercisable at the end of the period/year	RM0.165	14,263

The options outstanding at 30 June 2022 have an exercise price of RM0.165 and a weighted average contractual life of 3 years.

19. Employee benefits (continued)

Share-based payment arrangement (continued)

b) Options allocated on 16.11.2020 (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Trinomial Option Pricing Model, with the following input:

Fair value of share options and assumptions	2022
Fair value at grant date	RM0.0455
Weighted average share price	RM0.19
Share price at grant date	RM0.18
Expected volatility	58.06%
Option life	3 years
Expected dividends	0.00%
Risk-free interest rate	1.74%

c) Options allocated on 19.8.2021

Grant date	Number of options ’000	Vesting conditions	Contractual life of options
Options granted on 19.8.2021	103,946	Employee in service on grant date	3 years

The number and weighted average exercise price of share options are as follows:

	2022 Exercise price	2022 Number of options ’000
Outstanding at the begining of the period/year	RM0.19	-
Granted during the period/year	RM0.19	103,946
Lapsed during the period/year	RM0.19	(5,065)
Exercised during the period/year	RM0.19	(2,655)
Outstanding at the end of the period/year	RM0.19	96,226
Vested and exercisable at the end of the period/year	RM0.19	27,158

The options outstanding at 30 June 2022 have an exercise price of RM0.19 and a weighted average contractual life of 2.5 years.

19. Employee benefits (continued)

Share-based payment arrangement (continued)

c) Options allocated on 19.8.2021 (continued)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Trinomial Option Pricing Model, with the following input:

Fair value of share options and assumptions	**2022**
Fair value at grant date	RM0.064
Weighted average share price	RM0.26
Share price at grant date	RM0.22
Expected volatility	58.06%
Option life	2.5 years
Expected dividends	0.00%
Risk-free interest rate	1.95%

Value of employee services received for issue of share options

	Group		**Company**	
	1.1.2021 to 30.6.2022 RM'000	**1.1.2020 to 31.12.2020 RM'000**	**1.1.2021 to 30.6.2022 RM'000**	**1.1.2020 to 31.12.2020 RM'000**
Total expense recognised as share-based payments	5,429	786	2,772	331

The share options expense is not fully recognised in the profit or loss of the Company as RM2,657,000 (2020: RM455,000) has been re-charged to the subsidiaries benefiting from the services of the employees.

20. Long term payables

The long term payables of the Group are amounts payable to social security institutions of foreign subsidiaries which are unsecured, interest free and not repayable within the next twelve months.

The long term payable of the Company is an advance from a subsidiary of RM100,223,000 (2020: RM97,437,000) which is unsecured, interest free and not repayable within next twelve months after reporting date.

21. Trade and other payables

	Note	Group 2022 RM'000	Group 2020 RM'000	Company 2022 RM'000	Company 2020 RM'000
Trade					
Trade payables		177,314	228,301	-	-
Non-trade					
Amounts due to					
- subsidiaries	21.1	-	-	11,100	21,255
- associates	21.1	1,686	1,766	-	-
- joint ventures	21.1	749	1,038	-	-
- related parties	21.1	8,773	10,586	-	-
Other payables	21.2	119,521	36,488	23,275	1,122
Accrued expenses	21.3	102,287	52,717	4,987	1,203
		233,016	102,595	39,362	23,580
		410,330	330,896	39,362	23,580

21.1 Amounts due to subsidiaries, associates, joint ventures and related parties

The amounts due to subsidiaries, associates, joint ventures and related parties in which certain Directors have substantial financial interest are unsecured, interest free and repayable on demand.

21.2 Other payables

Included in other payables of the Group are Sales and Services Tax ("SST") and Value Added Tax ("VAT") payable amounting to RM3,806,000 (2020: RM4,011,000).

21.3 Accrued expenses

Included in accrued expenses of the Group are provision for warranty of nil (2020: RM6,685,000). Provision for warranty is made for remedies required for certain construction contracts.

22. Revenue

Group	Continuing Operations 1.1.2021 to 30.6.2022 RM'000	Continuing Operations 1.1.2020 to 31.12.2020 (Restated) RM'000	Discontinued Operation 1.1.2021 to 30.6.2022 RM'000	Discontinued Operation 1.1.2020 to 31.12.2020 (Restated) RM'000	Total 1.1.2021 to 30.6.2022 RM'000	Total 1.1.2020 to 31.12.2020 RM'000
Construction contract						
- In time	77,621	91,083	156,089	89,116	233,710	180,199
- Over time	357,634	452,324	790,647	660,406	1,148,281	1,112,730
Sales of goods	42,359	31,221	10,940	26,107	53,299	57,328
Management fees	10	18	-	-	10	18
Services	1,095	1,172	-	-	1,095	1,172
	478,719	575,818	957,676	775,629	1,436,395	1,351,447
Major products and services lines						
- Construction contracts	436,822	527,465	644,188	547,844	1,081,010	1,075,309
- Renewable energy	11,341	35,437	-	-	11,341	35,437
- Others	30,556	12,916	313,488	227,785	344,044	240,701
	478,719	575,818	957,676	775,629	1,436,395	1,351,447

Company	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Management fees	5,337	3,871
Major products and services lines		
- Others	5,337	3,871

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

22. Revenue (continued)

Nature of goods and services provided

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Warranty
Construction contracts	As mentioned in Note 2(p)(i), revenue is recognised over time based on output method, assessed by reference to surveys of work performed or completion of a physical proportion of contract work.	Based on agreed milestones.	Approved variations in contract work from initial agreed amount.	Bank guarantees may be given to customers.
Sale of goods	Revenue is recognised when or as control of the goods is transferred to the customer.	Credit period of 30 to 90 days from invoice date.	Not applicable.	Not applicable.
Services, management fee (applicable to the Company only)	Revenue is recognised over time, using output method based on surveys of work performed.	Credit period of 30 to 90 days from invoice date.	Not applicable.	Not applicable.

Remaining performance obligations of the Group and the Company are not disclosed as the Group and the Company recognise revenue from the satisfaction of the performance obligation and has a right to consideration from customers in an amount that corresponds directly with the value to the customers of the Group or the Company's performance completed to date.

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

- For construction contracts, the Group recognises construction contracts revenue based on the percentage of completion method, determined based on surveys of work performed/completion of a physical proportion of contract work. Judgements is required in the estimation of physical proportion of contract work. Where actual differs from the estimated physical proportion, such difference will impact the revenue recognised.

23. Results from operating activities

	Group		Company	
	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Results from operating activities is arrived at after charging:				
Auditors' remuneration:				
Audit fees:				
KPMG in Malaysia:				
- Current year	785	581	345	180
- Prior year	57	71	-	38
Overseas affiliates of KPMG in Malaysia	3,028	2,209	-	-
Other auditors	237	106	-	-
Non-audit fees:				
KPMG in Malaysia	15	10	15	10
Local affiliates of KPMG in Malaysia	91	106	-	9
Overseas affiliates of KPMG in Malaysia	655	444	-	-
Other auditors	102	119	-	-
Depreciation of property, plant and equipment (Note 3.1)	30,826	22,035	-	-
Depreciation of right-of-use assets (Note 4.1)	7,758	5,369	-	-
Amortisation of intangible assets (Note 5)	43,600	29,239	-	-
Bad debts written off	-	192	-	-
Impairment loss on:				
- Goodwill	446,704	31,170	-	-
- Interest in a subsidiary	-	-	1,794	40
- Interest in a joint venture	47	-	-	-
- Amounts due from subsidiaries	-	-	161,826	1,211
- Property, plant and equipment (Note 3.6)	57,889	-	-	-
- Trade receivables	2,389	-	-	-
- Other receivables	8,606	-	-	-
Written off:				
- Amounts due from subsidiaries	-	-	-	136
Personnel expenses:				
- Contribution to Employees' Provident Fund	16,141	10,112	-	-
- Share-based payments	2,958	786	2,772	331
- Wages, salaries and others	105,891	81,826	-	-
Gain on fair value of forward contracts	128	230	-	-

23. Results from operating activities (continued)

	Group		Company	
	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Results from operating activities is arrived at after charging (continued):				
Property, plant and equipment written off	5,165	320	-	-
Provision for project closure expenses	38,755	-	-	-
Provision for late delivery charges	25,229	1,200	-	-
and after crediting:				
Gain on disposal:				
- Property, plant and equipment	9,449	241	-	-
- Discontinued operation	-	5,932	-	-
Reversal of provision for:				
- Warranty	1,605	5,865	-	-
- Foreseeable loss (Note 12.1)	-	9,863	-	-
- Re-organisation expenses	-	16,722	-	-
Reversal of impairment loss:				
- Amounts due from joint ventures	5,206	3,222	-	222
- Amounts due from subsidiary	-	-	27,151	-
- Trade receivables	-	4,351	-	-
Bad debts recovered	3,124	-	-	-
Expenses arising from leases:				
Expenses relating to short-term leases	7,454	17,119	-	-

24. Finance costs

Group	Continuing Operations		Discontinued Operation		Total	
	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 (Restated) RM'000	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 (Restated) RM'000	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	173,906	61,155	2,409	3,948	176,315	65,103
Interest expense on lease liabilities	662	471	1,249	501	1,911	972
Other finance costs	5,443	2,325	25	46	5,468	2,371
	180,011	63,951	3,683	4,495	183,694	68,446
Recognised in profit or loss	180,011	58,051	3,683	4,495	183,694	62,546
Capitalised on qualifying assets:						
- property plant and equipment	-	5,900	-	-	-	5,900
	180,011	63,951	3,683	4,495	183,694	68,446

Company	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	38,943	17,665
Other finance costs	6	3
Recognised in profit or loss	38,949	17,668

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

25. Finance income

Group	Continuing Operations 1.1.2021 to 30.6.2022 RM'000	Continuing Operations 1.1.2020 to 31.12.2020 (Restated) RM'000	Discontinued Operation 1.1.2021 to 30.6.2022 RM'000	Discontinued Operation 1.1.2020 to 31.12.2020 (Restated) RM'000	Total 1.1.2021 to 30.6.2022 RM'000	Total 1.1.2020 to 31.12.2020 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised cost:	330	245	556	535	886	780
	330	245	556	535	886	780

Company	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised cost:	61,883	24,899
Recognised in profit or loss	61,883	24,899

26. Tax expense

	Group		Company	
	1.1.2021 to 30.06.2022	1.1.2020 to 31.12.2020 (Restated)	1.1.2021 to 30.06.2022	1.1.2020 to 31.12.2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
- Current year	26,552	(3,769)	-	-
- Over provision in prior year	(546)	(7,619)	-	-
Total current tax recognised in profit or loss	26,006	(11,388)	-	-
Deferred tax expense				
- Current year	(25,104)	2,888	-	-
- Under/(Over) provision in prior year	24	(2,602)	-	-
Total deferred tax recognised in profit or loss	(25,080)	286	-	-
Total income tax expense	926	(11,102)	-	-

	Group		Company	
	1.1.2021 to 30.06.2022	1.1.2020 to 31.12.2020 (Restated)	1.1.2021 to 30.06.2022	1.1.2020 to 31.12.2020
	RM'000	RM'000	RM'000	RM'000
Reconciliation of tax expense				
(Loss)/Profit for the year	(926,806)	(32,663)	(167,910)	3,916
Total tax expense	926	(11,102)	-	-
(Loss)/Profit before tax	(925,880)	(43,765)	(167,910)	3,916
Income tax using Malaysian tax rate of 24% (31.12.2020: 24%)	(222,211)	(10,504)	(40,298)	940
Effect of tax rates in foreign jurisdictions*	66,812	10,579	-	-
Non-deductible expenses	135,796	39,747	53,628	528
Tax exempt income	(12,183)	(53,670)	(14,238)	(2,052)
Effect of deferred tax assets not recognised	33,234	12,967	908	584
	1,448	(881)	-	-
(Over)/Under provision in prior year				
- Income tax expense	(546)	(7,619)	-	-
- Deferred tax expense	24	(2,602)	-	-
	926	(11,102)	-	-

* Tax rates in several foreign jurisdictions are different from the tax rates in Malaysia.

27. Discontinued operations

On 23 May 2022, a subsidiary of the Company has entered into a SPA with a purchaser for the proposed disposal of 15 BORSIG Shares in BORSIG GmbH, a wholly owned subsidiary of the Co, representing 100% equity interest in BORSIG for a total disposal consideration of EUR220.8 million (equivalent to RM1.02 billion). The Directors have reasonable expectation that the disposal of BORSIG will be concluded in the next twelve months. Accordingly, BORSIG is classified as held for sale as at 30 June 2022 and as a discontinued operation. The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from the continuing operations. Management is committed to a plan to sell BORSIG where the consideration to be received from this transaction will be utilised for the repayment of the loans and borrowings.

In the previous financial year, the Group had disposed of its entire interest in FBM Hudson (Asia) Sdn. Bhd. and KNM Special Process Equipment (Changshu) Co., Ltd.. The sale of the companies was to streamline the Group business.

Profit/(Loss) attributable to the discontinued operation was as follows:

	Group	
Results of discontinued operation	**1.1.2021 to 30.6.2022 RM'000**	**1.1.2020 to 31.12.2020 RM'000**
Revenue	957,676	775,629
Expenses	(895,530)	(692,327)
Results from operating activities	62,146	83,302
Gain on disposal of discontinued operation	-	5,932
Profit for the period/year	62,146	89,234
Included in results from operating activities are:		
Depreciation of property, plant and equipment	22,249	16,935

The profit of RM62,146,000 (1.1.2020 to 31.12.2020: RM89,234,000) from the discontinued operation is attributable entirely to the owners of the Company.

	Group	
	1.1.2021 to 30.6.2022 RM'000	**1.1.2020 to 31.12.2020 RM'000**
Cash flows from/(used in) disposal of subsidiaries		
Net cash from operating activities	204,715	125,127
Net cash used in investing activities	(26,068)	(17,605)
Net cash used in financing activities	(43,056)	(157,439)
Effect on cash flows	135,591	(49,917)

27. Discontinued operations (continued)

	1.1.2020 to 31.12.2020 RM'000
Effect of disposal of subsidiaries on the financial position of the Group	
Property, plant and equipment	44,712
Other intangible asset	2
Inventories	27
Contract assets	30,368
Trade and other receivables	2,981
Cash and bank balances	238
Borrowing	(24,477)
Current tax liabilities	(4,923)
Contract liabilities	(17,062)
Trade and other payables	(29,857)
Translation reserve	(7,941)
Net liabilities	(5,932)
Gain on disposal of subsidiaries	5,932
Consideration received, satisfied in cash	-
Cash and cash equivalents disposed of	(238)
Net cash outflow	(238)

The effect of BORSIG classified as asset held for sale on the financial position of the Group is disclosed under Note 16.

28. (Loss)/Earnings per ordinary share

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 30 June 2022 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

(Loss)/Profit attributable to ordinary shareholders

Group	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
1.1.2021 to 30.6.2022			
Loss attributable to ordinary shareholders	(888,727)	62,146	(826,581)
1.1.2020 to 31.12.2020 (Restated)			
Profit attributable to ordinary shareholders	(25,035)	89,234	64,199

28. (Loss)/Earnings per ordinary share (continued)

Basic (loss)/earnings per ordinary share (continued)

(Loss)/Profit attributable to ordinary shareholders (continued)

	Group	
	2022	**2020**
	'000	**'000**
Issued ordinary shares at beginning of the year	2,992,575	2,631,414
Share issuance arising from private placement	393,876	31,977
Effect of treasury shares held	(5,968)	(28,581)
Share issuance arising from ESOS	33,603	47,436
Weighted average number of ordinary shares	3,414,086	2,682,246

	Group	
	1.1.2021 to 30.06.2022	**1.1.2020 to 31.12.2020**
	Sen	**Sen**
From continuing operations	(26.03)	(0.93)
From discontinued operation	1.82	3.32
Basic (loss)/earnings per ordinary share	(24.21)	2.39

Diluted (loss)/earnings per ordinary share

The calculation of diluted (loss)/earnings per ordinary share at 30 June 2022 was based on the profit/(loss) attributable to ordinary shareholders. There is no adjustment required to the basic profit/(loss) attributable to ordinary shareholders from the dilutive potential ordinary shares.

	Group	
	2022	**2020**
	'000	**'000**
Weighted average number of ordinary shares	3,414,086	2,682,246
Effect of ESOS share options issued	1,198	28,186
Weighted average number of ordinary shares	3,415,824	2,710,432

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

	Group	
	1.1.2021 to 30.06.2022	**1.1.2020 to 31.12.2020**
	Sen	**Sen**
From continuing operations	(26.02)	(0.92)
From discontinued operation	1.82	3.29
Diluted (loss)/earnings per ordinary share	(24.20)	2.37

29. Contingent liabilities

	Company	
	2022	2020
	RM'000	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries		
- Secured	430,724	473,303
- Unsecured	496,508	480,334
	927,232	953,637

30. Commitments

	Group	
	2022	2020
	RM'000	RM'000
Capital commitments:		
Property, plant and equipment		
- Contracted but not provided for in the financial statements	140,598	154,796

31. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group. Controlling related party relationships are as follows:

(i) Its subsidiary companies as disclosed in Note 35.
(ii) Its associates as disclosed in Note 7.
(iii) Its joint ventures as disclosed in Note 8.
(iv) Key management personnel.

31. Related parties (continued)

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below:

	Group		Company	
	1.1.2021 to 30.06.2022 RM'000	1.1.2020 to 31.12.2020 RM'000	1.1.2021 to 30.06.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
A. Subsidiaries				
Management fees received	-	-	(5,337)	(3,871)
Loan interest received	-	-	(58,940)	(24,899)
ESOS payable/(charged)	-	-	(2,955)	11,770
B. Joint ventures				
*CNI Engineering & Construction Malaysia Sdn. Bhd.^*				
Interest payable	-	1,083	-	-
C. Related parties				
*Inter Merger Sdn. Bhd.**				
Rental of premises	-	809	-	-
Administrative charges	-	258	-	38
*IM Bina Sdn. Bhd. **				
Contract billing payable	-	425	-	-

^ acquired 100% equity interest of the subsidiary on 23 December 2021
* Ceased as a related party during the financial period.

	Group		Company	
D. Key management personnel				
Directors				
- Fees	2,186	804	2,186	804
- Remuneration	5,147	3,590	5,147	3,590
- Employee benefits (including estimated monetary value of benefit-in-kind)	36	38	36	38
- Share-based payments	2,772	331	2,772	331
	10,141	4,763	10,141	4,763
Subsidiaries directors				
- Remuneration	13,828	7,995	-	-
- Short-term employee benefits	689	364	-	-
- Share-based payments	18	240	-	-
	14,535	8,599	-	-
Other key management personnel				
- Remuneration	2,914	2,276	-	-
- Short-term employee benefits	51	-	-	-
- Share-based payments	63	83	-	-
	3,028	2,359	-	-
	27,704	15,721	10,141	4,763

31. Related parties (continued)

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

Significant related party balances related to the above transactions are disclosed in Notes 6, 13, 20 and 21.

32. Financial instruments

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL");
- Mandatorily required by MFRS 9; and
(b) Amortised cost ("AC").

2022	Carrying amount RM'000	AC RM'000	FVTPL RM'000	Derivatives used for hedging RM'000
Financial assets				
Group				
Other investments	174	-	174	-
Trade and other receivables, less prepayments and GST receivable	161,564	161,564	-	-
Derivative financial assets	648	-	-	648
Cash and cash equivalents	66,914	66,914	-	-
	229,300	228,478	174	648
Company				
Trade and other receivables, less prepayments	308,565	308,565	-	-
Cash and cash equivalents	63	63	-	-
	308,628	308,628	-	-
2020				
Financial assets				
Group				
Other investments	187	-	187	-
Trade and other receivables, less prepayments and GST receivable	223,508	223,508	-	-
Derivative financial assets	1,119	-	84	1,035
Cash and cash equivalents	275,297	275,297	-	-
	500,111	498,805	271	1,035
Company				
Trade and other receivables, less prepayments	320,071	320,071	-	-
Cash and cash equivalents	72	72	-	-
	320,143	320,143	-	-

32. Financial instruments

32.1 Categories of financial instruments (continued)

2022	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial liabilities			
Group			
Loan and borrowings	(1,261,726)	(1,261,726)	-
Trade and other payables, less SST and VAT payable	(412,486)	(412,486)	-
	(1,674,212)	(1,674,212)	-
Company			
Loan and borrowing	(347,027)	(347,027)	-
Trade and other payables	(139,585)	(139,585)	-
	(486,612)	(486,612)	-

2020	RM'000	RM'000	RM'000
Financial liabilities			
Group			
Loans and borrowings	(1,362,604)	(1,362,604)	-
Trade and other payables, less SST and VAT payable	(334,606)	(334,606)	-
Derivative financial liabilities	(2,614)	-	(2,614)
	(1,699,824)	(1,697,210)	(2,614)
Company			
Loan and borrowing	(369,921)	(369,921)	-
Trade and other payables	(121,017)	(121,017)	-
	(490,938)	(490,938)	-

32. Financial instruments (continued)

32.2 Net gains and losses arising from financial instruments

	Group		Company	
	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Net gains/(losses) arising on				
Financial assets measured at fair value through profit or loss	(519)	230	-	-
Financial assets measured at amortised cost	17,936	77,977	181,453	16,551
Financial liabilities measured at amortised cost	(287,321)	(50,638)	(13,028)	(9,741)
	(269,904)	27,569	168,425	6,810
Net gain/(loss) on impairment of financial assets at amortised cost	(5,789)	7,573	27,151	(1,029)

32.3 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Foreign currency risk
- Interest rate risk

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from its exposure to fluctuations in financial risks.

32.4 Credit risk

The Group's exposure to credit risk arises mainly from external counter-party risk on contracts and on monetary financial assets; whilst, at Company level mainly from internal counter-party risk on financial guarantees, loans and advances extended to its subsidiaries.

The Group's objective on credit risk management is to avoid significant exposure to any individual counter-party and to minimise concentration of credit risk. The Group achieves this through its operating units' practices on credit assessment, and performs central monitoring such as on credit risk concentration, credit evaluation, and credit impairment; whilst, the business units are responsible for their respective day-to-day credit risk management.

32. Financial instruments (continued)

32.4 Credit risk (continued)

Policies and processes

Policies and processes in managing credit risk varies with the classes of counter-parties as outlined below:

(i) Contract customers

Process & Specialised Equipment & Turnkey Contracts

These orders are attributable to the Group's construction contracts, which duration ranges from 12 to 36 months, where billings are based on the progress milestones which typically are divided into four or more stages of a project's life cycle. For large orders such as Engineering, Procurement and Constructions, billings are negotiated to closely mirror the cash flow requirements in contract execution. An advance from the customers would normally be required before the commencement of work, and the customer would demand a Bank or Corporate Guarantee in return as a form of guaranteeing performance. Customers' orders are usually components of a larger project which has secured financing. As such, credit risk exposure is typically low at the early and mid-stages of a project life cycle, but increases towards the last milestone payment arising from possible variation or contractual disputes. This tail-end risk is managed or mitigated with one or more of the following:

- Professional lien on goods and materials
- Transactional credit documents (i.e. Letter of Credit) on export delivery
- Contract customers are assessed on credit, and sovereign nation risks where applicable, on both quantitative and qualitative elements
- Credit exposure is monitored on the aging of receivables, and the projects' progression and variations

(ii) Financial institutions

The Group places its funds in banks in over 14 (2020: 14) countries in which it has business presence. The Group also enters into forward foreign exchange contracts with licensed financial institutions for hedging purposes. Credit risk is generally low as the counter-parties are all reputable licensed institutions. Where financial derivatives are involved, mandatory International Swaps and Derivatives Association (ISDA) agreements are incepted where necessary.

32. Financial instruments (continued)

32.4 Credit risk (continued)

Policies and processes (continued)

(iii) Financial guarantees and advances for subsidiaries

The Group through 4 (four) (2020: 4) wholly-owned subsidiaries serves as central treasury to certain subsidiaries without external credit facilities by extending term loan, advances and banking trade facilities. For subsidiaries with their own credit facilities, the Company is often required to provide corporate guarantee to the said banks extending such credit facilities. On the former, the Group enters into formal agreement on pricing and repayment schedule, and continuously monitors the subsidiaries' performances, cash-flows and repayment. On the latter, the Company continuously monitors the subsidiaries' performance and ability to service their credit obligations.

The Group receives financial guarantees given by banks in managing exposure to credit risks. At the end of the reporting period, financial guarantees received by the Group amounted to RM31,534,000 (2020: RM18,539,000) in respect of trade receivables of RM97,477,000 (2020: RM188,126,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

Credit risk exposures and concentration

The Group's credit risks are mainly on its contract assets and financial assets relating to receivables, and cash and bank balances as summarised in the table below for both the Group and Company level.

	Maximum exposure	
	2022	**2020**
Group	**RM'000**	**RM'000**
Financial assets		
Trade receivables	97,477	188,126
Contract assets	120,762	303,075
Amounts due from joint ventures and related parties	-	16,488
Other receivables and deposits	64,087	18,894
Short-term deposits with licensed banks	25,464	36,538
Cash and bank balances	41,450	238,759
	349,240	801,880

32. Financial instruments (continued)

32.4 Credit risk (continued)

Credit risk exposures and concentration

The Group's credit risks are mainly on its contract assets and financial assets relating to receivables, and cash and bank balances as summarised in the table below for both the Group and Company level.

	Maximum exposure	
	2022	**2020**
Company		
Financial assets		
Amounts due from subsidiaries	308,562	320,067
Other receivables and deposits	3	4
Cash and bank balances	63	72
	308,628	320,143

Trade receivables and contract assets

Concentration of credit risk

The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period by geographic location was:

	2022		2020	
	RM'000	**%**	**RM'000**	**%**
Asia and Oceania	99,130	45	86,576	18
Europe	119,109	55	404,625	82
	218,239	100	491,201	100

Recognition and measurement of impairment loss

Most orders are construction contracts and specific in nature. The Group assesses the credit risk of each customer individually based on project status and past trend of payments.

The Group does not maintain ageing for contract assets. For trade receivables, the Group uses ageing analysis as the primary reporting tool to monitor the credit quality of trade receivables. Amounts past due 60 days are monitored more regularly on the collection efforts.

32. Financial instruments (continued)

32.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Impairment loss allowance RM'000	Net RM'000
2022			
Not past due	49,988	-	49,988
Past due 0 – 30 days	11,527	-	11,527
Past due 31 – 60 days	3,880	-	3,880
Past due 61 – 120 days	24,059	-	24,059
Past due more than 120 days	47,715	(39,692)	8,023
	137,169	(39,692)	97,477
2020			
Not past due	141,343	-	141,343
Past due 0 – 30 days	19,187	-	19,187
Past due 31 – 60 days	11,875	-	11,875
Past due 61 – 120 days	14,514	-	14,514
Past due more than 120 days	44,430	(43,223)	1,207
	231,349	(43,223)	188,126

The allowance account in respect of trade receivables is used to record impairment loss where the Group is doubtful of the collection. Doubtful amount will be written off against the allowance account if recovery channels are exhausted.

No impairment loss was provided for remaining balance of trade receivables which was past due for more than 120 days as negotiations with the customers are on-going to recover the outstanding amounts.

The movements in the allowance for impairment loss of trade receivables during the financial period/year were:

	Group 2022 RM'000	Group 2020 RM'000
At the beginning of the period/year	43,223	71,712
Impairment loss recognised/(reversed)	2,389	(4,351)
Impairment loss written off	(5,845)	(20,013)
Disposal of a subsidiary	-	(5,405)
Classified as held for sale	(2,578)	-
Effect on the movement of exchange rate	2,503	1,280
At the end of the period/year	39,692	43,223

32. Financial instruments (continued)

32.4 Credit risk (continued)

Amounts due from subsidiaries, joint ventures and related parties

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured loans and advances to joint ventures and subsidiaries, where applicable. The Group also trades with related parties which certain Directors have substantial interest.

The Group and the Company monitor the ability of the counterparty to repay the balances on an individual basis. Generally, the Group and the Company consider that these receivables have low credit risk, as the Group and the Company are able to determine the timing of payments of these balances when they are payable.

Using internal information available, the Group and the Company assume that there is a significant increase in credit risk when the counterparty's financial position deteriorates significantly, and consider receivables to be in default when the counterparties are not able to pay when demanded.

Recognition and measurement of impairment loss

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for amounts due from subsidiaries, joint ventures and a related party. The Group and the Company do not specifically monitor the ageing of these receivables. There is no amounts due from joint ventures and related parties to the Grou[p as at year end.

	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
2022			
Company			
Low credit risk	308,562	-	308,562
Credit impaired	280,934	(280,934)	-
	589,496	(280,934)	308,562
2020			
Group			
Low credit risk	11,672	-	11,672
Credit impaired	33,325	(28,509)	4,816
	44,997	(28,509)	16,488
Company			
Low credit risk	320,067	-	320,067
Credit impaired	159,522	(159,522)	-
	479,589	(159,522)	320,067

32. Financial instruments (continued)

32.4 Credit risk (continued)

Amounts due from subsidiaries, joint ventures and related parties (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment losses are as follows:

	Group		Company	
	2022 RM'000	2020 RM'000	2022 RM'000	2020 RM'000
At 1 January	28,509	32,154	159,522	158,533
Impairment loss (reversed)/ recognised	(5,206)	(3,222)	136,469	989
Acquisition of a subsidiary	(21,780)	-	-	-
Effect on the movement in exchange rate	(1,523)	(423)	(15,057)	-
At 30 June 2022/ 31 December 2020	-	28,509	280,934	159,522

Other receivables and deposits

Other receivables mainly relate to transactions outside trade activities and advances provided to employees. The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. At each reporting date, the Group and the Company assess whether any of the other receivables are credit impaired.

The movements in the allowance for impairment losses are as follows:

	Group	
	2022 RM'000	2020 RM'000
At 1 January 2021/1 January 2020	-	21,825
Impairment loss written off	-	(21,825)
Impairment loss recognised	8,606	-
Effect on the movement of exchange rate	(72)	-
At 30 June 2022/31 December 2020	8,534	-

Credit risks on deposits are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group and the Company manage the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

32. Financial instruments (continued)

32.4 Credit risk (continued)

Cash and bank balances

The cash and bank balances are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

32.5 Liquidity risk

The Group's exposure to liquidity risk primarily arises from its capabilities to meet its financial obligations, principally its trade payables, loans and borrowings, as and when it falls due. The Group's liquidity risk management objective is to ensure that all foreseeable funding commitments can be met as and when due in a cost-effective manner.

Policies and Processes

The Group leverages on the Company as the public listed parent company to support 4 (four) (2020: 4) of its wholly-owned subsidiaries to play a central treasury and liquidity management role to better manage its weighted average cost of funds, whilst day-to-day operational liquidity needs are decentralised at the Business Unit level. Foreign Business Units are encouraged to seek localised trade financing facilities in their respective currencies where appropriate.

The Group actively manages its operating cash-flows and the availability of funding so as to ensure all operating, investing and financing needs are met. It manages liquidity risks with a combination of the following policies and methods:

- Maintain a diversified range of funding sources with adequate back-up facilities
- Maintain debt financing and servicing plan
- Maintain medium to long term cash-flow planning incorporating funding positions and requirements of all its subsidiaries
- Monitor balance sheet liquidity ratios against internal threshold
- Manage working capital and optimise cash conversion cycle
- Manage maturity profile of both financial and non-financial liabilities
- Through sales of the overseas investment of the Group

32. Financial instruments (continued)

32.5 Liquidity risk (continued)

Maturity analysis

The table below set out the contractual maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payment – which would be met with a combination of matching maturity financial assets, operational cash inflows, and roll-over of current liabilities such as trade facilities.

Group 2022	Carrying amount RM'000	Contractual interest/profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Term loans – secured							
- CAD	20,107	2.25	20,428	20,428	-	-	-
- EUR	17,326	2.52	18,599	1,668	1,668	5,005	10,258
- RM	158,465	6.50-10.40	176,258	67,504	78,507	30,247	-
- USD	72,563	2.32-14.00	82,312	71,190	11,122	-	-
- THB	3,556	5.25	3,744	3,744	-	-	-
Term loans – unsecured							
- EUR	474,268	0.51-11.50	517,325	454,256	45,131	17,938	-
- RM	10,133	18.00	10,318	10,318	-	-	-
- USD	63,732	10.50	70,426	70,426	-	-	-
Fixed rate Thai Baht loan							
- THB	347,027	3.00-10.25	364,813	364,813	-	-	-
Revolving credits – secured							
- USD	14,282	3.00	14,493	6,689	7,804	-	-
Revolving credits – unsecured							
- EUR	45,561	0.81-3.60	49,928	49,928	-	-	-
Bills payable – unsecured							
- USD	14,439	4.29	15,059	15,059	-	-	-

32. Financial instruments (continued)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

Group 2022	Carrying amount RM'000	Contractual interest/profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities (continued)							
Hire purchase and lease creditors							
- EUR	2,588	1.13 - 2.39	2,735	1,090	918	727	-
- RM	156	3.44 - 4.84	163	72	91	-	-
- THB	261	4.18 - 7.47	278	278	-	-	-
Bank overdrafts – secured							
- RM	7,907	6.00 - 8.15	8,430	8,430	-	-	-
- USD	9,355	3.42 - 4.54	9,407	9,407	-	-	-
Lease liabilities							
- EUR	780	0.60 - 7.40	809	437	265	107	-
- RM	2,889	4.40 - 7.70	3,021	1,780	1,241	-	-
- AED	25,733	5.00	34,201	2,727	4,024	12,071	15,379
Trade and other payables	412,486	-	412,486	404,765	7,721	-	-
	1,703,614		1,815,233	1,565,009	158,492	66,095	25,637

32. Financial instruments (continued)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Net cash flows RM'000	Contractual interest/profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	239		8,245	8,245	-	-	-
- Inflow	-		(8,006)	(8,006)	-	-	-
	239		239	239	-	-	-
			1,815,472	1,565,248	158,492	66,095	25,637

Group 2020	Carrying amount RM'000	Contractual interest/profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Term loans – secured							
- CAD	20,949	2.25	26,197	3,074	5,829	13,612	3,682
- EUR	21,468	1.65 – 2.52	23,238	2,095	2,060	5,367	13,716
- RM	127,891	7.25 – 7.81	142,937	37,055	67,469	33,342	5,071
- USD	20,018	2.32	20,811	5,481	15,330	-	-
Term loans – unsecured							
- EUR	569,004	1.80 – 11.50	691,108	127,764	474,485	83,995	4,864
- USD	80,194	4.29 – 10.50	81,059	81,059	-	-	-

32. Financial instruments (continued)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

Group 2020	Carrying amount RM'000	Contractual interest/profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities (continued)							
Guaranteed Thai Baht Bond							
- THB	369,921	3.00	378,361	378,361	-	-	-
Revolving credits – unsecured							
- EUR	49,884	0.81 - 3.50	49,946	49,946	-	-	-
Bills payable – secured							
- RM	46,063	4.52 - 5.52	48,605	48,605	-	-	-
Bills payable – unsecured							
- THB	5,196	4.75	5,443	5,443	-	-	-
Hire purchase and lease creditors							
- EUR	15,401	1.13 - 3.75	17,368	3,790	3,006	5,277	5,295
- RM	1,194	2.73 - 4.11	1,258	754	255	249	-
- THB	328	4.18 - 7.47	339	45	294	-	-
Bank overdrafts – secured							
- RM	7,927	4.02 - 8.15	8,451	8,451	-	-	-
- THB	1,339	7.13	1,434	1,434	-	-	-
Lease liabilities							
- EUR	17,693	0.96 - 3.00	19,849	9,697	4,148	3,466	2,538
- RM	5,207	4.00 - 7.65	6,495	1,094	1,295	4,106	-
- AED	26,595	5.00	34,315	3,311	3,543	10,630	16,831
- THB	335	8.00	439	439	-	-	-
Trade and other payables	334,606		334,606	326,885	7,721	-	-
	1,721,213		1,892,259	1,094,783	585,435	160,044	51,997

32. Financial instruments (continued)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Net cash flows RM'000	Contractual interest/profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	34		27,067	27,067	-	-	-
- Inflow	-		(27,033)	(27,033)	-	-	-
	34		34	34	-	-	-
			1,892,293	1,094,817	585,435	160,044	51,997

32. Financial instruments (continued)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

Company 2022	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1-2 years RM'000
Non-derivative financial liabilities					
Fixed rate Thai Baht Loan					
- THB	347,027	3.00 - 10.25%	364,813	364,813	-
Trade and other payables	139,585	-	139,585	39,362	100,223
Financial guarantee	-	-	914,489	914,489	-
	486,612		1,418,887	1,318,664	100,223
2020					
Non-derivative financial liabilities					
Guaranteed Thai Baht Bond					
- THB	369,921	3.00	378,361	378,361	-
Trade and other payables	121,017	-	127,017	23,580	97,437
Financial guarantee	-	-	913,908	913,908	-
	490,938		1,419,286	1,315,849	97,437

Financial guarantees

The Group and the Company provide guarantees relating to borrowings and performance obligation of joint ventures and subsidiaries of Nil (2020: RM529,663,000) and RM914,489,000 (2020: RM913,908,000) respectively.

The Group and the Company monitor these guarantees on an ongoing basis. At reporting date, there was no indication that any group entities would default on repayment and performance obligation. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

32.6 Foreign currency risk

The Group operates in 16 (2020: 16) countries and is exposed to various currencies that gives rise to foreign exchange (FX) risk from the translation of its foreign investments and from FX transactions on its sales and purchases denominated in foreign currency. The Group's main foreign currency exposure is in USD Dollar ("USD"), EUR Dollar ("EUR"), Thai Baht ("THB") and Ringgit Malaysia ("RM"). RM exposure is attributed to certain subsidiaries located in Malaysia but adopting USD as their functional currency.

32. Financial instruments (continued)

32.6 Foreign currency risk (continued)

The Group's foreign currency risk management objective is to minimise transactional FX exposure that gives rise to economic impact.

Policies and Processes

i) Transactional forward obligations or rights denominated in foreign currency

Transactional FX risk arises mainly from contracted projects' future monetary obligation and rights denominated in a currency other than the transaction originating currency. These highly probable future cash flows in foreign currency are first netted based on matching FX risk characteristics for natural hedge, with any net balance exposure being further hedge off with FX Forward Contracts. It is the Group's policy to attain best full hedge in transactional FX risk.

ii) Net investment in Foreign Operations

The Group considers matching foreign currency borrowing with the functional currency of its foreign operations in mitigating FX translation gain/loss that are recognised in a separate component of equity. However, this decision is driven by feasibility factors such as the ability to time the future cash flows, availability of foreign currency debt funding, and the foreign currencies' fiscal position and borrowing cost.

Where circumstances permit, FX hedges on the abovementioned would be designated for hedge accounting either as cash-flow hedges, fair value hedges, or net investment hedges.

The table below sets out the Group's significant financial assets' and liabilities' FX exposure based on the notional or contractual amount for USD, EUR, THB and RM which is different from the reporting functional currency of the respective subsidiaries.

	Denominated in			
	USD	EUR	THB	RM
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2022				
Trade receivables	29,971	2,144	-	16,962
Other receivables	176	860	-	6,397
Cash and bank balances	1,286	34	11	659
Deposits with licensed banks	-	-	-	6,721
Trade payables	(6,794)	(43,397)	-	(31,769)
Other payables and accruals	(217)	(579)	(18,927)	(2,153)
Term loans	(115,087)	(336,156)	(347,027)	(105,058)
Lease liabilities	-	-	-	(2,878)
Overdrafts	(9,356)	-	-	(2,947)
Bills payable	(14,439)	-	-	-
Forward exchange contracts	239	-	-	-
Net exposure in the statement of financial position	(114,221)	(377,094)	(365,943)	(114,066)

32. Financial instruments (continued)

32.6 Foreign currency risk (continued)

The table below sets out the Group's significant financial assets' and liabilities' FX exposure based on the notional or contractual amount for USD, EUR, THB and RM which is different from the reporting functional currency of the respective subsidiaries.

	Denominated in			
	USD	EUR	THB	RM
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2020				
Trade receivables	28,858	444	-	-
Other receivables	222	826	-	5,914
Cash and bank balances	3,614	97	16	1,775
Deposits with licensed banks	-	-	-	6,016
Trade payables	(4,188)	(44,035)	-	(30,730)
Other payables and accruals	-	-	(135)	(1,540)
Term loans	(75,594)	(330,105)	(369,921)	(53,988)
Hire purchase liabilities	-	-	-	(1,194)
Lease liabilities	-	-	-	(5,185)
Bills payable	-	-	-	(46,063)
Forward exchange contracts	(1,655)	(267)	-	-
Net exposure in the statement of financial position	(48,743)	(373,040)	(370,040)	(71,007)

	USD	THB
Company	**RM'000**	**RM'000**
2022		
Cash and bank balances	3	11
Trade and other receivables	-	482,903
Borrowing	-	(347,027)
Long term payables	(78,894)	-
Net exposure in the statement of financial position	(78,891)	135,887
2020		
Cash and bank balances	-	16
Trade and other receivables	5,187	457,461
Borrowing	-	(369,921)
Long term payables	(74,327)	-
Net exposure in the statement of financial position	(69,140)	87,556

A 5 percent strengthening of RM against the USD, EUR and THB at the end of the reporting period would have (decreased)/increased equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

32. Financial instruments (continued)

32.6 Foreign currency risk (continued)

Group	Equity 2022 RM'000	Equity 2020 RM'000	Profit or loss 2022 RM'000	Profit or loss 2020 RM'000
USD	6,281	(66,319)	(5,711)	2,437
EUR	7,590	(81,815)	(18,855)	18,652
THB	(766)	(2,049)	(18,297)	18,502
RM	-	-	(5,703)	6,250

Company	Profit or loss 2022 RM'000	Profit or loss 2020 RM'000
USD	3,945	3,457
THB	(6,794)	(4,378)

A 5 percent weakening of RM against the USD, EUR and THB at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

32.7 Interest rate risk

The Group's interest rate risk arises from its interest-bearing financial instruments that could impact fair value and future cash-flows due to fluctuation in market interest rates. The Group's objective on interest rate risk management is to achieve a balance in re-pricing risk and the optimisation of pricing whilst ensuring sufficient liquidity to meet funding needs.

Policies and processes

Interest bearing financial assets are mainly temporary surpluses or funds held for liquidity purposes and are placed on short-term or on demand basis. Interest bearing financial liabilities are mixture of short-term trade/credit facilities with re-pricing exposure, and long-term loans with fixed pricing. The Group constantly reviews its portfolio of interest-bearing financial liabilities with the view to mitigate as much as possible its re-pricing risk taking into account the nature and requirement of its businesses, and availability from issuers of such financial liabilities.

32. Financial instruments (continued)

32.7 Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2022 RM'000	2020 RM'000	2022 RM'000	2020 RM'000
Fixed rate instruments				
Financial assets	25,464	36,538	-	-
Financial liabilities	(880,078)	(791,656)	(347,027)	(369,921)
Lease liabilities	(29,402)	(49,830)	-	-
	(884,016)	(804,948)	(347,027)	(369,921)
Floating rate instruments				
Financial liabilities	(381,648)	(570,948)	-	-
	(381,648)	(570,948)	-	-

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change of 25 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant.

	Group Profit or loss	
	25 bp increase RM'000	25 bp (decrease) RM'000
2022		
Floating rate instruments	(954)	954
2020		
Floating rate instruments	(1,427)	1,427

32. Financial instruments (continued)

32.8 Cash flow hedge

The Group entered into forward cash flow hedge of its expected proceeds/ payments from/to accounts receivables and accounts payables.

The following depicts the expected cash flow streams associated with the hedges undertaken and period affecting profit or loss:

Group	Net cash flows RM'000	Expected cash flows RM'000	Under 1 year RM'000	Over 1 year RM'000
2022				
Proceeds from accounts receivables				
- inflow	-	1,004	742	262
- outflow	(112)	(1,116)	(850)	(266)
2020				
Proceeds from accounts receivables				
- inflow	364	6,235	6,235	-
- outflow	-	(5,871)	(5,871)	-

During the financial period, a net gain of RM2,278,000 (2020: net loss of RM342,000) was recognised in other comprehensive income. An ineffective net loss of RM128,000 (2020: net gain gain of RM230,000) was recognised in profit or loss during the financial period.

32.9 Fair value of financial instruments

The carrying amounts of cash and bank balances, short-term deposits with licensed banks, trade and other receivables, trade and other payables, and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments.

The carrying amounts of the floating rate term loans and hire purchase liabilities approximate fair values as they are subject to variable interest rates which in turn approximate the current market interest rates for similar loans at the end of the reporting period.

It was not practical to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices, inability to estimate fair value without incurring excessive costs and immaterial in the opinion of the Directors.

The fair values of the abovementioned financial assets and liabilities are as disclosed in the respective notes to the financial statements, together with the carrying amounts shown in the statements of financial position.

32. Financial instruments (continued)

32.9 Fair value of financial instruments (continued)

Other than those mentioned above, the table below analyses financial instruments carried at fair value and those not carried at fair value for which fair values are disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2022	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**RM'000**	**RM'000**
Group										
Financial assets										
Forward exchange contracts	-	648	-	648	-	-	-	-	648	648
Financial liabilities										
Fixed rate term loans	-	-	-	-	-	-	(13,418)	(13,418)	(13,418)	(16,040)
Fixed rate hire purchase liabilities	-	-	-	-	-	-	(1,529)	(1,529)	(1,529)	(1,661)
Long term payables	-	-	-	-	-	-	(5,962)	(5,962)	(5,962)	(5,962)
Long service leave liability	-	-	-	-	-	-	(7,787)	(7,787)	(7,787)	(7,787)
	-	-	-	-	-	-	(28,696)	(28,696)	(28,696)	(31,450)
Company										
Financial liabilities										
Long term payables	-	-	-	-	-	-	(100,223)	(100,223)	(100,223)	(100,223)

32. Financial instruments (continued)

32.9 Fair value of financial instruments (continued)

2020	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Group										
Financial assets										
Forward exchange contracts	-	1,119	-	1,119	-	-	-	-	1,119	1,119
Financial liabilities										
Forward exchange contracts	-	(2,614)	-	(2,614)	-	-	-	-	(2,614)	(2,614)
Fixed rate term loans	-	-	-	-	-	-	(283,032)	(283,032)	(283,032)	(349,490)
Fixed rate hire purchase liabilities	-	-	-	-	-	-	(9,985)	(9,985)	(9,985)	(12,297)
Long term payables	-	-	-	-	-	-	(7,721)	(7,721)	(7,721)	(7,721)
Long service leave liability	-	-	-	-	-	-	(6,940)	(6,940)	(6,940)	(6,940)
	-	(2,614)	-	(2,614)	-	-	(307,678)	(307,678)	(310,292)	(379,062)
Company										
Financial liabilities										
Long term payables	-	-	-	-	-	-	(97,437)	(97,437)	(97,437)	(97,437)

32. Financial instruments (continued)

32.9 Fair value of financial instruments (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is assessed using the quoted market price obtained from Reuters or licensed financial institutions.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial period (2019: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs (e.g. changes in market interest rates) for the financial assets and liabilities. The fair values were determined using discounted cash flows based on current market rate at reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting year.

Interest rates used to determine fair value

	2022	2020
Group		
Fixed rate term loans	0.00% - 18.00%	1.80% – 11.50%
Fixed rate hire purchase liabilities	1.50% - 8.08%	1.24% – 7.47%

32. Financial instruments (continued)

32.9 Fair value of financial instruments (continued)

Sensitivity analysis and inter-relationship between unobservable inputs and fair value measurement.

The fair values would increase if the interest rates are higher. The Directors are of the view that the changes are not significant and hence the sensitivity analysis is not presented.

33. Capital management

The Group's capital management objective is to ensure a strong and sustainable capital base that can support the current and future business needs of the Group.

In support of that, the Group aims to manage within the limit of existing debt to equity ratio (DER) covenant.

As at 30 June 2022, the Group recorded a DER of 1.52 (2020: 0.78) as compared to the financial covenant of not exceeding 1.00 time (2019: 1.00 time). The Group is also required to maintain certain financial covenant ratios as disclosed in Note 18.

	Group	
	2022 **RM'000**	**2020** **RM'000**
Total loans and borrowings (see Note 18)	1,261,726	1,362,604
Total equity	832,256	1,752,252
DER	1.52	0.78

34. Operating segment

The Group's resources allocation is assessed on a quarterly basis or as needed basis in accordance to the business performance and requirements of the respective geographical's operating unit as reviewed and determined by the Group's Chief Operating Decision Maker ("CODM") whom is also the Chief Executive Officer of the Group. Hence, segment information is presented by geographical locations that the Group operates in. The format of the geographical segments is based on the Group's operation management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Reporting on segmental profit, assets and liabilities include items directly attributable to geographical segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

34. Operating segment (continued)

Geographical segments

The segments are classified into geographical presence as follows:

Geographical segment	**Countries**
Asia and Oceania	Malaysia, Thailand, Indonesia, Myanmar, Australia and Mauritius
Europe	Germany, Italy, United Arab Emirates, United Kingdom, British Virgin Islands, Netherlands, Saudi Arabia, and Isle of Man
America	United States of America and Canada

	Asia and Oceania		**Europe**		**America**		**Consolidated**	
	1.1.2021 to 30.6.2022 RM'000	**1.1.2020 to 31.12.2020 RM'000**	**1.1.2021 to 30.6.2022 RM'000**	**1.1.2020 to 31.12.2020 RM'000**	**1.1.2021 to 30.6.2022 RM'000**	**1.1.2020 to 31.12.2020 RM'000**	**1.1.2021 to 30.6.2022 RM'000**	**1.1.2020 to 31.12.2020 RM'000**
Revenue	98,140	240,527	1,338,255	1,110,920	-	-	1,436,395	1,351,447
Cost of sales	(83,753)	(191,233)	(1,106,907)	(868,408)	-	(1,099)	(1,190,660)	(1,060,740)
Gross profit/(loss)	14,387	49,294	231,348	242,512	-	(1,099)	245,735	290,707
Administration expenses and others	(195,283)	16,094	(710,999)	(159,134)	(1,455)	(4,763)	(907,737)	(147,803)
Operating profit/(loss)	(180,896)	65,388	(479,651)	83,378	(1,455)	(5,862)	(662,002)	142,904
Add: Depreciation and amortisation	37,850	28,031	104,268	71,658	3,051	2,391	145,169	102,080
Segment profit/(loss)	(143,046)	93,419	(375,383)	155,036	(1,596)	(3,471)	(516,833)	244,984
Less: Depreciation and amortisation							(145,169)	(102,080)
							(662,002)	142,904
Finance costs							(183,694)	(62,547)
Finance income							886	780
(Loss)/Profit before tax							(844,810)	81,137

34. Operating segment (continued)

Geographical segments (continued)

Major customers

The Group does not have any customers where the Group generates revenue equal to or more than 10% of the Group's total revenue.

Reconciliation of reportable segment profit or loss

	Group	
	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Total (loss)/profit for reportable segments before tax	(844,810)	81,137
Gain on discontinued operation	(81,070)	(124,902)
Consolidated (loss)/profit (excluding tax and discontinued operation)	(925,880)	(43,765)

	Asia and Oceania		Europe		America		Consolidated	
	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000	1.1.2021 to 30.6.2022 RM'000	1.1.2020 to 31.12.2020 RM'000
Segment assets	750,250	878,233	2,307,416	2,914,807	22,756	64,998	3,080,422	3,858,038
Segment liabilities	670,049	645,439	1,458,575	1,431,961	119,542	28,386	2,248,166	2,105,786
Capital expenditure	882	41,694	22,877	39,496	-	-	23,759	81,190
Depreciation and amortisation charged to profit or loss	37,850	28,031	104,268	71,658	3,051	2,391	145,169	102,080
Non-cash (income)/expenses other than depreciation and amortisation	83,592	(99,904)	461,747	17,727	67	16	545,406	(82,161)

35. Subsidiaries

The principal activities of the subsidiaries, their places of incorporation and the interests of KNM Group Berhad are as follows:

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2022 %	2020 %
Subsidiaries of the Company				
KNM Process Systems Sdn. Bhd. @	Design, manufacture, assembly and commissioning of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries	Malaysia	100	100
KNM International Sdn. Bhd. **@	Provision of management, technical advisory, license and trademark services to international related companies and related international investments	Malaysia	100	100
KNM Capital Sdn. Bhd.@	Provision of funding and treasury services and all related functions	Malaysia	100	100
KNM Management Services Sdn. Bhd.**#	Dormant	Malaysia	-	100
KNM Renewable Energy Sdn. Bhd.**@	Provision of process technology for the biofuels and seeds extraction plants, provision of turnkey services, including operation and maintenance services for biofuels and seeds extraction plants and related investments in the renewable energy industries	Malaysia	100	100
KNM Capital Labuan Limited @	Provision of funding and treasury services and all related functions	Labuan	100	100
Petrosab Petroleum Sdn. Bhd. **#	Investment holdings and management services	Malaysia	-	100

NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)

35. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2022 %	2020 %
Subsidiaries of the Company (continued)				
Litwin Asia Pacific Sdn. Bhd.**	Dormant	Malaysia	51	51
Prestige International Ltd. **	Provision of funding and treasury services and all related functions	Labuan	100	100
KNM Capital (PIC) Sdn. Bhd. **@	Dormant	Malaysia	100	100
Splendid Investments Limited **@	Dormant	Labuan	100	100
Subsidiary of KNM Capital (PIC) Sdn. Bhd.				
Petrosab Petroleum Engineering Sdn. Bhd. **@	Provision of services relating to the arrangement of design, engineering, procurement, construction testing and other kinds of services relating to oil, gas, petrochemical, minerals, biofuel and energy industries	Malaysia	94	94
Subsidiaries of KNM Process Systems Sdn. Bhd.				
KNM OGPET (East Coast) Sdn. Bhd.**@	Property investment	Malaysia	100	100
Duraton Engineering Sdn. Bhd.**@	Provision of non-destructive testing services	Malaysia	100	100
Perwira Awan Sdn. Bhd.**@	Property investment	Malaysia	100	100
KNM Technical Services Sdn. Bhd. **@	Provision of project management and technical services	Malaysia	100	100
Sumber Amantech Sdn. Bhd. **@	Provision of project management and technical services	Malaysia	100	100
KNM OGPET (Sabah) Sdn. Bhd. **#	Investment holding	Malaysia	-	80

35. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2022 %	2020 %
Subsidiaries of KNM Process Systems Sdn. Bhd. (continued)				
KNM Exotic Equipment Sdn. Bhd. @	Design, manufacture, assembly and commissioning of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries	Malaysia	100	100
KNM Europa BV @	Investment holding, financing, marketing and business development services to the related companies of KNM Group in Europe	Netherlands	100	100
KNM BORSIG Services Sdn. Bhd. **@	Contractor for oil and gas industries and provision of technical services	Malaysia	100	100
Deutsche KNM GmbH *	Investment holding	Germany	100	100
KNM-DP Fabricators Sdn. Bhd. **@#	Dormant	Malaysia	-	86
KNM Transparent Energy Sdn. Bhd. **@#	Dormant	Malaysia	-	100
Subsidiaries of KNM Renewable Energy Sdn. Bhd.				
Global Green Energy Corporation Ltd. **@	Investment holding	Isle of Man	100	100
Green Energy and Technology Sdn. Bhd. **@	Investment holding and design, engineer, construct, commission and operate waste to energy plants	Malaysia	51	51
Asia Bio-fuels Limited.**@	Investment holding	Republic of Mauritius	100	100

35. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2022 %	2020 %
Subsidiaries of KNM Renewable Energy Sdn. Bhd. (continued)				
Asia Biofuels II Ltd.**@	Investment holding	Republic of Mauritius	100	100
Subsidiaries of KNM International Sdn. Bhd.				
Verwater KNM Sdn. Bhd. **#	Dormant	Malaysia	-	100
Kimma Thai Co., Ltd. **@	Investment holding	Thailand	49	49
KNM Global Ltd. %	Provision of management, procurement, business development, technical advisory and marketing services	British Virgin Islands	100	100
PT KPE Industries **@	An asset holding company and shall own the land, manufacturing plant and machinery in relation to the Group's intended manufacturing facility at the Kabil Industrial Estate in Batam, Indonesia	Indonesia	100	100
Saudi KNM Ltd. @	Dormant	Saudi Arabia	51	51
KNM Project (Myanmar) Co. Ltd. **@	Repair and installation of machinery and equipment and construction of buildings	Myanmar	100	100
CNI Engineering & Construction Malaysia Sdn. Bhd.** ~	Engineering, procurement, construction, service fabrication and maintenance works for mechanical, electrical and erection related to oil and gas, power, petrochemical and renewable energy industries	Malaysia	100	70

35. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2022 %	2020 %
Subsidiary of KNM BORSIG Services Sdn. Bhd.				
BORSIG Services Australia Pty. Ltd. @	Contractor for the oil and gas industry and provision of technical and maintenance services	Australia	100	100
Subsidiary of KNM Exotic Equipment Sdn. Bhd.				
KMK Power Sdn. Bhd. **@	Investment holding	Malaysia	100	100
Subsidiaries of KNM Europa BV				
FBM Hudson Italiana SpA*@	Design and manufacture of air-cooled heat exchangers, specialty shell and tube heat exchangers and process gas waste heat boilers for the oil, gas, petrochemical and desalination industries	Italy	100	100
KNM Corporation @	Investment holding	Canada	100	100
KNM Project Services Limited **	Project management and services and provision of process technology for oil and gas, biomass, biofuels, waste to energy and power plants as well as provision of turnkey services including operation and maintenance services	United Kingdom	100	100
FBM Icoss S.r.l *@	Design and construction of fully welded plate type heat exchanger plates, bundle exchangers and jacketed pressure vessels for different fields such as chemical, petrochemical, textile, pharmaceutical, food industry, aerospace and research industries	Italy	100	100

35. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2022 %	2020 %
Subsidiary of FBM Hudson Italiana SpA				
FBM-KNM FZCO *	Provision of manufacture of air cooled heat exchangers, shell and tube heat exchangers, process gas waste heat recovery systems, heavy duty heat exchangers, columns, towers, reactors and other pressure vessels for the oil, gas, petrochemicals and desalination industries	United Arab Emirates	100	100
Subsidiary of Kimma Thai Co., Ltd.				
KNM Projects (Thailand) Co., Ltd. **@	Operate the business of providing the services relating to the arrangement of design, engineering, procurement, construction testing and other kinds of services relating to oil, gas, petrochemical, minerals, biofuel and energy industries	Thailand	74	74
Subsidiary of Global Green Energy Corporation Ltd.				
Peterborough Green Energy Ltd. **@	Develop, build, own and operate the total capacity of 80MW Biomass Waste to Energy Power Plant Project in Peterborough, United Kingdom	United Kingdom	100	100
Subsidiary of Asia Bio-fuels Limited & Asia Biofuels II Ltd.				
Impress Ethanol Co., Ltd. *@	Manufacturer and distributor of alcohol/ethanol or fuel from agricultural products	Thailand	72	72

35. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2022 %	2020 %
Subsidiaries of KNM Corporation				
KNM Industries Inc @	An asset holding company and shall own the land, manufacturing plant and machinery in relation to the Group's manufacturing facility in Edmonton, Alberta, Canada	Canada	100	100
KNM Process Equipment Inc @	Design, manufacture, procurement and manufacturing of process equipment, including without limitation pressure vessels, reactors, column and towers, drums, heat exchangers, air fin coolers, process gas waste heat boilers, specialised shell, tube heat exchangers, condensers, spheres, process tanks, mounded bullets, process skid packages and turnkey storage facilities for the oil, gas, petrochemicals and mineral processing industries in Canada and the North America Region	Canada	100	100
KPS Inc @	Investment holding	Canada	100	100
Subsidiary of KMK Power Sdn. Bhd.				
Poplar Investments Limited **@	Property investment	Isle of Man	100	100
KMK Green Ventures Sdn. Bhd. **@	Dormant	Malaysia	100	100

35. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2022 %	2020 %
Subsidiaries of KPS Inc				
KPS Technology & Engineering LLC @#	Provision of sulphur removal and recovery related services to clients in the oil, gas and energy/power industries in relation to sulphur removal and recovery technology	United States of America	-	94
KPS Technology Group LLC @#	Dormant	United States of America	-	100
Subsidiary of Deutsche KNM GmbH				
BORSIG GmbH *	Advisory and administration services as well as acquisition of and holding shares in other companies on behalf and/or its own account, in particular for and to companies of the BORSIG Group	Germany	100	100
BORSIG Boiler Systems GmbH *	Planning, delivery, installation, and implementation of constructions for generating plants as well as provision of maintenance and other services for such constructions	Germany	100	100
Subsidiaries of BORSIG GmbH				
BORSIG Process Heat Exchanger GmbH *	Processing, planning, fabrication and distribution of and the trading with machines, assets, apparatuses and miscellaneous components, particularly for generating plant, petrochemical and chemical industries	Germany	100	100
BORSIG ZM Compression GmbH *	System engineering, industrial fabrication, assembly services as well as the sale of machines and constructions of compressors, containers, silo and conveyor technique	Germany	100	100

35. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2022 %	2020 %
Subsidiaries of BORSIG GmbH (continued)				
BORSIG Membrane Technology GmbH *	Processing, planning, fabrication and distribution of and trading with machines and construction of apparatuses and miscellaneous components in the field of membrane technique	Germany	100	100
BORSIG Service GmbH *	Provides installation, maintenance and other industrial services of machines and construction of apparatuses and other components	Germany	100	100
BORSIG ValveTech GmbH *	Development, production and distribution of valves, compressor parts, monitoring systems for compressors, provision of maintenance and repair works of compressors and other assets	Germany	100	100
Subsidiaries of BORSIG Boiler Systems GmbH				
BORSIG Boiler Systems Sdn. Bhd.@	Sales and marketing, design, fabrication and manufacturing of high capacity industrial boilers, heat recovery steam generators and waste heat boiler for oil, gas, petrochemicals, minerals processing and energy industries	Malaysia	100	100
Subsidiary of BORSIG Membrane Technology GmbH				
GMT Membrantechnik GmbH *	Development, processing and distribution of membranes, membrane modules and membrane components	Germany	51	51

35. Subsidiaries (continued)

For financial period ended 30.06.2022:
* Audited by a member firm of KPMG.
** Audited by another firm of accountants.
@ The financial statements of these subsidiaries are prepared on a going concern basis as the Group will provide the necessary financial support, as appropriate.
% The subsidiary is in the progress of striking-off.
# The subsidiary is dissolved or strike off during the year.

Kimma Thai Co, Ltd.
Although the Group owns less than half of the ownership interest in Kimma Thai Co., Ltd. and less than half of the voting power of this entity, the Directors have determined that the Group controls this entity. By virtue of an agreement with its other investor, the Group has de facto control over Kimma Thai Co., Ltd. on the basis that the Group has the ability to direct the activities of Kimma Thai Co., Ltd. that significantly affect the return of Kimma Thai Co., Ltd..

36. Acquisition of subsidiaries and non-controlling interest

On 20 December 2021, a wholly-owned subsidiary of the Company, KNM International Sdn. Bhd. had entered into a share sale agreement with China Nuclear Industry 23 Construction Co. Ltd., to acquire the remaining 30% equity interest in CNI Engineering & Construction Malaysia Sdn. Bhd. ("CNIEC") for a consideration of RM136,000. The acquisition had been completed on 23 December 2021 and CNIEC has became a wholly-owned subsidiary of the Group.

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

Identifiable assets acquired and liabilities assumed	**Group 2022 RM'000**
Other receivables and prepayments	10
Cash and cash equivalents	374
Trade payables	(10)
Other payables and accruals	(161)
Net identifiable asset	213
Net cash outflow arising from acquisition of subsidiary	
Consideration paid, satisfied in cash	(136)
Cash acquired	374
Net cash inflow	238
Goodwill	
Consideration paid	136
Fair value of identifiable net asset	(213)
Non-controlling interest	951
Goodwill on acquisition	874
Goodwill written off	(874)
	-

37. Significant events during the financial period

37.1 On 21 January 2021, the Company had announced its intention to undertake a private placement of up to 296,923,400 new ordinary shares in the Company, representing not more than 10% of the issued ordinary shares in the Company. Subsequently on 3 February 2021, Bursa Malaysia Securities Berhad approved the listing of and quotation of up-to 296,923,400 new ordinary shares via a private placement to eligible investors. The private placement was completed on 3 February 2021 with the issuance of 296,923,400 new ordinary shares at RM0.175.

37.2 On 26 November 2021, the Company had announced its intention to undertake a private placement of up to 334,132,800 new ordinary shares in the Company, representing not more than 10% of the issued ordinary shares in the Company. Subsequently on 16 December 2021 and 28 December 2021, Bursa Malaysia Securities Berhad approved the listing of and quotation of up-to 141,000,000 and 193,132,800 new ordinary shares via a private placement to eligible investors. The private placement was completed on 17 December 2021 with the issuance of 141,000,000 new ordinary shares at RM0.145 and on 28 December 2021 with the issuance of 193,132,800 new ordinary shares at RM0.130.

37.3 On 18 November 2016, the Company has issued a bonds in Thailand amounted to THB 2,780 million (equivalent to approximately RM347 million) ("Thai Bonds") with maturity of 5 years from the date of issuance. The Thai Bonds are guaranteed by Credit Guarantee and Investment Facility, a trust fund managed by the Asian Development Bank ("CGIF"). The Thai Bonds had matured on 18 November 2021 and under the terms and conditions of the Thai Bonds, the Company is required to pay the principal sum of the bond within 14 days from the bond maturity date and to pay the coupon arose within 21 days from the bond maturity date.

On 6 December 2021, the Company has announced that an event of default has occurred on 3 December 2021 in relation to the payment of the principal sum of the Thai Bonds. Subsequently, the Company, on 10 December 2021, has announced another event of default in relation to coupon payment of the Thai Bonds. On 15 December 2021, the guarantor, CGIF, has made payment to the Bondholders on behalf of the Company and on the same day, CGIF has demanded immediate payment from the Group and the Company for the principal amount and interest amount paid on behalf of the Company, with additional guarantee fee, reimbursable cost, and indemnity interest charged by CGIF. The Company has on 29 December 2021, made payment to CGIF for the coupon and interest paid by CGIF and reimbursed the cost and expenses incurred by CGIF.

As of the date of the financial statements, bilateral discussion with CGIF is currently still ongoing.

37.4 On 23 May 2022, a subsdiary of the Company has entered into a Sale and Purchase Agreement ("SPA") with a purchaser for the proposed disposal of 15 BORSIG GMmBH ("BORSIG") Shares, representing 100% equity interest in BORSIG for a total disposal consideration of EUR220.8 million (equivalent to RM1,017 million).

38. Events subsequent to period end

(a) On 28 September 2022, the shareholders of the Company has approved the proposed disposal of BORSIG. On 31 October 2022, the purchaser and the Group have in principle agreed to revise the Closing Date of the SPA to 30 November 2022 and is currently preparing the necessary documents to effect this revision.

(b) On 26 October 2022, a subsidiary of the Company has been served with a winding-up petition issued by the Shah Alam High Court dated 23 September 2022 as the subsidiary is unable to honour the settlement agreement with a creditor. The case management and the hearing dates for the petition have been fixed on 27 October 2022 and 19 January 2023 respectively.

(c) On 7 March 2019, a subsidiary of the Company ("Claimant") had issued and submitted a Request for Arbitration (the "Request") against a customer with the Institute of the Stockholm Chamber of Commerce, in Sweden ("SCC"). The Request concerns disputes arising from a contract entered into with the Respondent on 3 December 2010. Based on the preliminary assessment by the lawyer representing of the Claimant, the Claimant may be liable for a net arbitration cost of USD1.8 million (equivalent to approximately RM8 million), which has been provided for in this financial period.

39. Comparative figures

The Group and the Company have changed the year end from 31 December 2020 to 30 June 2022. Accordingly, the financial statements of the Group and of the Company for the current financial period ended 30 June 2022 covers a 18 months period compared to a 12 months period for the previous financial year. The comparative amounts are therefore not comparable for the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and related notes of current financial year.

STATEMENT BY **DIRECTORS**

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 59 to 183 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 of 30 June 2022 and of their financial performance and cash flows for the financial period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………

Tan Sri (Dr.) Zulhasnan Bin Rafique
Chairman

……………………………………………………………

Tan Koon Ping
Director

Kuala Lumpur,

Date: 31 October 2022

STATUTORY **DECLARATION**

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Wong Toh Sing**, the officer primarily responsible for the financial management of KNM Group Berhad, do solemnly anpd sincerely declare that the financial statements set out on pages 59 to 183 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Wong Toh Sing (MIA No. CA10323), at Kuala Lumpur in the Federal Territory on 31 October 2022.

………………………………………………….
Wong Toh Sing

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KNM GROUP BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KNM Group Berhad, which comprise the statement of financial position as at 30 June 2022 of the Group and of the Company, and the 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 183.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2022, and of its financial performance and its cash flows for the period 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent 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 Ethics Standards Board for Accountants' *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.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1(b) to the financial statements which indicate that the Group and the Company have incurred a net loss of RM864,660,000 and RM167,910,000 respectively, for the financial period ended 30 June 2022. As of 30 June 2022, the Group's and the Company's current liabilities exceeded its current assets by RM110,779,000 and RM76,929,000 respectively. As stated in Note 1(b), these events and conditions, along with the matters set forth in Note 1(b)(i), (ii) and (iii) indicate that material uncertainties exist that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Our opinion is not modified in respect of these matters.

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 Company for the current period. These matters were addressed in the context of our audit of the financial statements of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. **Valuation of Goodwill and Other Intangible Assets**

Refer to Note 1(d) – Use of estimates and judgements, Note 2(f) – Intangible assets, Note 5 – Intangible assets and Note 16 – Assets classified as held for sale to the financial statements.

Under MFRS 136, Impairment of Assets, the Group is required to assess annually the amounts of goodwill and other intangible assets for impairment. The Group's goodwill on consolidation and other intangible assets amounted to RM398,895,000 and RM346,777,000 respectively as at 30 June 2022. The goodwill arose from the acquisition of Germany unit and other intangible assets are all held by the Germany unit, of which, all has been classified as held for sales as at period end. There is a risk that the carrying values of the Group's goodwill and other intangible assets may not be recoverable when comparing the carrying values with the recoverable amounts, which are determined based on fair value less costs of disposal. Due to the inherent uncertainties involved in estimation of fair value which are affected by market or economic conditions, this is one of the key judgemental area that our audit concentrated on.

How the matter was addressed in our audit

Our audit procedures included, among others, understanding the process activities undertaken by the management in assessing the potential impairment of cash-generating units ("CGUs") containing goodwill and other intangible assets. We assessed the valuation methodology adopted by management in determining the recoverable amounts.

In assessing reasonableness of the recoverable amounts, we evaluated the appropriateness of the assessment and projections used in computing the fair value less cost of disposal, with reference to internally and externally derived sources. We also evaluated the appropriateness of the key estimates and assumptions used to determine that they were appropriate and supportable.

We also evaluated the adequacy of the disclosures in the financial statements of the Group in respect of the method used to determine the recoverable amount.

2. **Construction Contracts Revenue, Construction Contracts Profits and Recoverability of Contract Assets**

Refer to Note 1(d) – Use of estimates and judgements, Note 2(p)(i) – Revenue from contracts with customers, Note 2(i) – Contract assets/Contract liabilities, Note 12 – Contract assets/Contract liabilities and Note 22 – Revenue, to the financial statements.

Judgement is particularly required to determine the number of performance obligations, method of allocating transaction price to each performance obligation, determination of whether revenue is to be recognised over time or at a point in time.

Key Audit Matters (continued)

2. **Construction Contracts Revenue, Construction Contracts Profits and Recoverability of Contract Assets (continued)**

The Group has construction contracts with targeted completion periods ranging from 12 to 36 months. In accordance with MFRS 15, construction contracts revenue is recognised over time based on output method, which is determined by reference to surveys of work performed or completion of a physical proportion of contract work. Judgement is required in the estimation of physical proportion of contract work completed. Where actual differs from the estimated physical work completion, such difference will also impact the contract costs and profits recognised. Due to the level of judgement involved, this is one of the key judgemental area that our audit is concentrated on.

How the matter was addressed in our audit

Our audit procedures included, among others, understanding the process activities undertaken by the Group and appropriateness of the Group's accounting policies on construction contracts revenue. We evaluated the Group's transition approach and the practical expedients applied. We used a variety of quantitative and qualitative factors to select construction contracts with a higher risk of material error based on their size or complexity for testing.

We read correspondences and minutes of meeting with customers, selected signed contracts and read key clauses to identify relevant contractual terms covering damages and variation orders and determined whether these were considered in accordance with the requirements of MFRS 15. This included inspection of amount of revenue agreed in signed contracts and approved variation orders.

In assessing reasonableness of construction contracts revenue, we evaluated reasonableness of the Group's output method, by obtaining documentations to support the stage of completion of physical contract work performed, and evaluated against the requirements of MFRS 15, Revenue from Contracts with Customers. We also compared the Group's stage of completion to our calculation if stage of completion was based on input method or actual contract costs incurred.

We also visited sites for certain material projects and held discussions with site personnel to gauge the reasonableness of the Group's estimation of stage of completion of physical contract work performed.

In assessing reasonableness of construction contracts profits, we evaluated the reasonableness of budgeted costs of each material project by comparing to prior year budgets and actual overhead costs incurred in similar completed projects.

In assessing recoverability of amount due from contract customers, for projects that appear to be behind schedule, we compared maximum damages exposure against provision made by the Group and inspected subsequent billings and payments. We also inspected minutes and correspondences with customers and corroborated the findings by obtaining assessments from operational and technical management personnel to evaluate the reasonableness of the Group's assessment.

We also assessed the completeness, accuracy and appropriateness of disclosures made in the financial statements in accordance with the requirements of MFRS 15.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KNM GROUP BERHAD
(CONTINUED)

Key Audit Matters (continued)

3. **Recoverability Assessment of Interests in Subsidiaries and Amounts due from Subsidiaries (Company level)**

Refer to Note 2(c) – Financial instruments, Note 6 – Interests in subsidiaries and Note 13 – Trade and other receivables to the financial statements.

We noted that several subsidiaries were either dormant since incorporation, or loss-making and have deficits in shareholders' funds at 30 June 2022, which led to indicators of potential impairment. Due to the substantial amounts with potential impairment concerns, we have identified this as one of the key judgemental area that our audit is concentrated on.

How the matter was addressed in our audit

We evaluated the financial position of the Company's subsidiaries and assessed management's impairment assessment and assumptions used which included timing of repayment, future plans and profitability and where applicable, remittance of dividends from the subsidiaries. We have compared the impairment loss provided for against exposure from outstanding amounts in evaluating the Company's impairment assessment.

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 information included in the annual report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do 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 annual report and, in doing so, consider whether the annual report 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, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

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 ability of the Group and of the Company 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.

- 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 internal control of the Group or the Company.

- 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 ability of the Group and of the Company 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 gives a true and fair view.

- 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 period 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in note 35 to the financial statements.

Other Matter

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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Tai Yoon Foo
Approval Number: 02948/05/2024 J
Chartered Accountant

Petaling Jaya

Date: 31 October 2022

LIST OF
TOP 10 MAJOR PROPERTIES
HELD BY THE GROUP AS AT 30 JUNE 2022

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age of the Building	Date of Acquisition / Revaluation	2022 Net Book Value (RM'000)
279 Moo 13 Khao Hin Sorn, Chachoengsao Thailand	(i) Industrial land	Freehold	758,688 m^2	–	–	25/11/2019	270,927
	(ii) Factory			66,780 m^2	14 - 30 years	25/11/2019	
Via Valtrighe, 5 & 6 24030 Terno d'Isola (BG); Italy	(i) Fabrication plant	–	–	48,937 m^2	56 years (First Phase) 31 years (Second phase)	31/12/2019	166,285
	(ii) Staff house	–	–	396 m^2	62 years	31/12/2019	
	(iii) Staff house	–	–	120 m^2	41 years	31/12/2019	
Via Italia 24030 Mapello (BG) Italy	(iv) Industrial area	–	65,550 m^2	–	–	31/12/2019	
	(v) Industrial area	–	144,819 m^2	–	–	31/12/2019	
	(vi) Reserved area	–	3,225 m^2	–	–	31/12/2019	
Plot U13 Storey's Bar Road Peterborough United Kingdom	Vacant land	Freehold	218,530 m^2	–	–	22/11/2019	146,206
Seiferitzer Allee 26 Meerane, Germany	(i) Fabrication plant and office	Leasehold (66 years) expiring on 26/7/2071	12,000 m^2	5,806 m^2	17 years/ 15 years (due to extension of the building)	31/12/2019	127,336
Egelisstraβe 21 Berlin Germany	(ii) Fabrication plant and office (extension on adjacent land)	Leasehold (66 years) expiring on 18/2/2075	10,422 m^2	5,562 m^2	14 years/13 years	31/12/2019	
Seiferitzer Allee 26 Meerane, Germany	(iii) Extension on adjacent land without building	Leasehold (66 years) expiring on 31/5/2078	16,121 m^2	–	–	31/12/2019	
Seiferitzer Allee 27 Meerane, Germany	(iv) Fabrication plant and office	Freehold	14,757 m^2	2,150 m^2	15 years	31/12/2019	
Lot 105 & 106 Jalan Gebeng 1/6 Gebeng Industrial Estate 26080 Kuantan Pahang Darul Makmur Malaysia	(i) Industrial land	Leasehold (66 years) expires on 1/6/2064	36,420 m^2	–	–	6/11/2019	59,685
	(ii) Fabrication plant and office building	–	–	13,368 m^2	22 years	6/11/2019	

LIST OF TOP 10 MAJOR PROPERTIES
HELD BY THE GROUP AS AT 31 JUNE 2022
(CONTINUED)

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age of the Building	Date of Acquisition / Revaluation	2022 Net Book Value (RM'000)
Jebel Ali Free Zone, Dubai, UAE	Fabrication plant and office building	Leasehold expires on 31/10/2030 (Renewable for every 10th years)	90,000 m^2	23,000 m^2	31 years	10/10/2019	55,033
Lot 208, Jalan PBR 19 and Lots 2835 & 2836, Jalan PBR 22, Bukit Rambai Industrial Estate, Tanjong Minyak, Melaka Malaysia	(i) Industrial land	Leasehold (99 years) expires on 28/5/2094	5,857 m^2	–	–	2/12/2019	37,728
	(ii) Industrial land		5,042 m^2	6,612 m^2	–	2/12/2019	
	(iii) Industrial land		17,769 m^2	–	–	2/12/2019	
	(iv) Fabrication plant and office building	–	–	6,369 m^2	19 years	2/12/2019	
	(iv) Fabrication plant and office building	–	–	9,879 m^2	31 years	2/12/2019	
Lot 75, Jalan Gebeng 1/6, Kawasan Perindustrian Gebeng, Mukim Sungai Karang 26080 Kuantan, Malaysia	(i) Industrial land	Leasehold (66 years) expires on 1/6/2064	42,230 m^2	–	–	31/12/2019	36,870
	(ii) Fabrication plant and office building	–	–	16,351 m^2	18 years	31/12/2019	
Kawasan Industri Terpadu Kabil (KITK) Jl. Hang Kesturi I Kav. A21 Kelurahan Batu Besar, Kecamatan Nongsa Batam 29467 Indonesia	(i) Industrial land	Leasehold (30 years) expires on 13/8/2036	82,824 m^2	–	–	1/11/2019	32,346
	(ii) Fabrication plant and office building	–	–	20,135 m^2	16 years	1/11/2019	
KM1.9, Jalan Benoni River Diversion, 89608, Kimanis, Papar Sabah	(i) Agricultural land (ii) Fabrication plant and office building	Leasehold (30 years) expires on 11/5/2041	44,030 m^2	7,921 m^2	– 11 years	2/12/2019 2/12/2019	15,682

ANALYSIS OF SHAREHOLDINGS

AS AT 30 SEPTEMBER 2022

ANALYSIS OF SHAREHOLDINGS

Total Number of Issued Shares	:	3,678,263,255*
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share held

Note:

* Inclusive of 1,841,275 treasury shares

DISTRIBUTION OF SHAREHOLDINGS
(as per Record of Depositors as at 30 September 2022)

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	1,778	4.75	81,505	0.00
100 to 1,000	4,108	10.97	2,428,636	0.07
1,001 to 10,000	14,215	37.95	74,255,287	2.02
10,001 to 100,000	13,957	37.26	535,490,380	14.57
100,001 to less than 5% of issued shares	3,398	9.07	2,433,489,722	66.19
5% and above of issued shares	2	0.00	630,676,450	17.15
TOTAL	**37,458**	**100.00**	**3,676,421,980^**	**100.00**

Note:

^ Excluding 1,841,275 treasury shares

THIRTY LARGEST SHAREHOLDERS
(as per Record of Depositors as at 30 September 2022)

No.	Name of Shareholders	No. of Shares Held	%#
1	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For Kenanga Investors Bhd	364,676,450	9.92
2	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For MAA Group Berhad	266,000,000	7.24
3	CGS-CIMB Nominees (Asing) Sdn Bhd Exempt AN For CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients)	111,219,354	3.03
4	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Mettiz Capital Sdn Bhd (PB)	80,456,200	2.19
5	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Imperium Edumaax Sdn Bhd	80,000,000	2.18
6	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Inter Merger Sdn Bhd	65,260,708	1.78
7	Affin Hwang Nominees (Asing) Sdn Bhd Pledged Securities Account For Aveda Assets Capital Inc	59,753,100	1.63
8	Ooi Cheow Har	59,540,300	1.62
9	Gan Siew Liat	56,296,250	1.53

ANALYSIS OF SHAREHOLDINGS
AS AT 30 SEPTEMBER 2022
(CONTINUED)

THIRTY LARGEST SHAREHOLDERS (CONT'D)
(as per Record of Depositors as at 30 September 2022)

No.	Name of Shareholders	No. of Shares Held	%#
10	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (TMEF)	44,700,000	1.22
11	Inter Merger Sdn Bhd	40,977,558	1.11
12	Seng Siaw Wei	40,000,000	1.09
13	HSBC Nominees (Asing) Sdn Bhd Exempt An For Bank Julius Baer & Co. Ltd. (Singapore Bch)	33,800,000	0.92
14	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yeoh Poh Choo	26,700,000	0.73
15	Sara Lee Mei Ching	25,116,434	0.68
16	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Genting Utama Sdn Bhd (M&A)	16,000,000	0.44
17	Microlink Systems Sdn Bhd	14,113,800	0.38
18	Er Soon Puay	14,000,000	0.38
19	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tay Hock Soon (My1055)	13,200,000	0.36
20	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mettiz Capital Sdn Bhd	13,000,000	0.35
21	Citigroup Nominees (Asing) Sdn Bhd CBHK PBGSG For Cornelius Assets Inc	10,750,000	0.29
22	Teo Tuan Kwee	10,500,000	0.29
23	Chong Tong Siew	10,000,000	0.27
24	Jaya Prem A/L Gopal Krishnan	10,000,000	0.27
25	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Inter Merger Sdn Bhd	9,288,247	0.25
26	Leong Poh Hoong	9,200,000	0.25
27	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Pang Sar	9,150,000	0.25
28	Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kok Tiu Wan	9,000,000	0.24
29	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohd Rizal Bahari Bin Md Noor	9,000,000	0.24
30	Low Meng Chee	8,304,000	0.23

ANALYSIS OF SHAREHOLDINGS
AS AT 30 SEPTEMBER 2022
(CONTINUED)

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders of the Company as at 30 September 2022)

	No. of Shares Held in KNM Group Berhad			
Name of Shareholders	**Direct**	**%[#]**	**Indirect**	**%[#]**
MAA Group Berhad	266,001,800	7.235	80,000,000[a]	2.176
Tunku Dato' Yaacob Khyra	–	–	347,201,800[b]	9.444
Gan Siew Liat	56,296,250	1.531	201,224,047[c]	5.473

DIRECTORS' INTERESTS IN SHARES IN KNM GROUP BERHAD AND RELATED CORPORATION
(as per Register of Directors' Shareholdings of the Company as at 30 September 2022)

	No. of Shares Held in KNM Group Berhad			
Name of Directors	**Direct**	**%[#]**	**Indirect**	**%[#]**
Tan Sri (Dr) Zulhasnan Bin Rafique	–	–	–	–
Tunku Dato' Yaacon Khyra	–	–	347,201,800[b]	9.444
Tan Koon Ping	–	–	–	–
Flavio Porro	500,000	0.01	–	–
Datuk Uwe Ahrens	–	–	–	–
Lim Mun Kee	–	–	–	–
Datuk Mohd Irwan Bin Mohd Mubarak	–	–	–	–
Safia Binti Ahmad Jahidi	–	–	–	–
James Beltran	–	–	–	–
Dato' Indera Naresh Mohan	–	–	–	–
Ravindrasingham A/L Balasingham	–	–	–	–

Notes:-

[#] Percentage interest is based on the total ordinary shares of 3,676,421,980 (excluding 1,841,275 treasury shares held as at 30 September 2022).

[a] Deemed interested by virtue of its direct interest in Edumaax Sdn Bhd .

[b] Deemed interested by virtue of his indirect interest in MAA Group Berhad, Imperium Edumaax Sdn Bhd and Melewar Industrial Group Berhad.

[c] Deemed interested by virtue of interest of her indirect interest in Inter Merger Sdn Bhd, indirect interest of her children in Tegas Klasik Sdn Bhd and Aveda Assets Capital Inc and interest of her children in KNM.

KNM Global Contacts:

KNM Process Systems Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** sales@knm-group.com
www.knm-group.com

KNM Renewable Energy Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

BORSIG Boiler Systems Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** info@borsigboiler-knm.com

KNM BORSIG Services Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** info@borsigservices-knm.com

BORSIG Process Heat Exchanger GmbH
Egellsstrasse 21, D-13507 Berlin, Germany
T +49 0 30 4301 01 | **F** +49 0 30 4301 2447 | **E** info@pro.borsig.de
www.borsig.de/pro

BORSIG ZM Compression GmbH
Seiferitzer Allee 26, D-08393 Meerane, Germany
T +49 3764 5390 0 | **F** +49 3764 5390 5092 | **E** info@zm.borsig.de
www.borsig.de/zm

BORSIG Membrane Technology GmbH
Bottroper Strasse 279, D-45964 Gladbeck, Germany
T +49 0 2043 4006 01 | **F** +49 0 2043 4006 6299 | **E** info@borsig-mt.com
www.borsig.de/mt

BORSIG Service GmbH
BORSIG Boiler Systems GmbH
Egellsstrasse 21, D-13507 Berlin, Germany
T +49 0 30 4301 01 | **F** +49 0 30 4301 2771 | **E** info@bs.borsig.de
www.borsig.de/bs

FBM Hudson Italiana SpA
Via Valtrighe 5 - 24030 Terno d'Isola (BG), Italy
T +39 035 494 1111 | **F** +39 035 494 1341 | **E** info@fbmhudson.com
www.fbmhudson.com

FBM-KNM FZCO
PO Box 17101, Jebel Ali Free Zone, Dubai, United Arab Emirates
(Plot 47-R-1, Jebel Ali Free Zone)
T +97 1 4 883 5681 | **F** +97 1 4 883 5860 | **E** commercial@fbm-knm.ae
www.fbmhudson.com

KNM Process Equipment Inc
Box 420, 6204-46 Ave, Tofield, AB T0B 4J0, Canada
T +1 780 662 3181 | **F** +1 780 662 3184 | **E** sales@knmcorp.com

KNM Europa BV
Boterbosstraat 2, 2820 Rijmenam Belgium
T +32 15 52 86 83 | **E** sales@knm-group.com

KNM Projects (Thailand) Co Ltd
825, Phairojkijja Building, 12th Floor Unit B,
Bangna-Trad Road, Khwaeng Bangna, Khetr Bangna, Bangkok 10260, Thailand
T +662 361 4757 / 4758 / 4759 | **F** +662 744 3088 | **E** info@impressethanol.com

Impress Ethanol Co., Ltd.
Impress Farming Co., Ltd.
825, Phairojkijja Building, 12th Floor Unit B,
Bangna-Trad Road, Khwaeng Bangna, Khetr Bangna, Bangkok 10260, Thailand
T +662 361 4757 / 4758 / 4759 | **F** +662 744 3088 | **E** info@impressethanol.com

KNM Project Services Limited
Second Floor, West Wing, Peterscourt, City Road,
Peterborough PE1 2SP, United Kingdom
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

Global Green Energy Corporation Ltd
Fort Anne, Douglas, Isle of Man IM1 5PD
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

Peterborough Green Energy Ltd
Ruthlyn House, 90 Lincoln Road, Peterborough, PE1 2SP, United Kingdom
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

KNM Group Berhad Registration No.: 200001018741 (521348-H)

15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.
Tel No. : +603 8946 3000 **Fax No. :** +603 8943 4781 **Email :** knm@knm-group.com **Website :** www.knm-group.com