



KNM Group Berhad

Registration No.: 200001018741 (521348-H)

Annual Report 2023



Our **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

Our **Mission**

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

INSIDE THIS REPORT

Corporate Information	01
Corporate Structure	03
KNM At A Glance	04
5-Year Group Financial Highlights	05
Chairman's Message	06
Management Discussion & Analysis	08
Profile of Directors	14
Profile of Key Senior Management	19
Corporate Governance Overview Statement	21
Sustainability Report	40
Audit Committee Report	48
Statement on Risk Management and Internal Control	52
Financial Statements	55
List of Top 10 Major Properties	176
Analysis of Shareholdings	178
Notice of 21 st Annual General Meeting	181
Form of Proxy	

Corporate Information

DOMICILE

Malaysia

Legal Form & Place of Incorporation

A public listed company incorporated in Malaysia under the Companies Act 1965 and limited by shares

Board Of Directors

Tunku Dato' Yaacob Khyra

Non-Executive Chairman

Ravindrasingham A/L Balasingham

Group Chief Executive Officer / Executive Director

Yee Hong Ho

Senior Independent Non-Executive Director

Ho Soo Woon

Independent Non-Executive Director

Thulasy Suppiah A/P Suppiah

Independent Non-Executive Director

Dato' Abd.Gani bin Yusof

Independent Non-Executive Director

Andrew Veno

Independent Non-Executive Director

Datuk Uwe Ahrens

Non-Independent Non-Executive Director

Dato' Indera Naresh Mohan

Non-Independent Non-Executive Director

James Beltran

Non-Independent Non-Executive Director

Board Committees

Audit Committee

Chairman

Yee Hong Ho

Members

Ho Soo Woon

Thulasy Suppiah A/P Suppiah

Nomination Committee

Chairman

Thulasy Suppiah A/P Suppiah

Members

Yee Hong Ho

Ho Soo Woon

Remuneration Committee

Chairman

Yee Hong Ho

Members

Thulasy Suppiah A/P Suppiah

Ho Soo Woon

James Beltran

ESOS Committee

Chairman

Yee Hong Ho

Members

Ho Soo Woon

Thulasy Suppiah A/P Suppiah

Ravindrasingham A/L Balasingham

Corporate Information

Secretary

Kenneth Goh Kwan Weng
(CCM PC No.: 202408000226)
(BC/G/88)

Auditors

Messrs. KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Telephone No.: +603 7721 3388
Facsimile No. : +603 7721 3399

Principal Place of Business

15, Jalan Dagang SB 4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Telephone No.: +603 8946 3000
Facsimile No. : +603 8945 7719

Registered Office

15, Jalan Dagang SB 4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Telephone No.: +603 8946 3000
Facsimile No. : +603 8945 7719

Share Registrar

Boardroom Share Registrars Sdn Bhd
(Registration No.: 199601006647 (378993-D))
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Telephone No.: +603 7890 4700
Facsimile No. : +603 7890 4670

Stock Exchange Listing

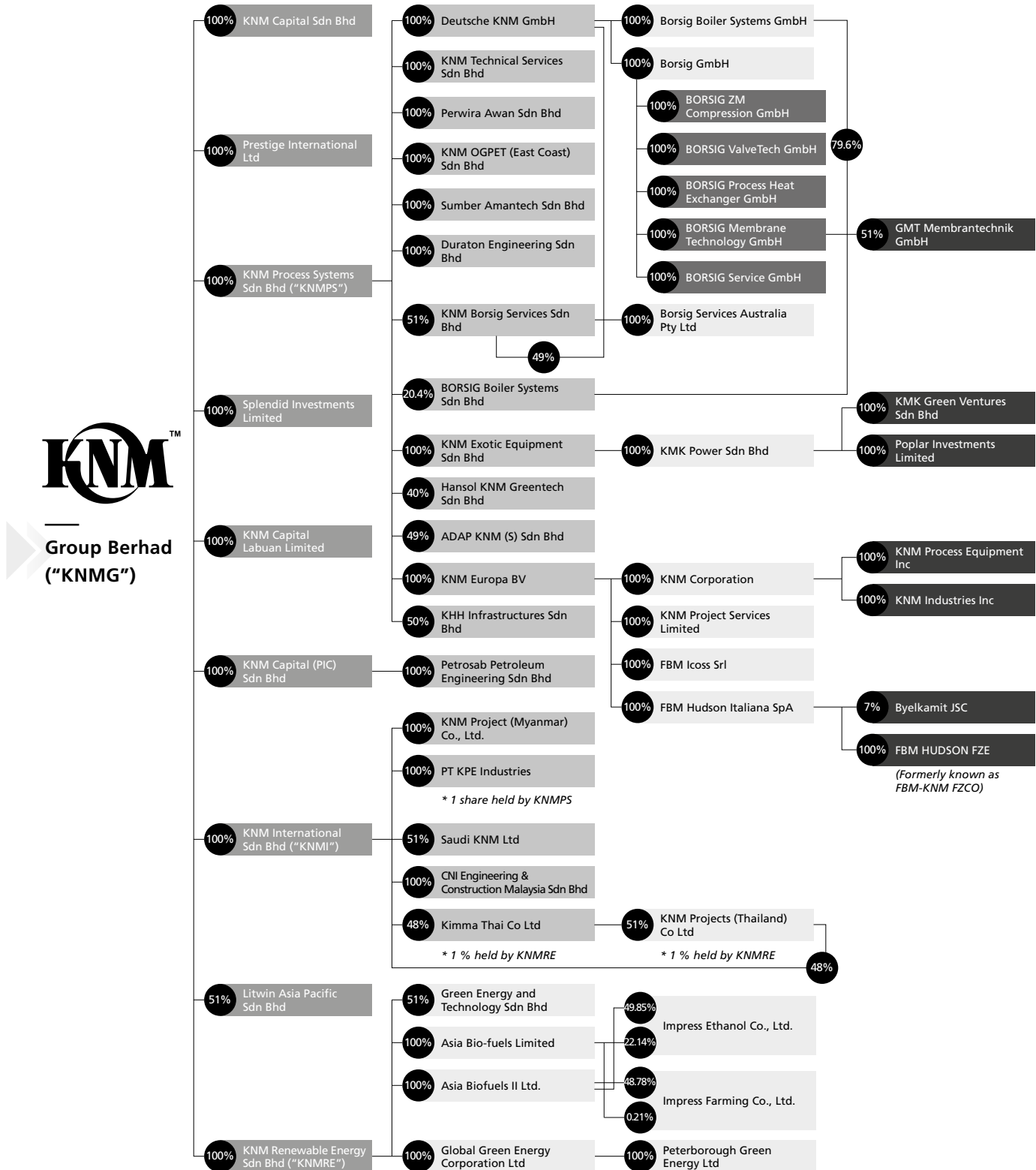
Main Market of Bursa Malaysia Securities Berhad
(Listed since 11 August 2003)
Sector: Energy
Stock Name: KNM
Stock Code: 7164

Website

www.knm-group.com

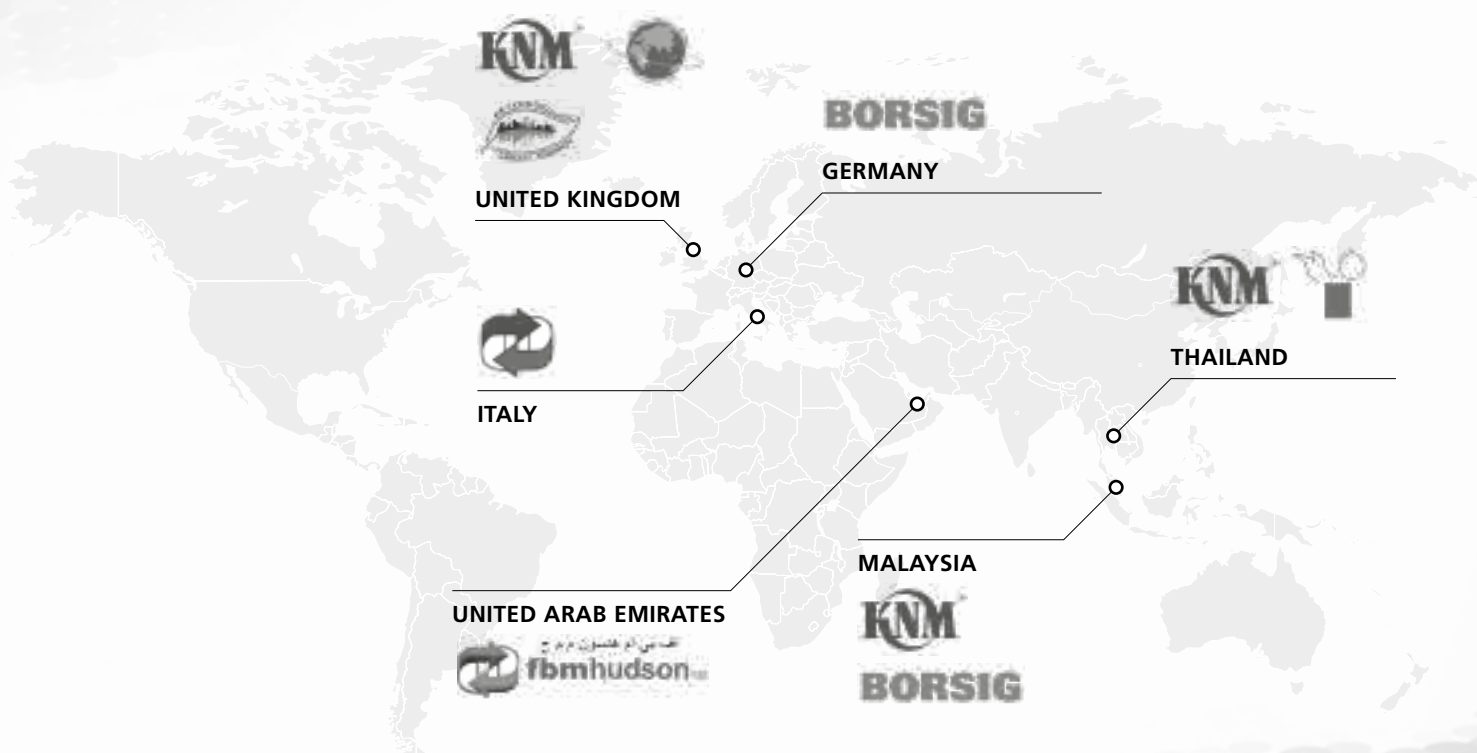
Corporate Structure

KNM Group's Corporate Structure as at 29 March 2024



KNM At A Glance

GLOBAL PRESENCE



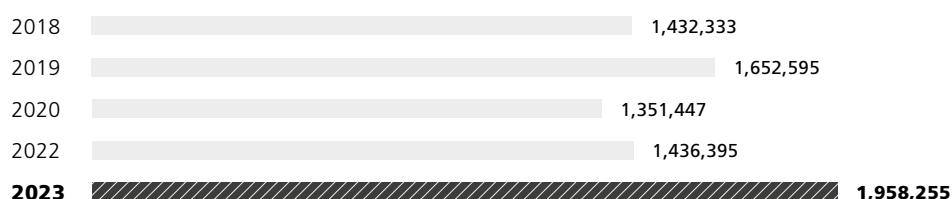
5-Year Group Financial Highlights

		2023 (18 months) [*]	2022 (18 months) [^]	2020	2019	2018
Revenue	RM'000	1,958,255	1,436,395	1,351,447	1,652,595	1,432,333
(Loss)/Profit Before Tax	RM'000	(367,995)	(844,811)	81,137	70,414	(412,352)
(Loss)/Profit After Tax	RM'000	(420,148)	(864,660)	56,571	35,057	(784,676)
Earnings/(Losses) Before Interest, Taxes, Depreciation and Amortisation	RM'000	6,291	(516,833)	244,984	239,780	(249,475)
Shareholders' Equity	RM'000	603,112	898,934	1,775,076	1,664,069	1,540,778
Basic (Loss)/Earnings Per Share	Sen	(10.13)	(24.21)	2.39	1.83	(33.03)
Net Assets Per Share	RM	0.12	0.23	0.60	0.64	0.66

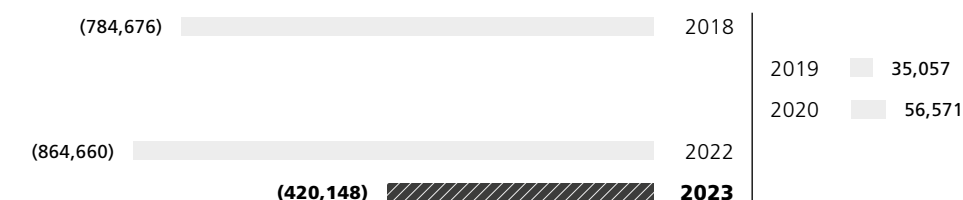
[^] The Company had on 21 March 2022, announced that it had changed the financial year end of the Company from 31 December to 30 June. Consequently, the audited financial statements for FY2022 shall be made up from 1 January 2021 to 30 June 2022 covering a period of 18 months and subsequently, the financial year of the Company shall end on 30 June.

^{*} The Company had on 30 May 2023, announced that it had changed the financial year end of the Company from 30 June to 31 December. Consequently, the audited financial statements for FY2023 shall be made up from 1 July 2022 to 31 December 2023 covering a period of 18 months and subsequently, the financial year of the Company shall end on 31 December.

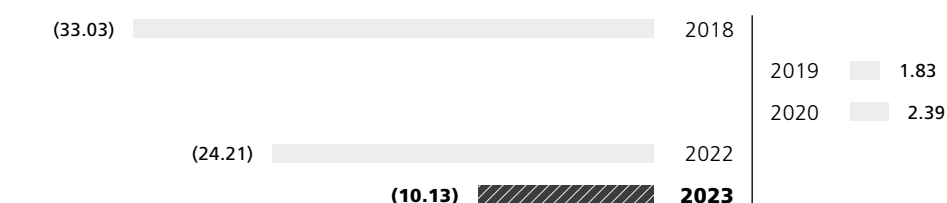
REVENUE (RM'000)



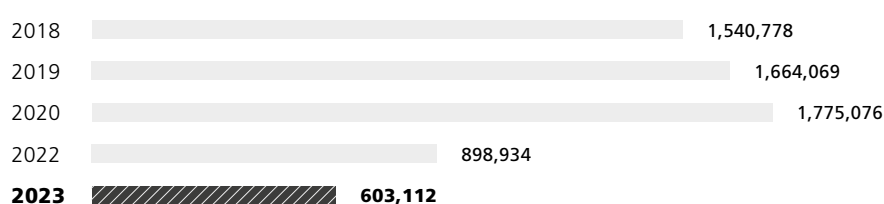
(LOSS)/PROFIT AFTER TAX (RM'000)



BASIC (LOSS)/EARNINGS PER SHARE (Sen)



SHAREHOLDERS' EQUITY (RM'000)



Chairman's Message



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report of KNM Group Berhad ("KNMG" or "the Company") and its subsidiaries (collectively referred to as "the Group") for the financial period ended 31 December 2023 ("FPE 31 December 2023").

Tunku Dato' Yaacob Khyra

Chairman of the Board

OPERATING ENVIRONMENT

Malaysia's gross domestic product (GDP) is expected to grow faster at 4% to 5% in 2024, driven by improved investment and external demand, despite a challenging external environment.

In the energy industry, oil prices breached the USD100 per barrel mark in early 2022, triggered by supply concerns following the geopolitical instability in Eastern Europe and slow global economic recovery. Consequently, it has resulted in double trouble for oil and gas supply chains, as companies grappled with sustained global inflation, volatile material supply and costs, and increasing economic headwinds.

Despite these challenges, the Board of Directors ("the Board") will continue to be cautious while continuing its efforts in implementing and executing the restructuring plans.

PERFORMANCE OF THE GROUP

In relation to the financial challenges of the Group during the last 18 months, the Board has worked closely with the 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.

To address the Group's PN17 status, the Company has appointed M&A Securities Sdn Bhd to be the principal adviser to help formulate a regularisation plan to be submitted to Bursa Malaysia.

We have appointed Ernst & Young (EY) as our financial consultant to advise the Company with scheme creditors in relation to the proposed debt restructuring (Scheme of Arrangement) under the Restraining Order ("RO").

Chairman's Message

The Group is undergoing extensive restructuring, during which non-core businesses will be disposed of, along with some of the core businesses. The proceeds from these disposals will be used to settle the debts of the Group. On completion of this exercise, the future business operations of the Group will consist of the Borsig Group and in Malaysia, a streamlined KNM Process Systems Sdn Bhd ("KNMPS") operations.

BORSIG GROUP

The BORSIG Group recorded sales of €327 million. The high level of profitability enabled a record result of €48.9 million (EBIT: Earnings Before Interest and Tax). At the same time, we achieved a record high of new orders worth of €240 million for the year 2023, which ultimately led to backlog orders of €165 million at the end of 2023. This ongoing order covers a significant portion of revenue in 2024 and in 2025. The mechanical workshops and engineering capacities are well optimised for 2024.

KNMPS GROUP

For the financial period under review, KNMPS continued to complete existing orders. It was a challenging time without the support from financial institutions and working capital limitation to complete the orders at hand. Under normal circumstances, customers will terminate the orders to safeguard their interest. However, most of all our customers decided to support and continue the jobs by injecting direct project financial supports.

Amongst the support were direct payment to company's project creditor, advances and release of retention sum and project incentive for early project completion. This demonstrated our customers continued confidence and faith in KNMPS in completing projects despite the PN17 and RO status. The direct participation of the Company's Top Management during this financially challenging period is evident that KNMPS has been a reliable business partner as well as a reliable global brand name in supplying process equipment worldwide, across all continents.

FBM GROUP

The Group had announced that the sub-subsidiary of the Company, KNM Europa B.V., had on 27 March 2024 entered into a Share Purchase Agreement with BM Carpenterie Oil & Gas S.r.l., and Officine Piccoli S.p.A. to dispose of its 100% equity in FBM Hudson Italian S.p.A., for an aggregate cash consideration of EUR 16,500,000.00.

The Management is continuously finding ways to speed up the monetisation process particularly on Thailand-based Company Impress Ethanol Company Ltd and UK-based Company Peterborough Green Energy Ltd. The monetisation exercises are ongoing with absolute transparency and valued by our existing creditors, where majority of the creditors supports the Company on the SOA.

MOVING FORWARD

Even as we continue to improve our operations amid global uncertainties, we remain steadfastly committed to our Environmental, Social and Governance ("ESG") responsibilities and business sustainability. As the world accelerates along the ESG driven economic path, it is expected that capital expenditure in this sector will continue to grow for several decades, not only in Europe and the Americas, but also significantly in Asia.

BORSIG is already invested in the ESG sector, and stands to benefit significantly over this growth period. Continued demand growth from the chemical, petrochemical, oil & gas, and energy sectors, will drive the demand for the Process Equipment manufactured by BORSIG, and will further expand operating profit margins, brought about by BORSIG's Oligopolistic market status, in the main sectors it operates in.

BORSIG's key end product markets have strong growth prospects on the back of ambitious energy transition and sustainability aspirations. The hydrogen demand is mainly driven by a carbon-neutral fuel approach to road transport and industrial applications. Government's initiatives worldwide fostering the production of hydrogen infrastructure would accelerate the growth of hydrogen market.

The challenges for the 2024 financial year include processing the very high order backlog and addressing strategic issues, such as ensuring employee satisfaction and successful recruitment, establishing internal management systems and procedures to comply with the new European CSRD legislation (Sustainability, ESG) and managing tasks resulting from the new supply chain laws (EU and Germany).

IN APPRECIATION

Finally, the Board and Management will continue to explore new ways forward to address the ongoing disruptions in our industries and turn around the Group. We express utmost gratitude to all our employees who have delivered their unwavering commitment and the continued support of customers, vendors, and the other stakeholders in where we operate.

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 trust and support.

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 30 June to 31 December as announced to the Bursa Malaysia Securities Berhad on 30 May 2023. 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 31 December 2023 remained challenging with the lingering effects of the COVID-19 pandemic and disruptions from the Russia-Ukraine conflict persisting into 2023 and hinders the recovery of global markets.

The effects of the COVID-19 pandemic and volatile crude oil prices have caused the Group to suffer from delays in the award and implementation of certain process equipment contracts that were expected to materialise as well as in the construction progress of our existing capital expenditure expansion on renewable energy projects abroad. The suspension of the Group’s working capital facilities starting February 2020 has worsened the situation. Our inaccessibility to working capital and bank guarantees had resulted in missed tender opportunities with an estimated value of USD50 million. 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

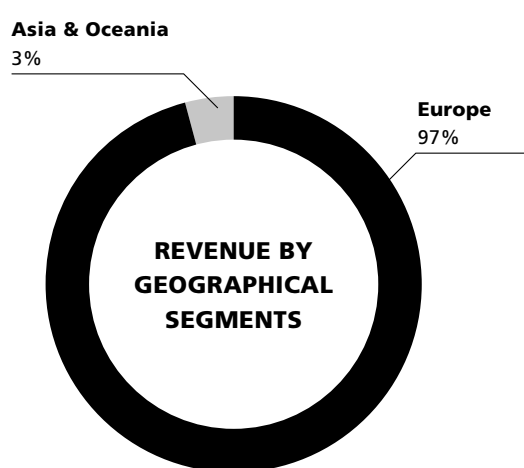
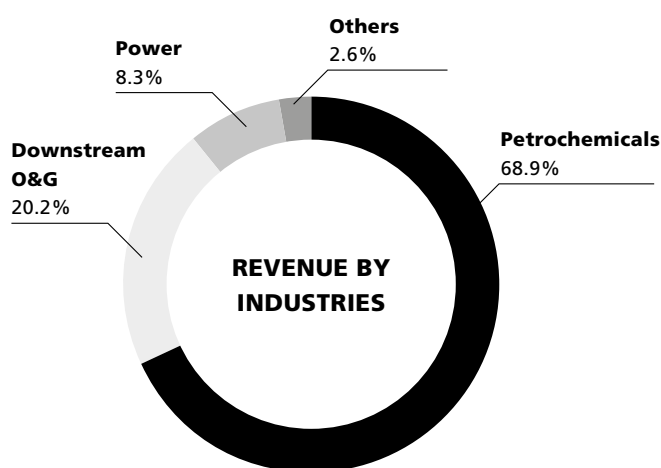
Despite the lingering effects of the COVID-19 pandemic and disruptions from the Russia-Ukraine conflict persisting into 2023, the Group closed its 18-month financial period ended 31 December 2023 with a revenue of RM1.96 billion. The higher revenue was mainly contributed by Germany operations, i.e. Borsig which saw increased business activities.

The Group’s gross profit stood at RM339.42 million with an average gross profit margin of 17.3%, despite a higher production costs incurred to complete the ongoing projects due to supply chain constraints, higher energy prices, and limited working capital and bank guarantee facilities.

Management Discussion & Analysis

To weather 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, and additional project costs provided upon closure of certain long outstanding projects at an aggregate total of approximately RM124.78 million during the current financial period. Consequently, the Group reported a Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of RM5.61 million. Without all these non-cash accounting adjustments, the Group would have reported an EBITDA of RM130.39 million on the back of a leaner administration of the Group despite our FBM plants in Italy and Dubai 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 RM368.67 million in the current financial period following the higher 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 as well as the provision of Liquidated Ascertained Damages (LAD) in the current financial period due to overall lower business activities in Malaysia & Italy operations caused by limited working capital and bank guarantee facilities.



SEGMENTAL PERFORMANCE

Europe Segment

Our Europe Segment retained its position as the pillar of the Group. The Europe Segment posted a revenue recognition of RM1.90 billion, mainly contributed by our fabrication plants in Germany, namely Borsig. Borsig had contributed 80% to the consolidated revenue of the Group for the financial period under review.

This Segment contributed a gross profit of RM329.16 million to the Group during the current financial period and achieved an EBITDA of RM108.98 million with a non-cash accounting impairment of goodwill and receivables of approximately RM37.40 million provided in order to reflect its fair valuation. It is noticeable that without this non-cash accounting impairment on goodwill and receivables, this Segment would have had posted an EBITDA of RM146.38 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 to GPR Siebzigste Verwaltungsgesellschaft mbH for a consideration of EUR220.80 million ("Proposed Disposal"). After due consideration of all aspects of the Proposed disposal, in the best interest of the Company and its stakeholders, DKNM had decided not to further extend the Longstop date of the Proposed disposal and instead exercised its withdrawal right under the share sale and purchase agreement. Hence, the Proposed Disposal did not materialise.

Management Discussion & Analysis

On 16 December 2022, the Company had announced that the Board of Directors had agreed to the proposed listing of Borsig GmbH on the main board of the Singapore Stock Exchange Securities Trading Limited ("SGX-ST") by way of an initial public offer ("IPO"), with a view of achieving a market capitalisation of up to USD300 million or its Singapore Dollar equivalent and a placement of 49% of the enlarged capital comprising vendor and/or new shares("Proposed Listing").

On 26 May 2023, the Company has announced the proposed disposal of 100% equity interest in its fabrication businesses and facility located at Italy and United Arab Emirates ("UAE") given its financial status which needs immediate restructuring and investment. On 27 March 2024, the Group had entered into a Share Purchase Agreement with buyers from Italy to dispose of its 100% equity in Italy and UAE for an aggregate cash consideration of EUR16,500,000.

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 RM63.21 million to the Group from the fabrication business during the financial period under review following the Company fell into PN17 status with limited working capital and bank guarantee facilities, resulting in a lower overall project progress coupled with slow replenishment of new orders during this period and no contribution from Thailand's operations since October 2020.

This Segment reported a gross profit of RM10.26 million with an LBITDA of RM108.66 million after taking into the account of the non-cash accounting impairment of assets and receivables and the additional project costs provided upon closure of certain fabrication projects, and late delivery charges totalling approximately of RM69.38 million. Without these non-cash accounting adjustments, this Segment would have achieved a lower LBITDA of RM39.28 million mainly due to the fixed factory maintenance cost incurred for the fabrication plants in Malaysia and ethanol plants in Thailand.

The production of our bio-ethanol plant in Thailand ("IEL") was halted since October 2020 following the significant increase in the cassava chip prices in late 2018. Consequently, IEL had to gradually reduce its production activities in late 2019 to curb the operating loss while maintaining a minimal maintenance and running costs.

America Segment

This segment had ceased operations in the previous financial period and posted insignificant operating loss to the Group mainly arising from the unrealised foreign exchange loss.

FINANCIAL POSITION

Total Assets

At 31 December 2023, the total assets of our Group were reported lower at RM3.01 billion as against RM3.08 billion at 30 June 2022 mainly due to the lower cash and cash equivalents.

The Group has recognised assets held for sale of RM463.42 million in accordance with the Malaysia Financial Reporting Standard 5 Non-current Assets Held for Sale and Discontinued Operations in relation to the Proposed Disposal of FBM Hudson Group, at their selling prices less costs to sell at 31 December 2023. However, Borsig is no longer classified as Assets Held for Sale and Discontinued Operations as the Proposed Disposal did not materialise. These assets held for sale have significantly decreased the current asset ratio of the Group from 0.94 time at 30 June 2022 to 0.49 time at 31 December 2023.

Total Liabilities

Total liabilities of our Group were higher at RM2.51 billion as at 31 December 2023 as compared with RM2.25 billion at 30 June 2022, was mainly contributed by higher deferred tax liabilities and contract liabilities.

Management Discussion & Analysis

Liquidity and Gearing Ratio

The Group's borrowings consistently stood at RM1.26 billion as at 31 December 2023 as compared to 30 June 2022. The gearing ratio of the Group increased from 1.52 times as at 30 June 2022 to 2.53 times as at 31 December 2023 mainly due to the reduction in equity as a result of losses and impairments in year 2023.

On 27 December 2022, the Company announced that it had defaulted on the principal repayment of USD3.4 million and interest of USD16,104 ("Arrears") due to Bank of China (Malaysia) Berhad ("the Lender") by a wholly-owned subsidiary, KNM Capital Labuan Limited ("the Borrower"), have occurred on 26 December 2022.

On 7 December 2022, the Company announced that it had defaulted on the principal payment of the loans in relation to the USD23.0 million and EUR68.5 million credit facilities ("Loans"), have occurred on 1 December 2022.

The Loans are granted by the lenders below to KNMG's indirect wholly-owned subsidiaries:

Lenders	Borrowers	Principal Amount
Danos Limited (" Danos ")	Peterborough Green Energy Ltd (" PGEL ")	EUR68.5 million
TransAsia Private Capital Limited, in its capacity as Manager, for and on behalf of the Asian Trade Finance Fund 2, a sub-fund of the TA Asian Multi-Finance Fund (" TA ")	KNM Renewable Energy Sdn Bhd (" KNMRE ")	USD13.0 million
TA	Splendid Investments Limited (" SIL ")	USD10.0 million

Danos and TA are collectively known as the "**Lenders**"; the Security Agent of the Lenders is TA Private Capital Security Agent Ltd.

PGEL, KNMRE and SIL are collectively known as the "**Borrowers**".

On 6 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 31 December 2023 was estimated at RM456.26 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 RM1.13 billion as at 31 December 2023 (30 June 2022: RM110.78 million). The Directors acknowledged the current liquidity exposure of the Group and, on 16 December 2022 announced it had granted a Restraining Order ("RO") from High Court of Kuala Lumpur for a period of 3 months, enabling the Company to initiate the Scheme of Arrangement ("SOA") process with the Scheme Creditors. The RO was subsequently extended several times until 24 November 2023. However, a second RO was granted on 21 November 2023 by the High Court of Kuala Lumpur for a period of 3 months, subsequently extended to 26 April 2024. On 26 April 2024, the Company has filed an application to the High Court of Kuala Lumpur for a third RO. As such, the Group undertakes several corporate exercises under the SOA and regularisation plan to enhance its financial position and eventually be lifted from PN17 status. In addition, the Group will continue to implement appropriate strategies so that the Group will be profitable in the future and enjoy continuous support from its stakeholders.

Management Discussion & Analysis

RISK EXPOSURE

KEY RISK	DESCRIPTION	MITIGATION MEASURES
Operational	<p>Operational risk relates to the frequency and timeliness of new order replenishment affecting consistency of revenue recognition.</p> <p>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.</p> <p>Competition from local and overseas competitors who provide similar products and services offerings.</p>	<ul style="list-style-type: none"> The Group is developing recurring income businesses that would provide a more sustainable income stream over the long term. The Group ensures that prices of all major raw materials required are locked-in as soon as the process equipment contract is secured; and The 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. The 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	<p>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.</p> <p>Financial risk involves the ability of the Group or the Company to meet its obligations under the credit facilities when they fall due.</p> <p>The Group's financial condition and its liquidity constraints remain a concern. The Group is undergoing negotiations with its lenders and creditors to meet its obligations. Delayed payments to trade creditors have impacted the ability to deliver on some projects.</p> <p>The factors above culminated in KNM being designated as a PN17 listed issuer.</p> <p>Without active resolution of the mentioned items, there could be material adverse impact to our future earnings, cash flows and financial condition, which could threaten the Group as a going concern</p>	<ul style="list-style-type: none"> The 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. The financial risk of the Group is dependent on significantly improving its liquidity position. To this effect, the Board and the Management continue to undertake steps to regularise operations and the financial conditions of the Group with the following: <ol style="list-style-type: none"> Established a Board Restructuring Taskforce to steer and provide oversight on the regularisation plan, Appointed financial and legal advisors to assist in the debt restructuring exercise, and a principal advisor for the purpose of the PN17 Regularisation Plans, Applied and granted new convening and restraining orders, following the expiry of the same orders obtained last year, enabling KNM Group to continue negotiating a fair and equitable solution with all its stakeholders, without being distracted by the threat of legal proceedings.

Management Discussion & Analysis

OUTLOOK

Construction and Services

The Board anticipates that the outlook for the financial period will continue to remain challenging, given the global economic condition and the various corporate actions still being executed to restructure the Group. Taking the impact of all these factors, the uncertainties in the short term are at an elevated level.

The immediate priority for the Group is to reduce its unsustainable debts with lenders and resolve overdue payments to its vendors. While we acknowledge the lengthy negotiations due to the sheer size and complexity of the debt restructuring exercise, we are determined to arrive at an amicable landing and ensure the interest of our stakeholders will be considered in a fair and equitable manner.

In line with our restructuring plan, we are looking to bring in fresh capital while paring down our debts through debt restructuring, commercial settlements, and the divestment of our interest within the Group. We will also need to embark upon recovering our access to credit lines and bank guarantees.

On the operational front, 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.

We will continue to pursue these opportunities and secure more new contracts by leveraging its agility, assets, and proven track record.

In view of the strong demand for renewable energy sector, the Group foresees that its subsidiaries in Germany, i.e. Borsig with its long-standing heritage in its product markets will benefit from the renewable energy investment particularly in green hydrogen. Its Process Heat Exchangers, Membrane, Compressor, and Valve Technology segments which are in the forefront of green hydrogen technology are expected to be driven strongly by the acceleration of environmental regulations, resource scarcity, need for alternative fuels which is proven by its strong order books.

Barring any unforeseen circumstances, the Group aims for positive performance in its European operations and market.

Profile of Directors

Tunku Dato' Yaacob Khyra

Non-Executive Chairman

Aged 63, Malaysian, Male

Tunku Dato' Yaacob Khyra was appointed to the Board as a Non-Independent Non-Executive Director on 1 November 2021 and was subsequently redesignated as Non-Executive Chairman on 9 February 2023.

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 Turiya Berhad, 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 Batteries Limited (listed in Australia), Chase Perdana Sdn Bhd and several other private limited companies. His shareholdings in the Company is disclosed on page 180 of the Annual Report.

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

Tunku Dato' Yaacob does not have any personal interest in any business arrangements involving the Company.

Tunku Dato' Yaacob does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Ravindrasingham A/L Balasingham

Group Chief Executive Officer / Executive Director

Aged 59, Malaysian, Male

Mr Ravindrasingham A/L Balasingham was appointed to the Board as Non-Independent Non-Executive Director on 1 December 2021 and was subsequently redesignated as Group Chief Executive Officer/Executive Director on 8 November 2022.

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.

He does not have any personal interest in any business arrangements involving the Company.

He does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors

Yee Hong Ho

Senior Independent Non-Executive Director

Aged 54, Malaysian, Male

Mr Yee Hong Ho was appointed to the Board as an Independent Non-Executive Director of the Company on 15 March 2023. He began his career with Kassim Chan & Co (now known as Deloitte) in 1994 and later joined KPMG in 2005 before he left as Audit Director in 2012.

He has over 18 years of experience in providing audit and business advisory services to clients in a wide range of industries. His portfolio of clients included major public listed companies and local subsidiaries of multinational corporations operating in various industries, including banking and financial services, manufacturing and trading, construction contracts, engineering, consultancy services, logistic and transportation, oil and gas, hospitality and other service industries.

His experience also includes financial due diligence reviews for the acquisition of business entity, reporting accountants for purposes of IPO, review of profit forecasts in connection with rights issue exercises. Currently holds various directorships within the RFY Group of Companies involved at Group level matters across the spectrum of group business activities, such as Finance, Corporate Affairs, Risk Management, People Management and Regulatory Compliance functions of the Group.

He is a Fellow Member of the Association of Chartered Certified Accountants and a Member of the Malaysian Institute of Accountants.

He does not have any personal interest in any business arrangements involving the Company.

He does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Ho Soo Woon

Independent Non-Executive Director

Aged 61, Malaysian, Male

Mr Ho Soo Woon ("Steve Ho") was re-appointed to the Board as an Independent Non-Executive Director on 3 November 2023.

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 specialises 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 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 does not have any personal interest in any business arrangements involving the Company.

Mr Steve Ho does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors

Thulasy Suppiah A/P Suppiah

Independent Non-Executive Director

Aged 40, Malaysian, Female

Ms Thulasy Suppiah was appointed to the Board as an Independent Non-Executive Director of the Company on 15 March 2023. She holds an LL.B (Hons) degree from the University of London, U.K. She was admitted as a Barrister-at-Law (Lincoln's Inn) in 2013 and to the Malaysian Bar in 2014. She currently manages her own practice, an all-service firm, and leads the litigation department.

Prior to embarking on a career in law, Ms Thulasy Suppiah was a Solutions Consultant for Oracle Corporation known for its software application for business and the Oracle database software until 2012. As part of her role, she specialised in human capital management systems and collaborated with partners both within Singapore and across other South-East Asian countries such as Vietnam and Thailand. A computer engineering graduate, she was awarded a B.Eng (Computer Engineering) by the National University of Singapore in 2007.

Ms Thulasy Suppiah was the Chairperson of the Gender Equality & Diversity Committee (GEDC) and continues to serve as a member of the Kuala Lumpur Bar Committee. She was formerly involved with the Association of Women Lawyers as an Exco member. More recently, she annotated the LexisNexis Annotated Statutes of Malaysia: Mental Health Act 2001.

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

She does not have any personal interest in any business arrangements involving the Company.

She does not have any conflict of interest with the Company and she has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Datuk Uwe Ahrens

Non-Independent Non-Executive Director

Aged 59, Germany, Male

Datuk Uwe Ahrens was appointed to the Board as 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 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.

He does not have any personal interest in any business arrangements involving the Company.

He does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors

Dato' Indera Naresh Mohan

Non-Independent Non-Executive Director

Aged 58, Singaporean, Male

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-Chancellor 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.

Dato' Indera Naresh does not have any personal interest in any business arrangements involving the Company.

Dato' Indera Naresh does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

James Beltran

Non-Independent Non-Executive Director

Aged 58, Malaysian, Male

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 does not have any personal interest in any business arrangements involving the Company.

He does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors

Dato' Abd.Gani Bin Yusof

Independent Non-Executive Director

Aged 69, Malaysian, Male

Dato' Abd.Gani was appointed to the Board as an Independent Non-Executive Director of the Company on 20 March 2024. He holds a Bachelor of Science Degree (Housing, Building & Planning) BSc. Hons. from University Sains Malaysia, Penang.

He has been in the multi discipline industry for more than 40 years having started his career in 1980 with Peremba Berhad as Project Manager, Property Investment Company. During his tenure in Peremba Berhad, he led the construction and completion of the Saujana Golf & Country Club, a renowned golf resort development.

He left Peremba Berhad and joined United Engineers (M) Bhd ("UEM") in 1988 as a General Manager until 1991 when he was promoted to Project Director. While in UEM he also served as Managing Director of Linkedua Construction of the Malaysia-Singapore Second Link Project and the development of the Nusajaya Township.

He left UEM to pursue his private investment opportunities and he established Magna Prima Berhad (MPB), a property development company and Metronic Global Berhad, an engineering and IT based conglomerate. Both corporations are listed on Bursa Malaysia.

He also sat on a number of committees at national and international level. His directorships in public listed companies include as Executive Vice Chairman of Metronic Global Berhad (2004-2012), Chairman of Magna Prima Berhad (1996-2006), Director of Road Builders Berhad (1997-2002), Kuantan Flour Mills Bhd (2000-2002), Berger International Ltd (1991-1995), Ho Hup Construction Berhad (1991-1995), Kejora Harta Berhad (1995-1997) and Managing Owner and Director of Cosmo Restaurant Sdn Bhd 'Franchisees of Burger King for Malaysia' (1997-2011).

He has since formed his privately owned group of companies, Danivest Sdn Bhd whose core competencies are in Turnkey Project, Land and Property Development, Civil Engineering & Construction as well as Project Management.

He does not have any personal interest in any business arrangements involving the Company.

He does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Andrew Veno

Independent Non-Executive Director

Aged 62, Malaysian, Male

Mr Andrew Veno was appointed to the Board as an Independent Non-Executive Director of the Company on 25 March 2024.

Mr Andrew holds a Master of Laws (LLM) in Business Law and Bachelor of Laws (Honours) awarded by International Islamic University Malaysia. He is also a member of Certified Financial Investigation.

Mr Andrew started his career in the Royal Malaysia Police Force as an Inspector of Investigation Officer & Senior Investigation Officer at Georgetown Police District Headquarters, Penang in 1983. Upon completion of his training, he was appointed as Chief Inspector - Serious Crime Investigation Officer, Crime Investigation Department ("CID") Kuala Lumpur Police and then promoted as Chief Inspector - Assistant Registrar of Criminal Malaysia & Singapore / Finger Print Expert CID Bukit Aman.

Throughout the years, he was promoted and appointed in various position, among others, as an Assistant Superintendent - Corporate Crime Investigation, Commercial Crime Investigation Department ("CCID") Bukit Aman, Deputy Superintendent - Head of International Cooperation CCID Bukit Aman and also as Superintendent - Special Investigation Anti Money Laundering (AMLA) Inspector-General of Police (Malaysia) (IGP) Secretariate Bukit Aman.

He also has served as Assistant Commissioner, Head of CCID Kuala Lumpur and subsequently Assistant Commissioner, Head of Legal / Secretariate CCID Bukit Aman before he retired in 2021.

During his services as a senior police officer, he was bestowed Pingat Setia Pasukan Polis (PSPP), Pingat Jasa Pahlawan Negara (PJPN), Kesatria Mangku Wilayah (KMW), Ahli Mangku Negara (AMN) and Pingat Pahlawan Polis (PPP) by His Majesty Yang di-Pertuan Agong, King of Malaysia.

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

He does not have any personal interest in any business arrangements involving the Company.

He does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management

Cha Fui Min

Group Chief
Financial Officer

Aged 49, Male,
Malaysian

Mr Cha Fui Min was appointed as Group Chief Financial Officer of the Company on 11 April 2023.

Mr Cha holds a Bachelor of Commerce (Accounting) awarded by Nelson Marlborough Institute of Technology, New Zealand in 1999. He is also a fellow member of the Association of Chartered Certified Accountants, United Kingdom and member of Malaysian Institute of Accountants.

Mr Cha has more than 20 years of working experience in various industries including auditing, manufacturing, education, and medical services. He started his career as an external auditor in 2000 having experience in the areas of auditing, accounting, treasury, operations and management of the companies.

Mr Cha also serves on the Boards of several private limited companies in the group. He is not a Director of any public or public listed companies.

Mr Cha has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr Cha does not have any personal interest in any business arrangements involving the Company.

Mr Cha does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Jürgen Stegger

Managing Director,
BORSIG Group

Aged 61, 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. Stegger 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. Stegger 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. Stegger also sits on the Board of the subsidiaries of BORSIG Group. He is not a Director of any public or public listed companies.

Mr. Stegger has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr. Stegger does not have any personal interest in any business arrangements involving the Company.

Mr. Stegger does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management

Piercarlo Aliprandi

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

Aged 55, 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.

Mr Aliprandi has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr Aliprandi does not have any personal interest in any business arrangements involving the Company.

Mr Aliprandi does not have any conflict of interest with the Company and he has had no convictions for any offences within the past five (5) years, other than traffic offences, if any, and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Corporate Governance Overview Statement

INTRODUCTION

The Board of Directors ("Board") of KNM Group Berhad ("KNM" or the "Company") recognises the importance in applying the Principles and Practices stipulated in the Malaysian Code on Corporate Governance 2021 ("MCCG") issued by the Securities Commission Malaysia throughout the Company and its subsidiaries ("Group").

The Board is committed to ensure that good corporate governance is being observed, practiced and improved throughout the Group as they are central to the effective operation of the Group and to ensure the highest standards of accountability and transparency.

This Corporate Governance Overview Statement ("Statement") is prepared in compliance with Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and it is to be read together with the Corporate Governance Report 2023 of the Company ("CG Report") which is available on the Company's website at <https://www.knm-group.com> and Bursa Securities' 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 the Non-Executive Chairman ("NEC") 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 NEC and GCEO/ED are well defined whereby, the Board is led by the NEC 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 NEC is also responsible to ensure the integrity and effectiveness of the governance process of the Board and maintain 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.

Corporate Governance Overview Statement

Whilst the management is led by the GCEO/NEC 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. He also looks into and oversee the implementation of major corporate policies, is responsible for the financial management of the Company and/or Group and oversees the handling of financial matters for prudent and economical administration while overseeing operations to ensure avoidance of waste and extravagance for efficient and effective use of all the resources as may be required. The GCEO/ED continually updates and keep the Board abreast with business developments/projects and ensures compliance with the necessary and applicable laws and regulations.

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 approved by the Board for the members' observance are as set out in the Board Charter which is published in the Company's website at <https://www.knm-group.com>.

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 is available at the Company's website at <https://www.knm-group.com>.

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.

Corporate Governance Overview Statement

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:

- Fraud, bribery, corruption/corrupt practices, forgery, cheating and malpractices;
- Non-disclosure of conflict of interest situation;
- Misappropriation of unauthorised use of the Group's funds or assets;
- Sale of proprietary information and/or collusion with competitors;
- Failure to comply with legal obligations or regulatory requirements;
- Criminal breach of trust or offence;
- Collusion and money laundering;
- Misuse or abuse of the Group's funds or assets or assets misappropriation;
- Financial irregularity or financial fraudulent within the Group;
- Breach of the Group's standard operating procedures and financial authority limit;
- Repeated ill treatment of a client/customer/supplier despite a complaint being made;
- Activities, which otherwise amount to serious misconduct or transgression, including the code of conduct, company policies and human resource policies of the Group;
- Actions which endanger the health or safety of employees or the public and the environment;
- Actions which endanger national and public interest;
- Gross mismanagement within the Group;
- 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;
- Sexual harassment;
- Knowingly directing or advising a person to commit any of the above wrongdoings; and
- Any action which is intended to conceal any of the above.

The Company had received a report/complaint of misconduct from ex-employees of the Company on 3 July 2023 which pertained to alleged breach of Corporate Governance and Malaysian Laws for non-payment of outstanding Payrolls to the former employees.

Following discussions with the Management, the Board had agreed with the view of the Audit Committee that the allegations made were more of a complaint of non-receipt of past salaries and therefore should be directed to the Labour Court.

The Company had negotiated with the EPF and IRB as a responsible employer and had written and obtained approvals from the EPF and IRB to settle on progressive basis. The Company has been facing dire financial difficulties to ensure that there is sufficient working capital for its operations.

The Company and Management is cognisant of their responsibilities and obligations towards the welfare of the current employees as well as its past employees.

The in-depth information on the Whistleblowing Policy is available for reference at the Company's website at <https://www.knm-group.com>.

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 accessed from the Company's website.

Corporate Governance Overview Statement

On 29 February 2024, the Company had adopted a Directors Conflict of Interest Policy (COI Policy"). With the adoption of the COI Policy, a Director is required to always declare and notify the nature and extent of any COI, such as name of the company, number of shares, percentage of shareholding, relationship, in which the Director has COI to the AC and the Company Secretary in writing or electronic means such as email as soon as practicable, whether direct or indirect or whether actual or potential, with the Company or its subsidiaries. Thereafter, the Company Secretary is to table the COI matter to the AC/BOD at its meeting. A director is required to make an annual declaration of COI via the Annual Declaration Form.

Board Composition

The Company's Constitution stipulates that the minimum and maximum number of Directors on the Board shall not be less than two (2) nor more than twenty (20).

As at the date of this Statement, the Board, consists of ten (10) members as follows:

- one (1) Non-Executive Chairman;
- one (1) Executive Director;
- three (3) Non-Independent Non-Executive Directors; and
- five (5) Independent Non-Executive Directors.

The Board composition is in compliance with Paragraph 3.04(1) and Paragraph 15.02(1) of the MMLR of Bursa Securities which stipulates that at least two Directors or 1/3 of the Board, whichever is higher, must be Independent Directors. Details of the Directors are set out in the Board of Directors' Profiles section in this Annual Report.

As at the date of this Statement the current composition of the Board is as set out below:

Directors	Designation
Tunku Dato' Yaacob Khyra	Non-Executive Chairman
Ravindrasingham A/L Balasingham	Group Chief Executive Officer/ Executive Director
Datuk Uwe Ahrens	Non-Independent Non-Executive Director
Dato' Indera Naresh Mohan	Non-Independent Non-Executive Director
James Beltran	Non-Independent Non-Executive Director
Thulasy Suppiah A/P Suppiah (<i>Appointed on 15 March 2023</i>)	Independent Non-Executive Director
Yee Hong Ho (<i>Appointed on 15 March 2023</i>)	Senior Independent Non-Executive Director
Ho Soo Woon (<i>Appointed on 3 November 2023</i>)	Independent Non-Executive Director
Dato' Abd.Gani bin Yusof (<i>Appointed on 20 March 2024</i>)	Independent Non-Executive Director
Andrew Veno (<i>Appointed on 25 March 2024</i>)	Independent Non-Executive Director

The current composition of the Board provides an effective Board with a mix of industry specific knowledge, broad based business and commercial experience together with independent judgment on matters of strategy, operations, resources and business conduct.

Corporate Governance Overview Statement

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 the Senior Independent Non-Executive Director or any other Board member of 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 ("NC"). 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.

In compliance with the MMLR of Bursa Securities 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-election 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.

At the forthcoming 21st AGM, Tunku Dato' Yaacob Khyra and Datuk Uwe Ahrens are due for retirement by rotation and being eligible, have offered themselves for re-election.

Upon review, the NC was satisfied with the performance of the abovementioned Directors and recommended their re-election to the Board for approval. The Board has in turn, recommended the same to be considered by the shareholders at the forthcoming 21st AGM of the Company.

During the financial year under review, there were also five (5) new appointments recommended by the NC, which are Mr Yee Hong Ho, Ms Thulasy Suppiah A/P Suppiah, Mr Ho Soo Woon, Dato' Abd.Gani bin Yusof and Mr Andrew Veno as Independent Non-Executive Directors.

On 29 May 2023, the Board had established and adopted the Directors' Fit and Proper Policy to guide the NC and the Board of Directors in their review and assessment of potential candidates for appointment as Directors as well as Directors who are seeking for re-election to ensure that any person to be appointed or re-elected as a Director shall possess the character, integrity, relevant range of skills, knowledge, experience, competence and time commitment to carry out their roles and responsibilities effectively in the best interest of the Company and its stakeholders.

The Directors' Fit and Proper Policy is published on the Company's website at <https://www.knm-group.com>.

Tenure of Independent Director

The Board recognises that independence and objective judgment are crucial and imperative in decision making process. Hence, Independent Directors play an essential role in upholding good corporate governance. The NC will undertake annual assessments of the Board, the Board Committees and each of its board members.

In line with the MCCG, the Board had adopted the nine (9) years policy for Independent Directors which can be found in the Board Charter. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the re-designation of the said person as a Non-Independent Director.

Corporate Governance Overview Statement

In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board will justify the decision and seek annual shareholders' approval through a two-tier voting process.

As of the date of this statement, none of the existing Independent Directors of the Company has exceeded the tenure of a cumulative term of nine (9) years in the Company.

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 covering 1 July 2022 to 31 December 2023 under review, twenty (20) Board meetings were held. The attendance of each Director at the Board meetings is as set out below:-

Non-Executive Chairman	No. of Attendance	%
1. Tunku Dato' Yaacob Khyra	20/20	100
Executive Director	No. of Attendance	%
1. Ravindrasingham A/L Balasingham	19/20	95
Non-Independent Non-Executive Directors	No. of Attendance	%
1. Datuk Uwe Ahrens	17/20	85
2. Dato' Indera Naresh Mohan	17/20	85
3. James Beltran	19/20	95
Independent Non-Executive Directors	No. of Attendance	%
1. Yee Hong Ho (<i>Appointed on 15 March 2023</i>)	8/20	40
2. Thulasy Suppiah A/P Suppiah (<i>Appointed on 15 March 2023</i>)	8/20	40
3. Ho Soo Woon (<i>Removed as Director on 16 October 2023 and was subsequently appointed on 3 November 2023</i>)	19/20	95
4. Dato' Abd.Gani bin Yusof (<i>Appointed on 20 March 2024</i>)	N/A	N/A
5. Mr Andrew Veno (<i>Appointed on 25 March 2024</i>)	N/A	N/A
6. Tan Sri (Dr.) Zulhasnan bin Rafique (<i>Removed as Director on 16 October 2023</i>)	17/20	85
7. Lim Mun Kee (<i>Resigned on 31 March 2023</i>)	9/20	45
8. Datuk Mohd Irwan bin Mohd Mubarak (<i>Resigned on 15 March 2023</i>)	9/20	45
9. Flavio Porro (<i>Retired on 13 December 2022</i>)	7/20	35
10. Safia binti Ahmad Jahidi (<i>Retired on 13 December 2022</i>)	5/20	25
11. Tan Koon Ping (<i>Resigned on 8 November 2022</i>)	6/20	30

Corporate Governance Overview Statement

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 GCEO/ED 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 GCEO/ED assisted by the Company Secretarial 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 NEC 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 be 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 Company Secretarial Department and are open for inspection at the registered office 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 Secretarial 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 Secretarial team effect all proper documentation, to meet all statutory obligations and compliances as well as to support the NEC and the GCEO/ED of the Board in ensuring the effective functioning of the Board. The Company Secretarial 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 ("TOR") 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.

Corporate Governance Overview Statement

Audit Committee ("AC")

The AC comprises three (3) members, all of whom are Independent Directors. The AC is chaired by the Senior Independent Non-Executive Director, Mr Yee Hong Ho, who is not the Chairman of the Board which therefore is in compliance with Practice 9.1 of the MCCG. He is an associate member of the Malaysian Institute of Accountants and a Fellow member of the Association of Chartered Certified Accountants. The profile of the Chairman of the AC is set out in the Profile of Directors of this Annual Report.

The duties of the AC 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 AC members are able to read and understand the quarterly results and year-end financial statements in order to effectively discharge their functions.

The Company's Internal and External Auditors do attend the AC meetings and they have the opportunity to raise matters or concerns independently or separately with the AC without the presence of the Executive Directors and management team. The Chairman and AC 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 AC 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 AC during the financial period under review are set out in the AC Report.

Nomination Committee ("NC")

The NC comprises of three (3) members, all of whom are Independent Non-Executive Directors. As at the date of this Statement, the members of the NC are as follows:

Chairman : **Thulasy Suppiah A/P Suppiah**

- Independent Non-Executive Director

Members : **Yee Hong Ho**

- Senior Independent Non-Executive Director

Ho Soo Woon

- Independent Non-Executive Director (*Appointed on 3 November 2023*)

Following Mr Ho Soo Woon's removal as a Director in October 2023, he also ceased to be a member of the NC. Ms Thulasy Suppiah was subsequently re-designated as Chairman of the NC on 29 November 2023. However, Mr Ho Soo Woon was subsequently appointed on 3 November 2023 to meet the minimum requirement of the TOR.

The NC 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 NC 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 NC 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 NC shall meet at least once a year or whenever required and the quorum for a meeting of the NC shall consist of not less than two (2) members, majority of members present must be Independent & Non-Executive Directors.

The TOR of the NC which is in the Board Charter which can be viewed at the Company's website at <https://www.knm-group.com>.

Corporate Governance Overview Statement

The NC met three times during the financial period. The summary of activities undertaken by the NC included the following:

- Reviewed the effectiveness of the Board, as a whole, Board Committees and individual Directors and make appropriate recommendation to the Board;
- Reviewed the independence of Independent Directors;
- Considered and recommended Mr Yee Hong Ho, Ms Thulasy Suppiah, Mr Ho Soo Woon, Dato' Abd. Ghani bin Yusof and Mr Andrew Veno to the Board for appointment as Independent Non-Executive Directors of the Company;
- Reviewed and recommended the re-election of Directors, who retire by rotation under the Company's Constitution, at the forthcoming Annual General Meeting;
- Recommended to the Board the proposed changes in the composition of the NC, AC and Remuneration Committee; and
- Discussed the Secondment Letter of the GCEO/ED.

Remuneration Committee ("RC")

The RC currently comprises of four (4) members with a majority of them being Independent Non-Executive Directors. The composition of the RC are as follows:

Chairman : Yee Hong Ho

- Senior Independent Non-Executive Director

Members : Thulasy Suppiah A/P Suppiah

- Independent Non-Executive Director

James Beltran

- Non-Independent Non-Executive Director

Ho Soo Woon

- Independent Non-Executive Director (*Appointed on 3 November 2023*)

Following Mr Ho Soo Woon's removal as a Director in October 2023, he also ceased to be the chairman of the RC and Mr Yee Hong Ho was subsequently re-designated from member to Chairman of the RC on 29 November 2023. Mr Ho Soo Woon was also subsequently appointed to the RC to increase the number of independent non-executive directors.

The RC is responsible to recommend 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 RC ensures that the remuneration packages recommended are appropriate and competitive. All recommendations of the RC 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 RC had discussed the remuneration package of the GCEO/ED in accordance with the Company's policy guidelines that link remuneration to performance and was of the view that his remuneration package is justified and deemed appropriate which commensurate with the challenges and issues that he has to manage on a daily basis as the GCEO/ED of the Company.

It is to be noted that the monthly salary and certain benefits of the GCEO/ED are being paid through a Reimbursement Agreement by the related party from 1 July 2023 till the expiry of his contract in November 2024 due to the dire financial state of the Company.

Corporate Governance Overview Statement

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.

During the financial year, the RC met twice, attended by all the members, to consider the remuneration package for the executive Board members as well as fees and benefits payable for all Directors. All deliberations of the RC are properly documented in the minutes of Committee meetings and recommendations are reported by the RC Chairman at Board meetings.

The TOR of the RC which is echoed in the Board Charter can be viewed at the Company's website at <https://www.knm-group.com>

ESOS Committee

The ESOS Committee shall comprise of at least three (3) members, the majority of whom shall be Independent or Non-Executive Directors. 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.

As at the date of this Statement, the present members of the ESOS Committee are as follows:

Chairman : **Yee Hong Ho**

- Senior Independent Non-Executive Director

Members : **Thulasy Suppiah A/P Suppiah**

- Independent Non-Executive Director

Ravindrasingham A/L Balasingham

- Group Chief Executive Officer / Executive Director

The ESOS will be expiring on 19 May 2024.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors' Remuneration

The RC reviews annually the salaries of the Executive Director(s) 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.

Corporate Governance Overview Statement

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for the 18-months financial year ended 31 December 2023 are as follows:

Received from Company

Name	Salary (RM'000)	Bonus (RM'000)	Benefits- in-Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
Non Executive Chairman						
Tunku Dato' Yaacob Khyra	-	-	-	125	12.5	-
Executive Chairman						
Tan Sri (Dr.) Zulhasnan bin Rafique (Appointed as Independent Non-Executive Chairman on 18 September 2021 and subsequently was re-designated as Executive Chairman on 23 November 2021. (Removed as Director on 16 October 2023)	1,100	-	-	122.5	12.5	60.5
Executive Directors						
Ravindrasingham A/L Balasingham (Appointed as Non-Independent Non-Executive Director on 1 December 2021 and subsequently was re-designated as Group Chief Executive Officer/Executive Director on 8 November 2022)	-	-	22.8	125	11.5	-
Flavio Porro (Retired on 13 December 2022)	105.2	-	4.9	58.7	7	-
Tan Koon Ping (Resigned on 8 November 2022) (** Basic + Fixed Allowance = Salary)	471.4	-	57.2	46.2	13.7	56.5
Non-Independent Non-Executive Directors						
Datuk Uwe Ahrens	-	-	-	125	11	-
Dato' Indera Naresh Mohan	-	-	-	125	10.5	-
James Beltran	-	-	-	125	11.5	-

Corporate Governance Overview Statement

Name	Salary (RM'000)	Bonus (RM'000)	Benefits- in-Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
Independent Non-Executive Directors						
Yee Hong Ho (Appointed on 15 March 2023)	-	-	-	47.9	1.5	-
Thulasy Suppiah A/P Suppiah (Appointed on 15 March 2023)	-	-	-	47.9	1.5	-
Ho Soo Woon (Removed as Director on 16 October 2023 and was subsequently appointed on 3 November 2023)	-	-	-	122.4	14	-
Lim Mun Kee (Resigned on 31 March 2023)	-	-	-	80	50	-
Datuk Mohd Irwan bin Mohd Mubarak (Resigned on 15 March 2023)	-	-	-	77.5	40.1	-
Safia binti Ahmad Jahidi (Retired on 13 December 2022)	-	-	-	58.7	27	-

Received from Group

Name	Salary (RM'000)	Bonus (RM'000)	Benefits- in-Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
Non Executive Chairman						
Tunku Dato' Yaacob Khyra	-	-	-	-	-	-
Executive Chairman						
Tan Sri (Dr.) Zulhasnan bin Rafique (Appointed as Independent Non-Executive Chairman on 18 September 2021 and subsequently was re-designated as Executive Chairman on 23 November 2021.						
(Removed as Director on 16 October 2023)	-	-	-	-	-	-

Corporate Governance Overview Statement

Name	Salary (RM'000)	Bonus (RM'000)	Benefits- in-Kind* (RM'000)	Fees (RM'000)	Meeting Allowance (RM'000)	Others** (RM'000)
Executive Directors						
Ravindrasingham A/L Balasingham (Appointed as Non-Independent Non-Executive Director on 1 December 2021 and subsequently was re-designated as Group Chief Executive Officer/Executive Director on 8 November 2022)	-	-	-	-	-	-
Flavio Porro (Retired on 13 December 2022)	300	-	-	-	-	53
Tan Koon Ping (Resigned on 8 November 2022) (** Basic + Fixed Allowance = Salary)	-	-	-	-	-	-
Non-Independent Non-Executive Directors						
Datuk Uwe Ahrens	-	-	-	-	-	-
Dato' Indera Naresh Mohan	-	-	-	-	-	-
James Beltran	-	-	-	-	-	-
Independent Non-Executive Directors						
Yee Hong Ho (Appointed on 15 March 2023)	-	-	-	-	-	-
Thulasy Suppiah A/P Suppiah (Appointed on 15 March 2023)	-	-	-	-	-	-
Ho Soo Woon (Removed as Director on 16 October 2023 and was subsequently appointed on 3 November 2023)	-	-	-	-	-	-
Lim Mun Kee (Resigned on 31 March 2023)	-	-	-	-	-	-
Datuk Mohd Irwan bin Mohd Mubarak (Resigned on 15 March 2023)	-	-	-	-	-	-
Safia binti Ahmad Jahidi (Retired on 13 December 2022)	-	-	-	-	-	-

* Benefits-in-kind include company car, driver, club membership subscription and medical insurance benefits.

** Others include car allowance, provision for Directors' leave pay, travelling allowances and EPF.

Corporate Governance Overview Statement

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.

Although the MCCG recommends full disclosure by the Company of the remuneration of its Key Senior Management on named basis, the Board is of the opinion that the disclosure of the Key Senior Management personnel names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group given the competitive human resources environment; as such disclosure may give rise to talent recruitment and retention issue. Also premised on the confidentiality of the remuneration package of the Senior Management, the Board has adopted a disclosure of the Senior Management remuneration in bands of RM50,000 on an unnamed basis.

The aggregate remuneration of the Company's top five (5) Key Senior Management as analysed into bands of RM50,000 for the financial period under review are as follows:-

Range of Remuneration	Number of Senior Management
RM350,001 to RM400,000	1
RM400,001 to RM450,000	1
RM450,001 to RM500,000	1
RM950,001 to RM1,000,000	1
RM2,500,001 to RM3,000,000	1

DIRECTORS' TRAINING

In line with Paragraph 15.08 of the MMLR of Bursa Securities, the Directors acknowledge the importance and value of attending conferences, training programmes and seminars in order to keep themselves abreast of the latest developments in areas related to their duties and to be equipped with the necessary skills and knowledge to meet the challenges faced by the Board.

All Directors appointed to the Board have attended the Mandatory Accreditation Programme ("MAP") (Part I) on corporate governance and director's roles, duties and liabilities as required under the MMLR of Bursa Securities. The newly appointed directors in March 2024 are given a period of 4 months to attend the MAP (Part I) based on the MMLR of Bursa Securities.

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.

Corporate Governance Overview Statement

A brief description of the various trainings and courses attended by the Directors for the financial period under review are as set out below:-

Members of the Board	List of Training Programmes/ Seminars/ Conferences Attended
Tunku Dato' Yaacob Khyra	Sustainability and Task Force for Climate-related Financial Disclosures (TCFD) (Deloitte)
Ravindrasingham A/L Balasingham	Sustainability and Task Force for Climate-related Financial Disclosures (TCFD) (Deloitte)
Datuk Uwe Ahrens	Sustainability and Task Force for Climate-related Financial Disclosures (TCFD) (Deloitte)
Dato' Indera Naresh Mohan	Sustainability and Task Force for Climate-related Financial Disclosures (TCFD) (Deloitte)
James Beltran	Sustainability and Task Force for Climate-related Financial Disclosures (TCFD) (Deloitte)
Ho Soo Woon	Sustainability and Task Force for Climate-related Financial Disclosures (TCFD) (Deloitte)
Yee Hong Ho	(i) Sustainability and Task Force for Climate-related Financial Disclosures (TCFD) (Deloitte) (ii) Mandatory Accreditation Programme (Part I)
Thulasy Suppiah A/P Suppiah	(i) Sustainability and Task Force for Climate-related Financial Disclosures (TCFD) (Deloitte) (ii) Mandatory Accreditation Programme (Part I)

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 Securities MMLR and/or the Companies Act, 2016 ("the Act") (wherever applicable). The financial statements for the financial period ended 31 December 2023 is prepared in accordance with the Act.

The Board is assisted by the auditors, the Company Secretarial team and the AC to scrutinise 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.

Corporate Governance Overview Statement

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 AC to effectively discharge its duties by providing independent and objective assurance.

The Internal Audit function reports directly to the AC and operates in accordance with the framework set out by the Internal Audit Charter as approved by the AC. 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.

The internal audit function is currently managed and performed in-house and fortified with the assistance of an independent external firm of professional Internal Auditors, Tricor Business Intelligence & Solutions Sdn Bhd ("the Internal Auditor") and the costs attributable to the discharge of duties and performance of the Internal Audit function of the Company are included in the 18-month financial period ended 31 December 2023.

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.

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 AC has explicit authority to communicate directly with the Company's Internal and External Auditors. The AC 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.

During the financial year, the AC had met the External Auditors once without the Executive Board members present.

It is to be noted that the External Auditors, KPMG PLT ("KPMG") had not sought for re-appointment on 13 December 2022. KPMG after further negotiations with Management, had agreed on 28 August 2023 to act as the Company's External Auditors for the financial period ended 31 December 2023.

The AC also receives other information such as that of the non-audit services provided by the External Auditors. Based on such information, the AC 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 AC are set out in the Board Charter and the activities of the AC during the financial period under review are as set out in the AC Report.

Corporate Governance Overview Statement

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 Bursa Securities 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 Securities.

Investor Relations

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

- (i) holding briefings, plant visits, conference calls and meetings with the shareholders, institutional fund managers and financial analysts; and
- (ii) 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 Meetings subject to Paragraph 8.29A of Bursa Securities 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 Securities MMLR and other various contractual or statutory rules and provisions that the Group may be subjected to.

Corporate Governance Overview Statement

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds from Corporate Proposal

On 20 April 2023 and 7 June 2023, the Company completed the Private Placement with the listing of and quotation for 37,500,000 and 330,142,100 Placement Shares on the Main Market of Bursa Malaysia Securities Berhad respectively. The status of the utilisation of the proceeds from the private placement was as follows:

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Balance Available for Utilisation (RM'000)
Working capital requirements	16,292	16,292	-
Expenses for restructuring and formulation of regularisation plan	3,000	1,325	1,675
Expenses for the Private Placement	444	444	-
Total	19,736	18,061	1,675

2. Material Contracts Involving Directors' and Major Share Holders' Interests

Other than those disclosed in the financial statements, there were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interests during the financial period ended 31 December 2023.

3. Contracts Related to Loans

There were 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.

4. Audit and Non-Audit Fees

During the financial year, the amount of audit and non-audit fees paid/payable to the External Auditors by the Company and the Group respectively for the financial period ended 31 December 2023 were as follows:

	Company (RM'000)	Group (RM'000)
Audit Services Rendered	215	3,604
Non-Audit Services Rendered		
(a) Review of Statement on Risk Management and Internal Control	10	10
(b) Other services	-	258
Total	225	3,872

Corporate Governance Overview Statement

5. Related Party Transactions

- (i) Corporate Secretarial Services Agreement with Trace Management Services Sdn Bhd
 - (a) The Company has entered into a Corporate Secretarial Services Agreement with Trace Management Services Sdn Bhd ("Trace") on 17 May 2023 to provide and support the Group with corporate secretarial requirements. Trace is a wholly-owned subsidiary of Melewar Group Berhad which is a company owned by the family of Tunku Dato' Yaacob Khyra ("TY") which therefore is considered a related party to the Company.
 - b) The total estimated fees chargeable by Trace is below the threshold of 0.25% based on the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- (ii) Reimbursement Agreement with MAA Group Berhad
 - (a) The Company has entered into a Reimbursement Agreement with MAA Group Berhad ("MAAG") on 23 February 2024 for the reimbursement of salaries made by MAAG to the GCEO/ED covering the period from 1 July 2023 till the expiry of the contract of the GCEO/ED in November 2024, which is deemed as a Provision of Financial Assistance by MAAG to the Company.
 - b) TY is the Chairman and has an indirect interest in KNM via his interests in MAAG, Imperium Edumaax Sdn Bhd as well as in Melewar Industrial Group Berhad, and is therefore deemed interested in the Provision of Financial Assistance.

Sustainability Report

Financial period 18-month ended 31 December 2023

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 2023

Established since **1990**

Trusted by more than
188 customers globally



3,083 active suppliers from
58 countries

Total procurement value
1,120 RM million



1,097 employees

11,809 training hours



10 manufacturing plants in
6 countries



Revenue
1,980 RM million

Total assets
3,107 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 KNM Group of Companies ("the Group") for the year 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 faced by the Group, the way of responding to the matters, and the topics most concerning to 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

Sustainability Report

Reporting Period and Scope

This report covers the Group's performance from 1 July 2022 to 31 December 2023, unless otherwise specified.

This report covers KNM Group's material operating units over which 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 are extracted from the consolidated audited financial statements for the 18-month financial period ended 31 December 2023 was audited by KPMG PLT.

SUSTAINABILITY GOVERNANCE STRUCTURE

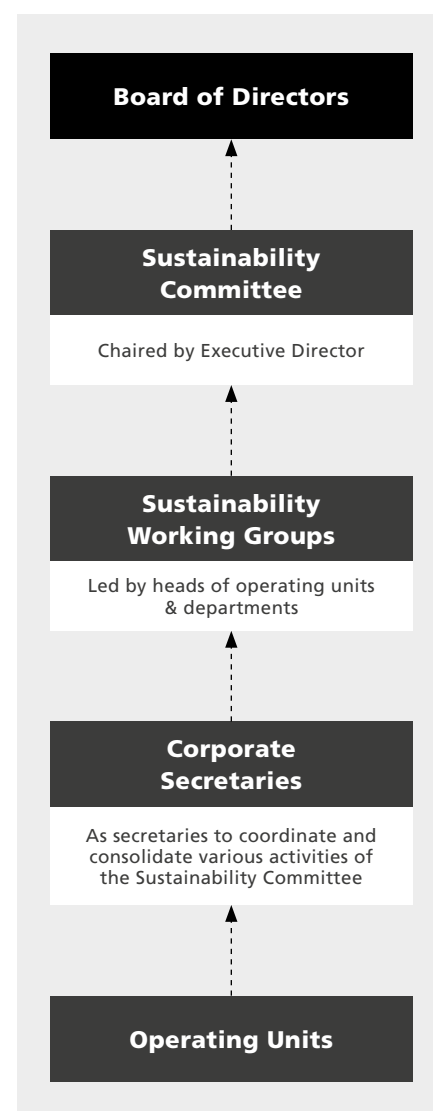
We have instituted a KNM Group Sustainability Committee ("KNMG SC") chaired by Executive Director ("ED") for the implementation and monitoring of our sustainability agenda. KNM GSC's members are from the senior management team of the Group and assisted by the business and group functional support units 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 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 face uncertainties and continual changes in our operating environment, enabling the Group to accomplish its objectives. A proper risk management reduces losses, increases competitiveness and potentially creates new business opportunities for the Group.



Sustainability Report

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 it's operating in. In view thereto, the Group's 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 2023.

The Group creates sustainable value and grows its business by balancing the economic, environmental and social wellbeing of the community. These purposes are integrated into our corporate values, unify 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 of the Group is provided through briefings, meetings, teleconferences, dialogues and visits to KNM 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, industry 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	<ul style="list-style-type: none"> Prequalification registrations, exhibitions, congress, seminars, conference Project meetings and site visits Product launches and roadshows 	As and when required	<ul style="list-style-type: none"> 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

Sustainability Report

Stakeholders	Methods of Engagement	Frequency	Focus / Matters Discussed
Customers	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Product & service quality and delivery Qualification of manufacturing facilities Commercial terms & conditions Product and service quality Customer experience Health, safety and security
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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Performance appraisal Newsletter & internal memorandum Annual reports KNM corporate website Trainings 	Annually / as and when required	<ul style="list-style-type: none"> Performance, future strategies and any important updates of the Group Better working environment, career progression and employee welfare
Government & Regulators	<ul style="list-style-type: none"> Official meetings and visits Industry dialogues, events and seminars 	As and when required	<ul style="list-style-type: none"> Workplace health and safety Investment opportunities Compliance with rules and regulations
Media	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Community outreach programmes Charitable contributions Internship 	As and when required	<ul style="list-style-type: none"> 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,
3. environmental protection.

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

Sustainability Report

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 1,097 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.

On 31 October 2022, the Company had been classified as PN17 under Paragraph 8.04 and Paragraph 2.1(e)

In Financial period 2023, we have obtained a convening and restraining order from the High Court, enabling us to propose a debt restructuring scheme to creditors and prevent legal actions or proceedings and litigation during the process. The court granted ad Interim Erinford order and pending hearing on 26 April 2024.

On 16 December 2022, KNM had announced the proposed listing of Borsig on main board of the Singapore Stock Exchange (SGX) by way of an IPO, with a view of achieving a market capitalisation of up to USD\$300 million (RM1.37 billion) and a placement of 60% of the enlarged capital.

On 27 March 2024, KNM had announced to enter SPA ("Share Purchase Agreement") for the proposed disposal of KNM Europa BV's entire stake in FBM Hudson Italiana SpA (FBM Hudson) for a total consideration of €16.5 million.

The Management is continuously finding ways to speed up the monetisation process particularly Thai- land-based Impress Ethanol Company Ltd (IEL) and UK-based Peterborough Green Energy Ltd. The monetisation exercise are done with absolute transparency and valued by our existing creditors. With this unprecedented level of engagement and extensive efforts in executing our winning strategy, we have won over the majority of our creditors.

It is crucial to engage with all stakeholders transparently, providing them with the necessary resources to make well-informed decisions throughout the restructuring process.

Pursuant to the High Court convening order, lenders and creditors were required to participate in a Proof of Debt exercise, in which we have assisted and communicated with lenders and creditors to ensure completion of submission.

Regular internal "town hall" meetings were held with our employees to keep them well-informed which helped alleviate positive concerns among employees regarding the Company's sustainability and clarified their role as valuable personnel for our organisation when communicating with other stakeholders.

Sustainability Report

Recurring Income from Green Energy Businesses

Guided by its strategic intent of integration and adding value, the KNM Group is continuously seeking opportunities in strategic investments for growth and diversification from its product value chain towards realisation 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.

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 hydrogen economy with its tailored product solution enabling growth in the clean energy sector in Germany.

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 review, 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.



Sustainability Report

SOCIAL

The third aspect of sustainability for the Group is to contribute positively to the communities where it operates and in wider society. This includes 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 improving the quality of products and services that the Group provides. The Group believes that workplace injuries are preventable. As such, all of 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.

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, we released a new Anti-Bribery and Corruption policy this year to ensure that our employees and others who work with us, including suppliers and contractors understand their responsibilities to comply with KNM Group's zero tolerance for bribery and corruption within the organisation. These are made available and easily accessible on our corporate website for 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.

There were no material non-compliance incidents involving fraud, bribery or money laundering offences. We do not condone lobbying practices, nor do we 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.

Sustainability Report

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 work productivity and efficiency.

The Group encourages exchange of knowledge within the Group by sending existing employees to other subsidiaries in various countries for training. The Group implemented a variable pay incentive system to reward employees who have achieved their key performance indicators. The Group also arranged in-house 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 11,809 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 of its employees but 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 which end on 19 May 2024. 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 Board of Directors of KNM Group Berhad ("KNM") is pleased to present the Audit Committee Report for the financial period ended 31 December 2023.

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee ("AC") is appointed by the Board from amongst its members and presently comprises three (3) members, all of whom are Independent Non-Executive Directors and the Chairman of the AC is not the Chairman of the Board. None of the Independent Non-Executive Directors have appointed Alternate Directors.

The composition of the AC of KNM is presented in the table below.

<u>Chairman</u>	: Yee Hong Ho (Senior Independent Non-Executive Director) (Appointed on 15 March 2023)
<u>Members</u>	: Thulasy Suppiah A/P Suppiah (Independent Non-Executive Director) (Appointed on 15 March 2023) Ho Soo Woon (Independent Non-Executive Director) (Removed as Director on 16 October 2023 and therefore ceased to be a Member on 16 October 2023) (Appointed on 3 November 2023) Lim Mun Kee (Independent Non-Executive Director) (Resigned on 31 March 2023) Datuk Mohd Irwan bin Mohd Mubarak (Independent Non-Executive Director) (Resigned on 15 March 2023) Safia binti Ahmad Jahidi (Independent Non-Executive Director) (Retired on 13 December 2022)

The Chairman of the AC, Mr Yee Hong Ho, is an associate member of the Malaysian Institute of Accountants and a Fellow member of the Association of Chartered Certified Accountants fulfilling the requisite qualifications under Paragraph 15.09(1)(c) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

TERMS OF REFERENCE

The Terms of Reference ("TOR") of the AC is available for viewing on the Company's website at <https://www.knm-group.com>. The last review of the updated TOR of the AC was on 27 October 2022.

Audit Committee Report

MEETINGS AND ATTENDANCE

The AC shall meet at least four (4) times annually or more frequently as circumstances dictate. The Group Chief Executive Officer/Executive Director ("GCEO/ED") was invited to all AC meetings to provide further clarifications on the operations of the Group, the risk management and internal control systems. The Group Chief Financial Officer ("GCFO") also attended all meetings of the AC to present all financial results and to clarify any issues relating to financial reporting. Other Board members, employees, representatives of the External and Internal Auditors attended meetings upon the invitation of the AC.

A total of eight (8) AC meetings were held during the 18-month the financial year period ended 31 December 2023. The details of the attendance of the AC Members are as follows:-

Name of Members	Number of AC Meetings held during Directors' tenure of office
Yee Hong Ho (<i>Appointed on 15 March 2023</i>)	4/8 **
Thulasy Suppiah A/P Suppiah (<i>Appointed on 15 March 2023</i>)	4/8 **
Ho Soo Woon (<i>Removed as Director on 16 October 2023 and therefore ceased to be a Member on 16 October 2023</i>) (<i>Appointed on 3 November 2023</i>)	5/8 **
Lim Mun Kee (<i>Resigned on 31 March 2023</i>)	4/8 **
Datuk Mohd Irwan bin Mohd Mubarak (<i>Resigned on 15 March 2023</i>)	3/8 **
Safia binti Ahmad Jahidi (<i>Retired on 13 December 2022</i>)	2/8 **

Notes:

** Reflects the attendance and the number of meetings held during the financial year since the Director held office.

Following Mr Ho Soo Woon's removal as a Director in October 2023, he also ceased to be a member of the AC.

Based on the TOR of the AC, the Company shall consist of at least three (3) members. Mr Ho Soo Woon was subsequently appointed as an Independent Non-Executive Director on 3 November 2023 to meet this requirement.

SUMMARY OF ACTIVITIES DURING THE YEAR

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

- (i) reviewed and adopted the internal audit plan for 2024, including its scope and areas of audit;
- (ii) reviewed and considered the appointment of outsourced Internal Auditors and re-appointment of External Auditors;
- (iii) reviewed related party transactions that were entered into by the Group;

Audit Committee Report

- (iv) reviewed significant accounting policies that were affected by the introduction of the new Malaysian Accounting Standards and Financial Reporting Standards;
- (v) reviewed the Directors' Report, Auditors' Report and Audited Financial Statements, and relevant statements or reports for inclusion in the Company's Annual Report 2023;
- (vi) reviewed the Internal Audit Report(s) issued by the outsourced Internal Auditors and noted the observations, recommendations and management's responses thereto;
- (vii) reviewed the Risk Management Report and updated the Audit Committee on action plans taken to manage identified risks;
- (viii) reviewed and approved the unaudited quarterly results prior to submission to Board of Directors for consideration and approval;
- (ix) reviewed and approved the periodic audit plans and actions presented by the Internal and External Auditors;
- (x) reviewed and approved the Audit Committee Report;
- (xi) reviewed the Transparency Report 2022 as presented by the External Auditors;
- (xii) reviewed and discussed with the External Auditors and considered the areas of audit focus and the outcome of the audit of the Group, which amongst other highlighted as follows:-
 - (a) Ongoing concern assessment
 - (b) Valuation of goodwill and other intangible assets
 - (c) Construction contracts revenue and profits
 - (d) Recoverability of contract assets
 - (e) Recoverability of interests in subsidiaries and amount due from subsidiaries (Company level)
 - (f) Other significant audit matters:
 - (i) Recoverability of trade receivables
 - (ii) Valuation of property, plant and equipment
 - (iii) Divestment of FBM Hudson Italiana SpA and FBM Hudson FZE
 - (iv) Management override of controls
- (xiii) undertook annual assessment of the performance and independence of the Internal and External Auditors via an evaluation survey questionnaire.

Audit Committee Report

INTERNAL AUDIT FUNCTION

The primary function of internal audit is to provide reasonable assurance to the AC 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 (Tricor). 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Chartered Accountant ("CA") • Professional Member of Institute of Internal Auditors

The outsourced internal audit team comprises of three (3) team members allocated for the internal audit reviews. The staff involved in the internal audit possesses professional qualification and/or a university degree.

Due to budget constraints, the internal audit team had conducted one (1) internal audit cycle during the financial year, covering the major operating locations of the Group.

During the financial year under review, the Internal Auditors undertook the following activities based on the approved audit plan:

Name of Entity Audited	Audited Areas	Reporting Date
Internal Audit Focus - KNMPS (KNM HQ & Melaka Plant)	<ul style="list-style-type: none"> • Inventory Management • Financial Management • Procurement and Payment 	28 July 2023

The Group's internal coordination of internal audit key activities is managed by the in-house internal audit team.

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 and the management acknowledge 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.

Ongoing reviews are carried out on a timely basis 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 the 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.

Statement on Risk Management and Internal Control

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 reporting directly to the Audit Committee and they are independent.

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

- Group organisational structures with formal 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 so as to ensure their suitability for implementation. The Financial Authority Limit delineate authorisation 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 Director(s), 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. 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.
- Provide awareness 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.
- Provide awareness of the Whistleblowing policy and guidelines for reporting of potential rule breaking in the Group.

MONITORING AND REVIEW OF THE ADEQUACY AND INTEGRITY 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.

Statement on Risk Management and Internal Control

The monitoring, reviewing 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 the 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 reported 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 the financial year 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.



FINANCIAL STATEMENTS

Directors' Report	56
Statements of Financial Position	64
Statements of Profit or Loss and Other Comprehensive Income	66
Consolidated Statement of Changes in Equity	68
Statement of Changes in Equity	70
Statements of Cash Flows	71
Notes to the Financial Statements	76
Statement by Directors	169
Statutory Declaration	170
Independent Auditors' Report	171

Directors' Report

for the period ended 31 December 2023

On 17 May 2023, the Board of Directors has approved the change of the Group's and the Company's financial year end from 30 June to 31 December. The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period ended 31 December 2023.

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 33 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 33 to the financial statements.

Results

	Group RM'000	Company RM'000
(Loss)/Profit for the period attributable to:		
Owners of the Company	(394,071)	8,493
Non-controlling interests	(26,754)	-
	<u>(420,825)</u>	<u>8,493</u>

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:

Datuk Uwe Ahrens
 Tunku Dato' Yaacob Khyra
 Ravindrasingham A/L Balasingham
 Dato Indera Naresh Mohan
 James Beltran
 Yee Hong Ho
 Thulasy Suppiah A/P Suppiah

(Appointed on 15 March 2023)
 (Appointed on 15 March 2023)

Directors' Report

for the period ended 31 December 2023

Directors of the Company (continued)

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

Dato' Abd. Gani bin Yusof	(Appointed on 20 March 2024)
Andrew Veno	(Appointed on 25 March 2024)
Ho Soo Woon	(Removed on 16 October 2023, and reappointed on 3 November 2023)
Tan Koon Ping	(Resigned on 8 November 2022)
Flavio Porro	(Retired on 13 December 2022)
Lim Mun Keep	(Resigned on 31 March 2023)
Datuk Mohd Irwan Bin Mohd Mubarak	(Resigned on 15 March 2023)
Safia Binti Admad Jahidi	(Retired on 13 December 2023)
Tan Sri (Dr.) Zulhasnan Bin Rafique	(Removed on 16 October 2023)

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:

Abdullatif Mohammed Salem Al Barrak	
Arnold Mendoza	
Carsten Birk	
Dr. Thomas Beeskow	
Gregory Douglas Mallam	
Housnabee Mohungoo Sham	
Johan Nor Zaimi Bin Johari	
Johannes Wilhelmus Petrus Jansen	
Jürgen Stegger	
Markus Becker	
Marcus Friedrichs	
Marlito Manuel	
Mohammed Nasser Hazza Al Fehaid Al Subaei	
Thanika Chintanapunt	
Vandana Jhupsee-Ramooah	(Appointed on 05 August 2022)
Benjamin Kutscher	(Appointed on 17 July 2023)
Cha Fui Min	(Appointed on 25 February 2023)
Franz Osthoff	(Appointed on 17 July 2023)
Prabu A/L Dato' Ramah Murugaraw	(Appointed on 17 May 2023)
Roman Dominik Brück	(Appointed on 11 October 2023)
Chew Fun Sing	(Resigned on 31 October 2022)
Chua Thiam Chye	(Resigned on 25 February 2023)
Flavio Porro	(Resigned on 25 April 2023)
Oliver Kuehner	(Resigned on 05 August 2022)
Ong Kuan Ming	(Resigned on 1 May 2023)
Rosli Bin Said	(Resigned on 31 July 2023)
Wong Toh Sing	(Resigned on 1 May 2023)

Directors' Report

for the period ended 31 December 2023

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:

Shareholdings in which Directors have interests in the Company	Number of ordinary shares			
	At 1.7.2022	Bought	Sold	At 31.12.2023
<u>Indirect interests</u>				
Tunku Dato' Yaacob Khyra	346,001,800	38,200,000	-	384,201,800

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	1,287	-
Remuneration	2,018	353
Estimated money value of any other benefits	85	-
	<u>3,390</u>	<u>353</u>

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.

Directors' Report

for the period ended 31 December 2023

Issue of shares and debentures

During the financial period, the Company issued:

- a) 367,642,100 new ordinary shares via a private placement to eligible investors. The private placement was completed on 8 June 2023 with the issuance of 37,500,000 and 330,142,100 new ordinary shares at RM0.05 and RM0.0541 respectively.

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.

Directors' Report

for the period ended 31 December 2023

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 1.7.2022	Granted and allocated	Exercised during Expired/Lapsed the financial period		At 31.12.2023
					the financial period	financial period	
14.01.2021	19.05.2024	0.165	40,727,600	-	-	(30,897,100)	9,830,500
19.08.2021	19.05.2024	0.19	96,225,650	-	-	(81,634,450)	14,591,200
			136,953,250	-	-	(112,531,550)	24,421,700

Directors' Report

for the period ended 31 December 2023

Share buy-back

As at 31 December 2023, 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 31 December 2023 is 4,044,064,080 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.

Directors' Report

for the period ended 31 December 2023

Other statutory information (continued)

Except as disclosed in Note 1(b) to the financial statements, 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 RM32,016,000 as disclosed in the Note 3 to the financial statements of the Group, the financial performance of the Group and of the Company for the financial period ended 31 December 2023 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 34 to the financial statements.

Event subsequent to period end

The significant events subsequent to period end is disclosed in Note 35 to the financial statements.

Directors' Report

for the period ended 31 December 2023

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and of the Company during the financial period are RM3,614,000 and RM225,000 respectively.

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

.....
Tunku Dato' Yaacob Khyra
Chairman

.....
Ravindrasingham A/L Balasingham
Director

Kuala Lumpur,

Date: 30 April 2024

Statements of Financial Position

as at 31 December 2023

		Group		Company	
	Note	31.12.2023 RM'000	30.6.2022 RM'000	31.12.2023 RM'000	30.6.2022 RM'000
Assets					
Property, plant and equipment	3	1,056,574	1,169,705	-	-
Right-of-use assets	4	72,638	27,864	-	-
Goodwill	5	452,916	-	-	-
Other intangible assets	5	346,587	-	-	-
Interests in subsidiaries	6	-	-	1,990,490	1,969,004
Investments in associates	7	-	-	-	-
Investments in joint ventures	8	-	-	-	-
Other investments	9	-	174	-	-
Deferred tax assets	10	56	52	-	-
Total non-current assets		1,928,771	1,197,795	1,990,490	1,969,004
Inventories	11	63,215	36,235	-	-
Current tax assets		31,599	7,130	404	832
Contract assets	12	139,855	120,762	-	-
Trade and other receivables	13	235,332	231,575	407,174	308,565
Derivative financial assets		6,045	648	-	-
Cash and cash equivalents	14	169,498	66,914	81	63
		645,544	463,264	407,659	309,460
Assets classified as held-for-sale	15	436,349	1,419,363	-	-
Total current assets		1,081,893	1,882,627	407,659	309,460
Total assets		3,010,664	3,080,422	2,398,149	2,278,464
Equity					
Share capital		2,125,969	2,061,878	2,125,969	2,061,878
Treasury shares		(4,215)	(4,215)	(4,215)	(4,215)
Reserves		(1,518,642)	(1,158,729)	(301,429)	(265,811)
Equity attributable to owners of the Company		603,112	898,934	1,820,325	1,791,852
Non-controlling interests		(105,759)	(66,678)	-	-
Total equity		497,353	832,256	1,820,325	1,791,852

Statements of Financial Position

as at 31 December 2023

		Group		Company	
	Note	31.12.2023 RM'000	30.6.2022 RM'000	31.12.2023 RM'000	30.6.2022 RM'000
Liabilities					
Loans and borrowings	17	6,069	172,238	-	-
Lease liabilities		65,619	25,963	-	-
Long term payables	19	837	5,962	-	100,223
Long service leave liability		303	7,787	-	-
Deferred tax liabilities	10	198,743	42,810	-	-
Total non-current liabilities		271,571	254,760	-	100,223
Loans and borrowings	17	1,253,134	1,089,488	456,256	347,027
Lease liabilities		11,712	3,439	-	-
Current tax liabilities		834	27,690	-	-
Contract liabilities	12	143,403	73,951	-	-
Trade and other payables	20	390,952	410,330	121,568	39,362
		1,800,035	1,604,898	577,824	386,389
Liabilities classified as held-for-sale	15	441,705	388,508	-	-
Total current liabilities		2,241,740	1,993,406	577,824	386,389
Total liabilities		2,513,311	2,248,166	577,824	486,612
Total equity and liabilities		<u>3,010,664</u>	<u>3,080,422</u>	<u>2,398,149</u>	<u>2,278,464</u>

The notes on pages 76 to 168 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the period ended 31 December 2023

		Group		Company	
	Note	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000 Restated	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Continuing operations					
Revenue	21	1,645,916	1,055,643	3,552	5,337
Contract costs recognised as an expense		(1,265,318)	(833,920)	-	-
Cost of sales		-	(415)	-	-
Gross profit		380,598	221,308	3,552	5,337
Administrative expenses		(224,083)	(194,106)	(11,623)	(15,992)
Other income		66,457	82,675	29,609	26,319
Other operating expenses		(199,119)	(709,707)	(35,196)	(206,508)
Results from operating activities		23,853	(599,830)	(13,658)	(190,844)
Finance costs	22	(235,895)	(176,817)	(58,058)	(38,949)
Finance income	23	7,873	886	80,209	61,883
(Loss)/Profit before tax		(204,169)	(775,761)	8,493	(167,910)
Tax expense	24	(24,547)	(22,452)	-	-
(Loss)/Profit from continuing operations		(228,716)	(798,213)	8,493	(167,910)
Discontinued operations					
Loss from discontinued operations, net of tax	25	(192,109)	(66,447)	-	-
(Loss)/Profit for the period	26	(420,825)	(864,660)	8,493	(167,910)
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedge		6,184	2,278	-	-
Foreign currency translation differences for foreign operations		56,858	(82,859)	-	-
Hedge of net investment in subsidiaries		14,810	(37,559)	-	-
Impairment loss on property, plant and equipment previously revalued		(3,209)	-	-	-
Revaluation of property, plant and equipment		-	(43,497)	-	-
Other comprehensive income/(expense) for the period, net of tax		74,643	(161,637)	-	-
Total comprehensive (expense)/income for the period		(346,182)	(1,026,297)	8,493	(167,910)

Statements of Profit or Loss and Other Comprehensive Income

for the period ended 31 December 2023

	Group		Company	
Note	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022
	RM'000	RM'000 Restated	RM'000	RM'000
(Loss)/Profit attributable to:				
Owners of the Company	(394,071)	(826,581)	8,493	(167,910)
Non-controlling interests	<u>(26,754)</u>	<u>(38,079)</u>	<u>-</u>	<u>-</u>
(Loss)/Profit for the period	(420,825)	(864,660)	8,493	(167,910)
Total comprehensive (expense)/ income attributable to:				
Owners of the Company	(315,802)	(985,193)	8,493	(167,910)
Non-controlling interests	<u>(30,380)</u>	<u>(41,104)</u>	<u>-</u>	<u>-</u>
Total comprehensive (expense)/ income for the period	<u>(346,182)</u>	<u>(1,026,297)</u>	<u>8,493</u>	<u>(167,910)</u>
Basic/Diluted loss per ordinary share (Sen)				
from continuing operations	(5.19)	(22.26)		
from discontinued operations	<u>(4.94)</u>	<u>(1.95)</u>		
27	<u>(10.13)</u>	<u>(24.21)</u>		

The notes on pages 76 to 168 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the period ended 31 December 2023

Group	Attributable to owners of the Company									
	Non-distributable					Non-controlling interests				
	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	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	(45,156)	-	-	-	-	-	-	(45,156)	-	(45,156)
- Own shares sold	-	49,210	-	-	-	-	-	49,210	-	49,210
- Own shares acquired	-	-	-	-	5,429	-	-	5,429	-	5,429
- Share-based payment	-	-	-	-	(3,804)	-	3,804	-	-	-
- Share options expired	-	-	-	-	-	-	-	-	-	-
- 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 16.1	Note 16.2	Note 16.3	Note 16.4	Note 16.5	Note 16.6				

Consolidated Statement of Changes in Equity

for the period ended 31 December 2023

Group (continued)	Attributable to owners of the Company									
	Non-distributable					Non-controlling interests				
	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	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2022	2,061,878	(4,215)	133,176	(458,902)	5,429	567	(838,999)	898,934	(66,678)	832,256
Foreign currency translation differences for foreign operations	-	-	-	60,484	-	-	-	60,484	(3,626)	56,858
Hedge of net investment in subsidiaries	-	-	-	14,810	-	-	-	14,810	-	14,810
Cash flow hedge	-	-	-	-	-	6,184	-	6,184	-	6,184
Impairment loss on property, plant and equipment	-	-	(3,209)	-	-	-	-	(3,209)	-	(3,209)
Other comprehensive (expense)/income for the period	-	-	(3,209)	75,294	-	6,184	-	78,269	(3,626)	74,643
Loss for the period	-	-	-	-	-	-	(394,071)	(394,071)	(26,754)	(420,825)
Total comprehensive (expense)/income for the period	-	-	(3,209)	75,294	-	6,184	(394,071)	(315,802)	(30,380)	(346,182)
Contributions by and distributions to owners of the Company	44,788	-	-	-	-	-	(44,788)	-	-	-
- Reclassification of loss on treasury shares sold in prior period	-	-	-	-	677	-	-	677	-	677
- Share-based payment	-	-	-	-	(4,148)	-	4,148	-	-	-
- Share options lapsed	-	-	-	-	-	-	-	-	-	-
- Share issuance arising from private placements	19,303	-	-	-	-	-	-	19,303	-	19,303
- Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(8,701)	(8,701)
Total transactions with owners of the Company	64,091	-	-	-	(3,471)	-	(40,640)	19,980	(8,701)	11,279
At 31 December 2023	2,125,969	(4,215)	129,967	(383,608)	1,958	6,751	(1,273,710)	603,112	(105,759)	497,353

Note 16.1 Note 16.2 Note 16.3 Note 16.4 Note 16.5 Note 16.6

Statement of Changes in Equity

for the period ended 31 December 2023

	Attributable to owners of the Company				
	Non-distributable				
	Share capital RM'000	Treasury shares RM'000	Share option reserve RM'000	Accumulated losses RM'000	Total RM'000
Company					
At 1 January 2021	2,005,665	(53,425)	3,804	(106,353)	1,849,691
Loss and total comprehensive expense for the period	-	-	-	(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 2022/1 July 2022	2,061,878	(4,215)	5,429	(271,240)	1,791,852
Profit and total comprehensive income for the period	-	-	-	8,493	8,493
Contributions by and distributions to owners of the Company					
- Reclassification of loss on treasury shares sold in prior period	44,788	-	-	(44,788)	-
- Share-based payment	-	-	677	-	677
- Share options lapsed	-	-	(4,148)	4,148	-
- Share issuance arising from private placements	19,303	-	-	-	19,303
Total transactions with owners of the Company	64,091	-	(3,471)	(40,640)	19,980
At 31 December 2023	2,125,969	(4,215)	1,958	(303,387)	1,820,325
	Note 16.1	Note 16.2	Note 16.5		

The notes on pages 76 to 168 are an integral part of these financial statements.

Statements of Cash Flows

for the period ended 31 December 2023

	Group		Company	
	1.7.2022 to Note 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Cash flows from operating activities				
(Loss)/Profit before tax:				
Continuing operations	(204,169)	(775,761)	8,493	(167,910)
Discontinued operation	(164,503)	(69,050)	-	-
	(368,672)	(844,811)	8,493	(167,910)
Adjustments for:				
Amortisation of intangible assets	34,231	43,600	-	-
Change in fair value - Forward contracts	81	128	-	-
Depreciation of property, plant and equipment	28,125	30,826	-	-
Depreciation of right-of-use assets	7,981	7,758	-	-
Gain on disposal of:				
- Property, plant and equipment	(2,587)	(9,449)	-	-
Interest expense	245,626	183,694	58,058	38,943
Interest income	(7,873)	(886)	(80,209)	(61,883)
Provision for/(Reversal of):				
- Late delivery charges	54,079	25,229	-	-
- Warranty	(5,880)	(1,605)	-	-
- Project claims	4,388	38,755	-	-
Provision for/(Reversal of) impairment loss on:				
- Property, plant and equipment	3.6 28,807	57,889	-	-
- Goodwill	4,447	446,704	-	-
- Interests in subsidiaries	-	-	-	1,794
- Trade receivables	20,734	2,389	-	-
- Other receivables	12,322	8,606	-	-
- Investments in joint ventures	-	47	-	-
- Amounts due from joint ventures	-	(5,206)	-	-
- Amounts due from subsidiaries	-	-	-	134,675
Share-based payments	18 677	5,429	1,877	2,772
Unrealised (gain)/loss on foreign exchange	(86,092)	(34,890)	4,957	16,326
Write off/(Write back):				
- Property, plant and equipment	51	5,165	-	-
- Trade receivables	-	(3,124)	-	-

Statements of Cash Flows

for the period ended 31 December 2023

	Group		Company	
	1.7.2022 to Note 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Operating loss before changes in working capital	(29,555)	(43,752)	(6,824)	(35,283)
Changes in working capital:				
Inventories	34,623	(16,327)	-	-
Contract assets	81,349	72,765	-	-
Contract liabilities	102,876	27,771	-	-
Trade and other receivables	919	(55,685)	(88,954)	(27,142)
Trade and other payables	26,181	196,214	85,155	40,499
Cash generated from/(used in) operations	216,393	180,986	(10,623)	(21,926)
Tax paid	(66,053)	(53,622)	(216)	(103)
Tax refunded	-	-	644	-
Interest paid	(146)	(263)	-	-
Interest received	7,873	886	-	-
Net cash generated from/(used in) operating activities	158,067	127,987	(10,195)	(22,029)
Cash flows from investing activities				
Acquisition of other intangible assets	(800)	(240)	-	-
Acquisition of goodwill	-	(874)	-	-
Acquisition of property, plant and equipment	(i) (40,735)	(20,798)	-	-
Change in ownership	-	(1,801)	-	-
Proceeds from disposal of plant and equipment	5,771	70,824	-	-
Derecognition of lease liabilities	119	675	-	-
Advances to subsidiaries	-	-	(9,090)	(83,403)
Net cash (used in)/generated from investing activities	(35,645)	47,786	(9,090)	(83,403)
Cash flows from financing activities				
Interest paid	(14,369)	(183,431)	-	-
Payments for lease liabilities	(21,343)	(21,075)	-	-
Net proceeds from disposal of treasury shares	-	4,054	-	4,054
Net repayments of				
- Bills payable	(18,205)	(36,762)	-	-
- Hire purchase liabilities	(3,468)	(9,557)	-	-
- Term loans, bond and revolving credits	(132,807)	(27,427)	-	-
Proceeds from share issuance arising from private placement	19,303	94,651	19,303	94,651

Statements of Cash Flows

for the period ended 31 December 2023

	Group		Company	
Note	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Proceeds from share issuance arising from ESOS	-	6,718	-	6,718
Dividends paid to NCI	(8,701)	(4,551)	-	-
Net cash (used in)/generated from financing activities	(179,590)	(177,380)	19,303	105,423
Net (decrease)/increase in cash and cash equivalents	(57,168)	(1,607)	18	(9)
Effect of foreign currency translation	(14,519)	(18,310)	-	-
Cash and cash equivalents at beginning of period	246,114	266,031	63	72
Cash and cash equivalents at end of period	(ii) 174,427	246,114	81	63

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 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 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 2022/1 July 2022	14,439	1,167,177	59,843	3,005
Transfer to asset held-for-sale	-	(41,575)	(26,761)	(1,160)
Reclassified from asset held-for-sale to held-for-use	-	-	-	8,014
Interest expense	-	236,061	2,525	7
Interest paid	-	(4,950)	(2,525)	(7)
Net repayments	(18,205)	(108,842)	(23,965)	(3,468)
Unrealised loss on foreign exchange	-	(62,218)	-	-
Effect of foreign currency translation	3,766	41,946	6,804	933
At 31 December 2023	-	1,227,599	15,921	7,324

Statements of Cash Flows

for the period ended 31 December 2023

Reconciliation of liabilities arising from financing activities (continued)

Group	Lease liabilities RM'000	
At 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)	
At 30 June 2022/1 July 2022	29,402	
Acquisition of right-of-use assets	5,865	
Transfer to asset held-for-sale	(23,117)	
Reclassified from held-for-sale to held-for-use	78,881	
Payment of lease liabilities	(21,343)	
Effect of foreign currency translation	7,643	
At 31 December 2023	77,331	

Company	Fixed rate Guaranteed Thai Baht Bond	
	31.12.2023 RM'000	30.6.2022 RM'000
At 1 July 2022/1 January 2021	347,027	369,921
Interest expense	82,459	38,943
Unrealised loss/(gain) on foreign exchange	26,770	(22,894)
Interest paid	-	(38,943)
At 31 December 2023/30 June 2022	456,256	347,027

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 RM40,735,000 (30.6.2022: RM23,519,000) of which Nil (30.6.2022: RM2,721,000) was acquired by means of hire purchase.

Statements of Cash Flows

for the period ended 31 December 2023

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	31.12.2023	30.6.2022	31.12.2023	30.6.2022
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Cash and bank balances	14	145,798	41,450	81	63
Deposits with licensed banks	14	23,700	25,464	-	-
Less: Bank overdrafts	17	(8,359)	(17,262)	-	-
		<u>161,139</u>	<u>49,652</u>	<u>81</u>	<u>63</u>
Discontinued operations					
Cash and bank balances		12,634	196,462	-	-
Deposits with licensed banks		<u>654</u>	<u>-</u>	<u>-</u>	<u>-</u>
	15	13,288	196,462	-	-
		<u>174,427</u>	<u>246,114</u>	<u>81</u>	<u>63</u>

The notes on pages 76 to 168 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 31 December 2023 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 31 December 2023 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 33 to the financial statements.

These financial statements were authorised for issuance by the Board of Directors on 30 April 2024.

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”), IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting 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 2024

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

Notes to the Financial Statements

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

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, interpretations 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 Group and the Company report the following:

- i) the Group incurred net losses of RM420,825,000 for the financial period ended 31 December 2023 and as at that date, the current liabilities of the Group and of the Company exceeded their current assets by RM1,159,847,000 and RM170,165,000, respectively.
- ii) the Company had on 31 October 2022 triggered the criteria pursuant to Paragraphs 2.1(e) of Practice Note No. 17 ("PN17") of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") and classified as a PN17 Company on 1 November 2022. On 5 January 2024, an extension of time was granted to the Company to submit its regularisation plan to relevant regulatory authorities for approval before 30 April 2024. The Company had on 26 April 2024, submitted an application to Bursa Securities for a further extension of 12 months up to 30 April 2025 to submit its regularisation plan.
- iii) The Group and the Company have defaulted various loans and borrowings to banks and financial institutions which amounting to RM1,251,879,000 and RM456,256,000 respectively. These loans and borrowings are currently classified as current liabilities in the financial statements.

Notes to the Financial Statements

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

- iv) A subsidiary of the Company, KNM Process Systems Sdn. Bhd. ("KNMPS") had been served with winding-up petitions by their creditors ("Scheme Creditors"). On 15 December 2022, the High Court of Kuala Lumpur ("High Court") has granted the Company and KNMPS a Restraining Order ("RO") to allow the Company and KNMPS to negotiate and finalise the terms of the Scheme of Arrangement ("SOA") with its Scheme Creditors without the potential threat of any proceedings and actions being brought against the Company and KNMPS in the interim. The RO had expired on 2 November 2023 and on 21 November 2023, the High Court then granted a new RO to the Company and KNMPS until 20 February 2024. The Company and KNMPS have filed a request for an extension of time for the RO and while the request is being reviewed, an ad interim RO was granted by the High Court on 19 February 2024 until the next hearing that was scheduled on 7 March 2024. The ad interim RO was further extended to 13 March 2024, 8 April 2024 and 26 April 2024. On 26 April 2024, the Company and KNMPS had filed an application to the High Court to sanction a new SOA with its creditors and for a new RO. Upon the filing of the above application, an automatic moratorium is granted to the Company and KNMPS from the date of filing of the application for a maximum of two months or until the High Court decides on the application, whichever is earlier.
- v) The credit facilities of certain overseas subsidiaries will be expiring on 2 May 2024. The negotiation with the financial institution to renew/extend the credit facilities are on-going.

These events and conditions 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 and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Notwithstanding the above, the financial statements of the Group and of the Company have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis were not appropriate. The Directors acknowledged the current liquidity exposure of the Group and the Company and have initiated plans to dispose the Company's investment in Italy and the United Arab Emirates and to float the shares of its subsidiary in Germany. The Directors are also exploring opportunities to monetise the Group's other overseas investments and non-core assets.

The going concern assumption is highly dependent on their ability to obtain further extension of the ad interim RO, the successful formulation, approval and implementation of a regularisation plan, which includes successful flotation of its subsidiary in Germany, monetize other overseas investments of the Group and its non-core assets, continued support from lenders and creditors, and the ability of the Group and the Company to attain profitable, sustainable and viable operations so as to generate sufficient cash flows to fulfil their obligations as and when they fall due.

Notes to the Financial Statements

1. Basis of preparation (continued)

(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
- 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

Notes to the Financial Statements

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

- Note 21 - 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 Group adopted amendments to MFRS 101, *Presentation of Financial Statement* and MFRS Practice Statement 2 – *Disclosure of Accounting Policies* from 1 January 2023. The amendments also provide guidance on the application of materiality to disclosure of accounting policies assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Although the amendments did not result in any changes to the Group's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed in the respective notes to the financial statements where relevant.

Notes to the Financial Statements

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 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	(38,949)	(46,290)	(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 2022/1 July 2022	289,243	595,304	1,319	449,316	10,100	41,289	402,582	1,789,153
Additions	-	-	1,169	8,721	855	11,094	18,896	40,735
Disposals	-	-	-	(47,543)	(582)	(564)	-	(48,689)
Write-offs	-	-	-	(1,101)	(78)	(1,005)	-	(2,184)
Classified as held for sale	(103,250)	(124,725)	-	(211,832)	(5,714)	(7,653)	(3,073)	(456,247)
Reclassified from held-for-sale to held-for-use	38,949	46,290	5,614	90,536	4,947	62,248	2,485	251,069
Effect of movements in exchange rates	24,530	42,346	578	38,727	1,230	8,304	(28,877)	86,838
At 31 December 2023	249,472	559,215	8,680	326,824	10,758	113,713	392,013	1,660,675

Notes to the Financial Statements

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	-	69	47,101	57,890
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	9,238	38,181	-	535,114
Accumulated impairment loss	-	17,715	30	852	-	129	65,608	84,334
	2,577	100,720	513	402,482	9,238	38,310	65,608	619,448

Notes to the Financial Statements

3. Property, plant and equipment (continued)

Group (continued)	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 July 2022								
Accumulated depreciation	2,577	83,005	483	401,630	9,238	38,181	-	535,114
Accumulated impairment loss	-	17,715	30	852	-	129	65,608	84,334
Depreciation for the period	2,577	100,720	513	402,482	9,238	38,310	65,608	619,448
Disposals	1,563	28,851	2,576	23,622	1,020	9,794	-	67,426
Write-offs	-	-	-	(44,483)	(458)	(564)	-	(45,505)
Classified as held for sale	-	-	-	(1,075)	(78)	(980)	-	(2,133)
Reclassified from held-for-sale to held-for-use	-	(17,185)	-	(76,500)	(107,424)	(6,728)	(4,349)	(212,186)
Impairment loss for the period	-	5,287	688	71,046	3,844	49,228	-	130,093
Effect of movements in exchange rates	-	1,959	-	-	-	-	30,057	32,016
Accumulated depreciation	41	6,860	(1,254)	(73,628)	103,083	6,798	-	41,900
Accumulated impairment loss	-	953	2	36	-	6	(27,955)	(26,958)
At 31 December 2023								
Accumulated depreciation	4,181	106,818	2,493	300,612	9,225	95,729	-	519,058
Accumulated impairment loss	-	20,627	32	888	-	135	63,361	85,043
At 31 December 2023	4,181	127,445	2,525	301,500	9,225	95,864	63,361	604,101
Carrying amounts								
At 1 January 2021	347,824	645,546	7,363	90,038	3,591	19,628	403,631	1,517,621
At 30 June 2022/1 July 2022	286,666	494,584	806	46,834	862	2,979	336,974	1,169,705
At 31 December 2023	245,291	431,770	6,155	25,324	1,533	17,849	328,652	1,056,574

Notes to the Financial Statements

3. Property, plant and equipment (continued)

3.1 Depreciation charge for the period is allocated as follows:

		Group	
	Note	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Construction work-in-progress	12.1	39,301	47,681
Profit or loss	26	28,125	30,826
		<u>67,426</u>	<u>78,507</u>

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.l, 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	
	31.12.2023 RM'000	30.6.2022 RM'000
Freehold land	217,338	198,622
Leasehold land	8,724	9,175
Buildings	<u>386,248</u>	<u>385,906</u>
	<u>612,310</u>	<u>593,703</u>

3.3 Security

Certain freehold land, leasehold land and buildings of subsidiaries costing/valued at RM373,415,000 (30.6.2022: RM570,304,000) are charged to financial institutions as security for facilities granted to the subsidiaries of the Company (see Note 17).

Notes to the Financial Statements

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	
	31.12.2023	30.6.2022
	RM'000	RM'000
Freehold land	5,882	5,345
Buildings	16,307	16,668
Plant and machineries	5,049	14,009
Motor vehicles	54	169
	<u>27,292</u>	<u>36,191</u>

3.5 Capital work-in-progress

Included in carrying amounts of capital work-in-progress are costs of self-constructed assets of RM307,884,000 (30.6.2022: RM334,545,000).

3.6 Impairment loss

During the current and prior financial period, property, plant and equipment was tested for impairment as certain property, plant and equipment has not been in used. Following the assessment, an impairment loss of RM32,016,000 (30.6.2022: RM57,890,000) has been made as these assets have carrying amounts higher than their estimated recoverable amounts.

However, the recoverable amount of other property, plant and equipment that has not been in used amounting to RM739,595,000 could not be reasonably determined. The Directors are currently exploring opportunities to monetise these assets.

3.7 Material accounting policy information**(a) Recognition and measurement**

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

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

Notes to the Financial Statements

3. Property, plant and equipment (continued)

3.7 Material accounting policy information (continued)

(b) Depreciation

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. Freehold land is not depreciated. Property, plant and equipment under construction 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

Notes to the Financial Statements

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 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 2022/1 July 2022		29,331	4,718	819	1,425	1,498	37,791
Additions		301	2,896	86	2,582	-	5,865
Classified as held for sale		(35,100)	(59)	(895)	(1,568)	(192)	(37,814)
Reclassified from held-for-sale to held-for-use		1,166	91,473	2,789	4,554	5,707	105,689
Derecognition		-	(17,629)	(1,001)	(1,117)	(262)	(20,009)
Effect of movements in exchange rates		11,001	9,418	157	600	679	21,855
At 31 December 2023		6,699	90,817	1,955	6,476	7,430	113,377
Depreciation							
At 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 2022/1 July 2022		3,866	3,184	614	955	1,308	9,927
Depreciation for the period		5,462	14,342	909	2,127	1,401	24,241
Classified as held for sale		(14,159)	(59)	(829)	(1,253)	(168)	(16,468)
Reclassified from held-for-sale to held-for-use		77	19,429	1,900	3,289	4,406	29,101
Derecognition		-	(17,629)	(1,001)	(1,034)	(226)	(19,890)
Effect of movements in exchange rates		9,867	2,595	291	520	555	13,828
At 31 December 2023		5,113	21,862	1,884	4,604	7,276	40,739

Notes to the Financial Statements

4. Right-of-use assets (continued)

Group (continued)	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
Carrying amounts							
At 1 January 2021		30,354	10,346	1,986	2,110	4,115	48,911
At 30 June 2022/1 July 2022		25,465	1,534	205	470	190	27,864
At 31 December 2023		1,586	68,955	71	1,872	154	72,638

Notes to the Financial Statements

4. Right-of-use assets (continued)**4.1 Depreciation of right-of-use assets charged for the year is allocated as follows:**

Group	Note	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Construction work-in-progress	12.1	16,260	15,304
Profit or loss	26	7,981	7,758
		<u>24,241</u>	<u>23,062</u>

4.2 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.

4.3 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.

Notes to the Financial Statements

4. Right-of-use assets (continued)

4.4 Material accounting policy information

(a) Lease and non-lease components

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.

(b) Recognition exemption

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 less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

When the Group is an intermediate lessor, it accounts for its interests 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.

5. Intangible assets

Group	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 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 2022/1 July 2022	32,410	-	32,410
Additions	-	800	800
Reclassified from held-for-sale to held-for-use	841,187	847,074	1,688,261
Effect of movements in exchange rates	84,484	84,241	168,725
At 31 December 2023	958,081	932,115	1,890,196
	Note 5.1	Note 5.2	

Notes to the Financial Statements

5. Intangible assets (continued)

Group	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Amortisation and impairment loss			
At 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 2022/1 July 2022			
Accumulated amortisation	-	-	-
Accumulated impairment loss	32,410	-	32,410
	32,410	-	32,410
Amortisation for the period	-	34,231	34,231
Impairment loss	4,447	-	4,447
Amortisation reclassified from held-for-sale to held-for-use	-	500,297	500,297
Impairment loss reclassified from held-for-sale to held-for-use	442,292	-	442,292
Effect of movements in exchange rates	26,016	51,000	77,016
At 31 December 2023			
Accumulated amortisation	-	585,528	585,528
Accumulated impairment loss	505,165	-	505,165
	505,165	585,528	1,090,693
Carrying amounts			
At 1 January 2021	902,467	416,278	1,318,745
At 30 June 2022/1 July 2022	-	-	-
At 31 December 2023	452,916	346,587	799,503
	Note 5.1	Note 5.2	

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.

Notes to the Financial Statements

5. Intangible assets (continued)

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 with indefinite useful lives are tested for impairment annually or shorter if there is an indication of impairment.

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:

	Group	
	31.12.2023	30.6.2022
	RM'000	RM'000
Germany unit	452,916	398,895

Germany unit

For current financial period, 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 averages 12.6% 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 9.82%.

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).

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 RM160.4 million.

Notes to the Financial Statements

5. Intangible asset (continued)**5.4 Impairment testing for cash-generating units containing goodwill (continued)****Germany unit (continued)**

- A decrease of 2.00% in the EBITDA margin used would result in an impairment loss of RM233.2 million.

In prior 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.

During the financial period ended 31 December 2023, the Group has impaired the carrying amount of the goodwill arose from the acquisition of of the Germany unit by RM4,447,000 (30.6.2022: RM446,704,000) due to decline in the business performance in one of the business segment.

5.5 Material accounting policy information**(a) Recognition and measurement**

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

6. Interests in subsidiaries

	Company	
	31.12.2023	30.6.2022
	RM'000	RM'000
Unquoted shares - at cost	1,658,930	1,658,930
Amounts receivable from subsidiaries	358,894	337,408
Less: Impairment loss	<u>(27,334)</u>	<u>(27,334)</u>
	<u>1,990,490</u>	<u>1,969,004</u>

The amounts receivable from subsidiaries relate to advances which are unsecured, non-repayable and interest free except for RM358,893,889 (30.6.2022: RM337,407,620) due from a subsidiary which is subject to interest at rate of 6.25% (30.6.2022: 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.

There are several subsidiaries that were either dormant or loss-making. The recoverable amounts of subsidiaries could not be reasonably determined as the Company is currently formulating its regularisation plan to monetize the subsidiaries which include floatation of its investment in Germany.

The audit of the subsidiaries in Germany is currently on-going as of the date of this report. The delay in completion of the audit was due to amongst others, the ongoing negotiation/renewal of the credit facilities with the financial institutions which is due to expire on 2 May 2024.

Notes to the Financial Statements

6. Interests in subsidiaries (continued)

Details of the subsidiaries are shown in Note 33 to the financial statements.

Non-controlling interests in subsidiaries

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

	Impress Ethanol Co., Ltd RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
1.7.2022 to 31.12.2023			
NCI percentage of ownership interest and voting interest	28%		
Carrying amount of NCI	(89,733)	(16,026)	(105,759)
(Loss)/Profit allocated to NCI	(30,938)	4,184	(26,754)

1.1.2021 to 30.6.2022

NCI percentage of ownership interest and voting interest	28%		
Carrying amount of NCI	(55,026)	(11,652)	(66,678)
Profit allocated to NCI	(43,504)	5,425	(38,079)

Summarised financial information before intra-group elimination

As at 31 December 2023

Non-current assets	473,732
Current assets	8,632
Non-current liabilities	(634,579)
Current liabilities	(168,259)
Net liabilities	(320,474)

1.7.2022 to 31.12.2023

Loss for the period	(110,493)
Total comprehensive expense	(124,430)

Cash flows used in operating activities	(52,877)
Cash flows from financing activities	55,903
Net increase in cash and cash equivalents	3,026

Dividends paid to NCI	-
-----------------------	---

Notes to the Financial Statements

6. Interests in subsidiaries (continued)**Non-controlling interests in subsidiaries (continued)**

	Impress Ethanol Co., Ltd RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
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	<u>(196,522)</u>		
1.1.2021 to 30.6.2022			
Loss for the period	(155,371)		
Total comprehensive expense	<u>(156,049)</u>		
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	<u>584</u>		
Dividends paid to NCI	<u>-</u>		

7. Investments in associates

	Group	
	31.12.2023 RM'000	2022 RM'000
Unquoted shares - at cost	-	-
Share of post-acquisition reserve	-	-
	<u>-</u>	<u>-</u>

Notes to the Financial Statements

7. Investments in associates (continued)

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	
			31.12.2023 %	30.6.2022 %
Impress Farming Co., Ltd ^	Plantation and distributor of cassava	Thailand	49	49

^ Equity-accounted using management accounts as at 31 December 2023

7.1 Material accounting policy information

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses.

8. Investments in joint ventures

	Group	
	31.12.2023 RM'000	30.6.2022 RM'000
Unquoted shares – at cost	913	832
Share of post-acquisition reserve	(943)	(867)
Effect of movements in exchange rates	30	35
	<u>-</u>	<u>-</u>

Name of Company	Principal activities	Principal place of business/ Country of incorporation	Effective ownership Interest and voting interest	
			31.12.2023 %	30.6.2022 %
ADAP KNM (S) Sdn. Bhd. &	Dormant	Malaysia	49	49

Notes to the Financial Statements

8. Investments in joint ventures (continued)

Name of Company	Principal activities	Principal place of business/ Country of incorporation	Effective ownership Interest and voting interest	
			31.12.2023 %	30.6.2022 %
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
Hansol KNM Greentech Sdn. Bhd.*#	Engineering, Procurement, Construction, Commissioning ("EPCC") contractor	Malaysia	40	40

* Audited by another firm of accountants.

The company is in the process of liquidation.

& 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.

8.1 Material accounting policy information

Investments in joint ventures are measured in the Company's statement of financial position at cost less any impairment losses.

9. Other investments

	Group	
	31.12.2023 RM'000	30.6.2022 RM'000
Non-current		
Financial assets measured at fair value through profit or loss		
- Unquoted shares	-	174

Notes to the Financial Statements

10. Deferred tax assets/(liabilities)**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	31.12.2023 RM'000	30.6.2022 RM'000	31.12.2023 RM'000	30.6.2022 RM'000	31.12.2023 RM'000	30.6.2022 RM'000
Property, plant and equipment	-	5,877	(2,637)	(20,874)	(2,637)	(14,997)
Revaluation*	-	2,324	(197,710)	(40,783)	(197,710)	(38,459)
Provisions	-	5,259	-	-	-	5,259
Other items	1,660	1,483	-	(5,644)	1,660	(4,161)
Tax loss carry-forward and unutilised capital allowances	-	9,600	-	-	-	9,600
Tax assets/(liabilities)	1,660	24,543	(200,347)	(67,301)	(198,687)	(42,758)
Set off of tax	(1,604)	(24,491)	1,604	24,491	-	-
Net tax assets/(liabilities)	56	52	(198,743)	(42,810)	(198,687)	(42,758)

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

Notes to the Financial Statements

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	
	31.12.2023	30.6.2022	31.12.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Tax loss carry-forwards	2,304,101	2,173,865	12,584	8,374
Unutilised capital allowances	32,493	63,447	-	-
Other incentives	-	39,789	-	-
Other deductible temporary differences	59,679	31,261	-	-
	<u>2,396,273</u>	<u>2,308,362</u>	<u>12,584</u>	<u>8,374</u>

Deferred tax assets have not been recognised 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	
	31.12.2023	30.6.2022	31.12.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Subject to expiry in:				
- Year of Assessment 2022	5,293	5,517	-	-
- Year of Assessment 2023	1,339	1,396	-	-
- Year of Assessment 2024	2,097	2,186	-	-
- Year of Assessment 2025	2,795	2,795	-	-
- Year of Assessment 2026	-	-	-	-
- Year of Assessment 2027	152	152	-	-
- Year of Assessment 2028	1,804,006	1,803,977	2,294	2,294
- Year of Assessment 2029	15,733	15,733	1,062	1,062
- Year of Assessment 2030	12,585	12,585	1,146	1,146
- Year of Assessment 2031	34,732	34,367	3,872	3,872
- Year of Assessment 2032	66,162	62,504	4,210	-
- Year of Assessment 2033	121,847	16	-	-
- Year of Assessment 2034	24	23	-	-
- Year of Assessment 2035	10	10	-	-
- Year of Assessment 2036	3,187	3,142	-	-
- Year of Assessment 2037	4,797	4,728	-	-
- Year of Assessment 2038	4,467	4,403	-	-
- Year of Assessment 2039	4,155	4,096	-	-
- Year of Assessment 2040	3,933	3,877	-	-
- Year of Assessment 2041	3,641	3,589	-	-
- Year of Assessment 2042	11,178	11,019	-	-
	<u>2,102,133</u>	<u>1,976,115</u>	<u>12,584</u>	<u>8,374</u>
Not subject to expiry	201,968	197,750	-	-
	<u>2,304,101</u>	<u>2,173,865</u>	<u>12,584</u>	<u>8,374</u>

Notes to the Financial Statements

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

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

Notes to the Financial Statements

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

Movement in temporary differences during the financial period

Group	At 1.1.2021 RM'000	Recognised in profit or loss (Note 24) 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/ 1.7.2022 RM'000	Recognised in profit or loss (Note 24) RM'000	Included in asset held- for-sale RM'000	Reclassified in from held-for- sale to held- for-use RM'000	Effect of movements in exchange rates RM'000	At 31.12.2023 RM'000
Property, plant and equipment	(16,753)	820	773	-	163	(14,997)	5,823	9,267	-	(931)	(838)
Revaluation*	(218,184)	24,637	4,127	139,288	11,673	(38,459)	(25,983)	21,723	(139,288)	(17,561)	(199,568)
Provisions	7,727	(2,038)	-	-	(430)	5,259	(5,527)	-	-	268	-
Other items	2,294	(1,523)	-	(4,940)	8	(4,161)	(4,341)	5,700	4,940	(419)	1,719
Tax loss carry- forward and unutilised capital allowance	6,632	3,184	-	-	(216)	9,600	(10,090)	-	-	490	-
	(218,284)	25,080	4,900	134,348	11,198	(42,758)	(40,118)	36,690	(134,348)	(18,153)	198,687

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

10.1 Material accounting policy information

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying values at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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.

Notes to the Financial Statements

11. Inventories

	Group	
	31.12.2023	30.6.2022
	RM'000	RM'000
At cost:		
Raw materials	16,071	12,995
Tools and consumables	13,716	6,592
Work-in-progress	30,499	-
Finished goods	1,063	995
	<u>61,349</u>	<u>20,582</u>
At net realisable value:		
Raw materials	247	15,653
Tools and consumables	1,619	-
	<u>63,215</u>	<u>36,235</u>
Recognised in profit or loss:		
Inventories written down to net realisable value	<u>(6,948)</u>	<u>-</u>

11.1 Material accounting policy information

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average method.

12. Contract assets/(liabilities)

		Group	
	Note	31.12.2023 RM'000	30.6.2022 RM'000
Contract assets	12.1	<u>139,855</u>	<u>120,762</u>
Contract liabilities	12.1	(143,403)	(73,951)

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 90 days.

Notes to the Financial Statements

12. Contract assets/(liabilities) (continued)**12.1 Construction work-in-progress**

	Group	
	31.12.2023	30.6.2022
	RM'000	RM'000
Aggregate costs incurred to date	643,938	1,334,087
Add: Attributable profits	33,799	195,211
	<u>677,737</u>	<u>1,529,298</u>
Less: Progress billings	<u>(681,285)</u>	<u>(1,482,487)</u>
	<u>(3,548)</u>	<u>46,811</u>
Represented by:		
Contract assets	139,855	120,762
Contract liabilities	<u>(143,403)</u>	<u>(73,951)</u>
	<u>(3,548)</u>	<u>46,811</u>

Additions to aggregate costs incurred during the financial period include:

		Group	
	Note	1.7.2022 to	1.1.2021 to
		31.12.2023	30.6.2022
		RM'000	RM'000
Depreciation of property, plant and equipment	3.1	39,301	47,681
Depreciation of right-of-use assets	4.1	16,260	15,304
Hire of plant and machinery		17,047	8,753
Staff costs		<u>282,900</u>	<u>292,443</u>

13. Trade and other receivables

		Group		Company	
	Note	31.12.2023	30.6.2022	31.12.2023	30.6.2022
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade receivables		111,955	97,477	-	-
Amounts due from					
- subsidiaries	13.1	-	-	12,221	9,112
		<u>111,955</u>	<u>97,477</u>	<u>12,221</u>	<u>9,112</u>
Non-trade					
Amounts due from					
- subsidiaries	13.1	-	-	394,934	299,450
Other receivables	13.2	31,061	64,769	-	-
Deposits		1,928	4,131	19	3
Prepayments	13.3	<u>90,388</u>	<u>65,198</u>	<u>-</u>	<u>-</u>
		<u>123,377</u>	<u>134,098</u>	<u>394,953</u>	<u>299,453</u>
		<u>235,332</u>	<u>231,575</u>	<u>407,174</u>	<u>308,565</u>

Notes to the Financial Statements

13. Trade and other receivables (continued)

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. Impairment losses of Nil (30.6.2022: RM161,826,000) had been provided for amounts due from subsidiaries.

There are several subsidiaries that were either dormant or loss-making. The recoverable amounts of subsidiaries could not be reasonably determined as the Company is currently formulating its regularisation plan to monetize the subsidiaries which include floatation of its investment in Germany.

13.2 Other receivables

Included in other receivables of the Group are Sales and Services Tax ("SST") and Value Added Tax ("VAT") receivables amounting to RM14,285,000 (30.6.2022: RM4,813,000).

13.3 Prepayments

Included in prepayments of the Group are advance payments to suppliers of RM84,294,000 (30.6.2022: RM34,814,000).

Notes to the Financial Statements

14. Cash and cash equivalents

	Group		Company	
	31.12.2023	30.6.2022	31.12.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	145,798	41,450	81	63
Short-term deposits with licensed banks	23,700	25,464	-	-
	<u>169,498</u>	<u>66,914</u>	<u>81</u>	<u>63</u>

Included in the deposits placed with licensed banks of the Group is RM23,700,000 (30.6.2022: RM23,857,000) pledged for bank facilities granted to the subsidiaries of the Company.

15. Disposal group held for sale

In prior period, the fabrication businesses and facility located at Germany was presented as disposal group held for sale following the commitment of the Group's management on 24 May 2022 to a plan to sell. On 1 December 2022, the Board had announced that the Group had exercised its withdrawal right under the share and purchase agreement as relevant conditions precedent had not been fulfilled. Accordingly, the Germany operating segment is reclassified as held-for-use during the financial period.

On 26 May 2023, the Board has announced the proposed disposal of 100% equity interest in its fabrication businesses and facility located at Italy and United Arab Emirates ("UAE") given its financial status which needs immediate restructuring and investment. On 27 March 2024, the Group had entered into a Share Purchase Agreement with buyers from Italy to dispose of its 100% equity in Italy and UAE for an aggregate cash consideration of EUR16,500,000. The sale transaction is expected to complete within 12 months after the end of the financial period. The assets and liabilities of the disposal group are as follows:

		Group	
	Note	31.12.2023	30.6.2022
		RM'000	RM'000
Assets classified as held for sale			
Property, plant and equipment	3	244,061	120,976
Right-of-use assets	4	21,346	76,588
Goodwill	5	-	398,895
Other intangible assets	5	-	346,777
Other investments	9	192	-
Inventories		19,631	72,767
Current tax assets		2,206	-
Contract assets		30,513	120,536
Trade and other receivables		104,399	86,355
Derivative financial assets		713	7
Cash and cash equivalents		13,288	196,462
		<u>436,349</u>	<u>1,419,363</u>

Notes to the Financial Statements

15. Disposal group held for sale (continued)

		Group	
	Note	31.12.2023 RM'000	30.06.2022 RM'000
Liabilities classified as held for sale			
Non-current loans and borrowings		(29,600)	(6,894)
Non-current lease liabilities		(21,301)	(68,640)
Long term payables		(4,561)	-
Long service leave liabilities		(9,077)	-
Deferred tax liabilities	10	(36,690)	(134,348)
Current loans and borrowings		(39,896)	(1,120)
Current lease liabilities		(1,816)	(10,241)
Current tax liabilities		-	(487)
Contract liabilities		(97,924)	(49,016)
Trade and other payables		(200,840)	(117,762)
		<u>(441,705)</u>	<u>(388,508)</u>

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

16. Capital and reserves

16.1 Share capital

	Group and Company			
	31.12.2023		30.6.2022	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid shares:				
At 1 July 2022/1 January 2021	3,678,263	2,061,878	2,992,575	2,005,665
Issuance arising from private placement (Note 16.1a)	367,642	19,303	631,056	94,651
Issuance arising from ESOS	-	-	54,632	6,718
Net loss on disposal of treasury shares	-	-	-	(45,156)
Reclassification of loss on disposal of treasury shares in prior period to accumulated losses	-	44,788	-	-
At 31 December 2023/ 30 June 2022	<u>4,045,905</u>	<u>2,125,969</u>	<u>3,678,263</u>	<u>2,061,878</u>

- (a) During the financial period, the Company issued 367,642,100 (30.6.2022: 631,056,200) new ordinary shares via a private placements to eligible investors for a net cash consideration of RM19,303,000 (30.6.2022: RM94,651,000).

Notes to the Financial Statements

16. Capital and reserves (continued)

16.2 Treasury shares

As at 31 December 2023, the Company held 1,841,275 (30.6.2022: 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 31 December 2023 is 4,044,064,080 (30.6.2022: 3,676,421,980) ordinary shares. The treasury shares have no rights to voting, dividends or participation in other distribution.

16.3 Revaluation reserve

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

16.4 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.

16.5 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 18.

16.6 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.

Notes to the Financial Statements

17. Loans and borrowings

			Group	
		Note	31.12.2023 RM'000	30.6.2022 RM'000
Non-current				
Floating rate term loans	- secured	17.2	-	85,393
	- unsecured	17.3	-	61,395
Fixed rate term loans	- secured	17.2	-	15,870
	- unsecured	17.3	-	170
Revolving credits	- secured	17.4	-	7,749
Fixed rate hire purchase liabilities		17.5	6,069	1,661
			6,069	172,238
Current				
Bank overdrafts	- secured	17.1	8,359	17,262
Bills payable	- unsecured	17.1	-	14,439
Floating rate term loans	- secured	17.2	159,075	66,769
	- unsecured	17.3	-	76,547
Fixed rate term loans	- secured	17.2	118,043	103,985
	- unsecured	17.3	494,225	410,021
Revolving credits	- secured	17.4	15,921	6,533
	- unsecured		-	45,561
Fixed rate hire purchase liabilities		17.5	1,255	1,344
Fixed rate Thai Baht loan		17.6	456,256	347,027
			1,253,134	1,089,488
			1,259,203	1,261,726
			Company	
		Note	31.12.2023 RM'000	30.6.2022 RM'000
Current				
Fixed rate Thai Baht loan		17.7	456,256	347,027

17.1 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.

Notes to the Financial Statements

17. Loans and borrowings (continued)

17.1 Bank overdrafts and bill payable (continued)

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

In respect of the Group for the financial period ended 31 December 2023:

- a. Minimum consolidated total net worth of RM1.5 billion (30.6.2022: RM1.5 billion).
- b. The Group's consolidated debt to equity shall not be more than 1.0 time (30.6.2022: 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 (30.6.2022: 0.4 time).
- d. The Group's consolidated EBITDA over interest expense shall not be less than 2.0 times (30.6.2022: 2.0 times).

17.2 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 17.1(iii) are also applicable.

17.3 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 17.1(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 31 December 2023 shall exceed a ratio of 4.5 times (30.6.2022: 4.5 times).
- b. Maintenance of leverage ratio of not more than 2.0 times (30.6.2022: 2.25 times) for the financial period ended 31 December 2023.

Notes to the Financial Statements

17. Loans and borrowings (continued)

17.3 Unsecured floating term loans and unsecured fixed term loans (continued)

- c. Working capital cover ratio for periods ending on or after 31 December 2023 shall be equal to or more than 120% (30.6.2022: 120%).
- d. Minimum equity for the financial period ended 31 December 2023 shall not be less than 35% (30.6.2022: 30%).

17.4 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.

17.5 Floating rate hire purchase liabilities and fixed rate hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	31.12.2023			30.6.2022		
	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	1,512	(257)	1,255	1,440	(96)	1,344
Between one and five years	5,083	(594)	4,489	1,736	(75)	1,661
More than five years	1,605	(25)	1,580	-	-	-
	<u>8,200</u>	<u>(876)</u>	<u>7,324</u>	<u>3,176</u>	<u>(171)</u>	<u>3,005</u>

The hire purchase liabilities are subject to interest at rates ranging from 7.13% to 7.69% (2022: 1.13% to 7.69%) per annum.

17.6 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 2022 and the guarantor has redeemed the Thai Baht Bond on behalf of the Group and the Company.

Notes to the Financial Statements

17. Loans and borrowings (continued)**17.7 Defaulted loans**

The Group and the Company have defaulted various loans and borrowings to banks and financial institutions which amounting to RM1,251,879,000 and RM456,256,000 respectively. These loans and borrowings are currently classified as current liabilities. Certain defaulted loans and borrowings were supported by corporate guarantee issued by the Company. The provision for corporate guarantee has not been provided for as expected recoverable amount of underlying securities could not be reasonably determined as the Directors are currently exploring opportunities to monetize these assets as disclosed in Note 3.6.

18. 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:

	31.12.2023		30.6.2022	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Outstanding at the beginning of the period	RM0.11	-	RM0.11	74,040
Granted during the period	RM0.11	-	RM0.11	-
Expired/Lapsed during the period	RM0.11	-	RM0.11	(31,078)
Exercised during the period	RM0.11	-	RM0.11	(42,962)
Outstanding at the end of the period	RM0.11	-	RM0.11	-
Vested and exercisable at the end of the period	RM0.11	-	RM0.11	-

The options have expired on 19 April 2022.

Notes to the Financial Statements

18. Employee benefits (continued)

Share-based payment arrangement (continued)

a) Options allocated on 27.3.2019 (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	31.12.2023	30.6.2022
Fair value at grant date	-	RM0.025
Weighted average share price	-	RM0.11
Share price at grant date	-	RM0.12
Expected volatility	-	77.71%
Option life	-	2 years
Expected dividends	-	0.00%
Risk-free interest rate	-	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	3.5 years

The number and weighted average exercise price of share options are as follows:

	31.12.2023		30.6.2022	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Outstanding at the beginning of the period	RM0.165	40,728	RM0.165	-
Granted during the period	RM0.165	-	RM0.165	141,310
Expired/Lapsed during the period	RM0.165	(30,898)	RM0.165	(91,567)
Exercised during the period	RM0.165	-	RM0.165	(9,015)
Outstanding at the end of the period	RM0.165	9,830	RM0.165	40,728
Vested and exercisable at the end of the period	RM0.165	9,830	RM0.165	14,263

The options outstanding at 31 December 2023 have an exercise price of RM0.165 and a weighted average contractual life of 3.5 years.

Notes to the Financial Statements

18. 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	31.12.2023	30.6.2022
Fair value at grant date	RM0.0455	RM0.0455
Weighted average share price	RM0.19	RM0.19
Share price at grant date	RM0.18	RM0.18
Expected volatility	58.06%	58.06%
Option life	3 years	3 years
Expected dividends	0.00%	0.00%
Risk-free interest rate	1.74%	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:

	31.12.2023		30.6.2022	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Outstanding at the beginning of the period	RM0.19	96,226	RM0.19	-
Granted during the period	RM0.19	-	RM0.19	103,946
Expired/Lapsed during the period	RM0.19	(81,635)	RM0.19	(5,065)
Exercised during the period	RM0.19	-	RM0.19	(2,655)
Outstanding at the end of the period	RM0.19	14,591	RM0.19	96,226
Vested and exercisable at the end of the period	RM0.19	14,591	RM0.19	27,158

The options outstanding at 31 December 2023 have an exercise price of RM0.19 and a weighted average contractual life of 2.5 years.

Notes to the Financial Statements

18. 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	31.12.2023	30.6.2022
Fair value at grant date	RM0.064	RM0.064
Weighted average share price	RM0.26	RM0.26
Share price at grant date	RM0.22	RM0.22
Expected volatility	58.06%	58.06%
Option life	2.5 years	2.5 years
Expected dividends	0.00%	0.00%
Risk-free interest rate	1.95%	1.95%

Value of employee services received for issue of share options

	Group		Company	
	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Total expense recognised as share-based payments	677	5,429	1,877	2,772

19. 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 Nil. (30.6.2022: RM100,223,000) which is unsecured, interest free and not repayable within next twelve months after reporting date.

Notes to the Financial Statements

20. Trade and other payables

		Group		Company	
	Note	31.12.2023	30.6.2022	31.12.2023	30.6.2022
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables		167,722	177,314	-	-
Non-trade					
Amounts due to					
- subsidiaries	20.1	-	-	110,758	11,100
- associates	20.1	1,894	1,686	795	-
- joint ventures	20.1	731	749	-	-
- related parties	20.1	9,937	8,773	-	-
Other payables	20.2	64,255	119,521	4,023	23,275
Accrued expenses	20.3	146,413	102,287	5,992	4,987
		<u>223,230</u>	<u>233,016</u>	<u>121,568</u>	<u>39,362</u>
		<u>390,952</u>	<u>410,330</u>	<u>121,568</u>	<u>39,362</u>

20.1 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.

20.2 Other payables

Included in other payables of the Group are Sales and Services Tax ("SST") and Value Added Tax ("VAT") payable amounting to RM3,978,000 (30.6.2022: RM3,806,000).

20.3 Accrued expenses

Included in accrued expenses of the Group are provision for warranty of RM8,006,930 (2022: RM1,254,136). Provision for warranty is made for remedies required for certain construction contracts.

Notes to the Financial Statements

21. Revenue

Group	Continuing Operations		Discontinued Operation		Total	
	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000 Restated	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000 Restated	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Construction contract						
- In time	124,952	157,457	87,262	76,253	212,214	233,710
- Over time	1,496,459	884,744	225,077	260,440	1,721,536	1,145,184
Sales of goods	24,448	13,432	-	39,867	24,448	53,299
Management fees	-	10	-	-	-	10
Services	57	-	-	4,192	57	4,192
	1,645,916	1,055,643	312,339	380,752	1,958,255	1,436,395
Major products and services lines						
- Construction contracts	1,230,803	730,391	273,731	350,619	1,504,534	1,081,010
- Renewable energy	9,740	8,957	1,156	2,384	10,896	11,341
- Others	405,373	316,295	37,452	27,749	442,825	344,044
	1,645,916	1,055,643	312,339	380,752	1,958,255	1,436,395
Company						
Management fees	3,552	5,337				
Major products and services lines						
- Others	3,552	5,337				

Notes to the Financial Statements

21. 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 below, 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. For contracts whereby revenue is recognised at a point in time, this mainly involve spare parts projects. Revenue is recognised 100% upon delivery or completion of the single obligation.	Based on agreed milestones.	Not applicable.	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 at a point in time once services has been provided to the customer.	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.

Notes to the Financial Statements

22. Finance costs

Group	Continuing Operations		Discontinued Operation		Total	
	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000 Restated	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000 Restated	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	234,330	173,437	7,356	2,878	241,686	176,315
Interest expense on lease liabilities	480	1,708	124	203	604	1,911
Other finance costs	1,085	1,672	2,251	3,796	3,336	5,468
	<u>235,895</u>	<u>176,817</u>	<u>9,731</u>	<u>6,877</u>	<u>245,626</u>	<u>183,694</u>
Recognised in profit or loss	<u>235,895</u>	<u>176,817</u>	<u>9,731</u>	<u>6,877</u>	<u>245,626</u>	<u>183,694</u>
Company	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000				
Interest expense of financial liabilities that are not at fair value through profit or loss	58,051	38,943				
Other finance costs	7	6				
	<u>58,058</u>	<u>38,949</u>				
Recognised in profit or loss	<u>58,058</u>	<u>38,949</u>				

Notes to the Financial Statements

23. Finance income

Group	Continuing Operations	
	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised cost:	<u>7,873</u>	<u>886</u>
Company	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised cost:	<u>80,209</u>	<u>61,883</u>

24. Tax expense

	Group		Company	
	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Income tax expense on continuing operations	24,547	22,452	-	-
Income tax expense/(income) on discontinued operation	<u>27,606</u>	<u>(2,603)</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>52,153</u>	<u>19,849</u>	<u>-</u>	<u>-</u>
Current tax expense				
- Current year	15,564	45,931	-	-
- Over provision in prior period	<u>(3,529)</u>	<u>(1,002)</u>	<u>-</u>	<u>-</u>
Total current tax recognised in profit or loss	12,035	44,929	-	-
Deferred tax expense				
- Current year	40,118	(25,104)	-	-
- Under provision in prior period	<u>-</u>	<u>24</u>	<u>-</u>	<u>-</u>
Total deferred tax recognised in profit or loss	40,118	(25,080)	-	-
Total income tax expense	<u>52,153</u>	<u>19,849</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

24. Tax expense (continued)

	Group		Company	
	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Reconciliation of tax expense				
(Loss)/Profit for the period	(420,825)	(864,660)	8,493	(167,910)
Total tax expense	52,153	19,849	-	-
(Loss)/Profit before tax	<u>(368,672)</u>	<u>(844,811)</u>	<u>8,493</u>	<u>(167,910)</u>
Income tax using Malaysian tax rate of 24% (30.06.2022: 24%)	(88,481)	(202,755)	2,038	(40,298)
Effect of tax rates in foreign jurisdictions*	38,920	72,163	-	-
Non-deductible expenses	114,012	130,368	16,207	53,628
Tax exempt income	(29,868)	(12,183)	(19,256)	(14,238)
Effect of deferred tax assets not recognised	<u>21,099</u>	<u>33,234</u>	<u>1,011</u>	<u>908</u>
	55,682	20,827	-	-
(Over)/Under provision in prior period				
- Income tax expense	(3,529)	(1,002)	-	-
- Deferred tax expense	<u>-</u>	<u>24</u>	<u>-</u>	<u>-</u>
	<u>52,153</u>	<u>19,849</u>	<u>-</u>	<u>-</u>

* Tax rates in several foreign jurisdictions are different from the tax rates in Malaysia.

25. Discontinued operations

On 26 May 2023, the Board has announced the proposed disposal of 100% equity interest in its fabrication businesses and facility located at Italy and the United Arab Emirates ("UAE") given its financial status which needs immediate restructuring and investment. On 27 March 2024, the Group had entered into a Share Purchase Agreement with buyers from Italy to dispose of its 100% equity in Italy and UAE for an aggregate cash consideration of EUR16,500,000. The sale transaction is expected to complete within 12 months after the end of the financial period. Accordingly, FBM Group is classified as held for sale as at 31 December 2023 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 FBM Group where the consideration to be received from this transaction will be utilised for the repayment of the loans and borrowings.

Notes to the Financial Statements

25. Discontinued operations (continued)

Loss attributable to the discontinued operation was as follows:

	Group	
	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022
	RM'000	RM'000
Results of discontinued operation		
Revenue	312,339	380,752
Other income	4,578	18,086
Expenses	(481,420)	(467,888)
Results from operating activities	(164,503)	(69,050)
Tax expense	(27,606)	2,603
Results from operating activities, net of tax	(192,109)	(66,447)
Gain on disposal of discontinued operation	-	-
Loss for the period	(192,109)	(66,447)
Included in results from operating activities are:		
Depreciation of property, plant and equipment	18,200	17,818

The loss of RM192,109,000 (30.6.2022: RM66,447,000) from the discontinued operation is attributable entirely to the owners of the Company.

	Group	
	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022
	RM'000	RM'000
		Restated
Cash flows (used in)/from disposal of subsidiaries		
Net cash (used in)/from operating activities	(43,164)	80,087
Net cash from/(used in) investing activities	49,972	(91,490)
Net cash from financing activities	108	11,006
Effect on cash flows	6,916	(397)

The effect of FBM Group classified as asset held for sale on the financial position of the Group is disclosed under Note 15.

Notes to the Financial Statements

26. (Loss)/Profit for the period

	Group		Company	
	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022
	RM'000	RM'000	RM'000	RM'000
Loss for the period is arrived at after charging:				
Auditors' remuneration:				
Audit fees:				
KPMG in Malaysia:				
- Current year	530	785	215	345
- Prior year	-	57	-	-
Overseas affiliates of KPMG in Malaysia	2,833	3,028	-	-
Other auditors	241	237	-	-
Non-audit fees:				
KPMG in Malaysia	10	15	10	15
Local affiliates of KPMG in Malaysia	97	91	-	-
Overseas affiliates of KPMG in Malaysia	85	655	-	-
Other auditors	76	102	-	-
Depreciation of property, plant and equipment (Note 3.1)	28,125	30,826	-	-
Depreciation of right-of-use assets (Note 4.1)	7,981	7,758	-	-
Amortisation of intangible assets (Note 5)	34,231	43,600	-	-
Bad debts written off	1,636	-	-	-
Impairment loss on:				
- Goodwill	4,447	446,704	-	-
- Interests in subsidiaries	-	-	-	1,794
- Interest in a joint venture	-	47	-	-
- Amounts due from subsidiaries	-	-	-	161,826
- Property, plant and equipment (Note 3.6)	28,807	57,890	-	-
- Trade receivables	20,734	2,389	-	-
- Other receivables	12,322	8,606	-	-
Written off:				
- Amounts due from subsidiaries	-	-	18	-
Personnel expenses:				
- Contribution to Employees' Provident Fund	14,295	16,141	-	-
- Share-based payments	677	2,958	1,877	2,772
- Wages, salaries and others	104,559	105,891	-	-
Gain on fair value of forward contracts	-	128	-	-

Notes to the Financial Statements

26. Loss for the period (continued)

	Group		Company	
	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Loss for the period is arrived at after charging (continued):				
Property, plant and equipment written off	51	5,165	-	-
Provision for project closure expenses	4,388	38,755	-	-
Provision for late delivery charges	54,079	25,229	-	-
and after crediting:				
Gain on disposal:				
- Property, plant and equipment	2,587	9,449	-	-
Reversal of provision for:				
- Warranty	5,880	1,605	-	-
Reversal of impairment loss:				
- Amounts due from joint ventures	-	5,206	-	-
- Amounts due from subsidiary	-	-	-	27,151
- Other receivables	557	-	-	-
Bad debts recovered	-	3,124	-	-
Expenses arising from leases:				
Expenses relating to short-term leases	28,087	7,454	-	-

Notes to the Financial Statements

27. Loss per ordinary share

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 December 2023 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Loss attributable to ordinary shareholders

Group	Continuing operations RM'000	Discontinued operations RM'000	Total RM'000
1.7.2022 to 31.12.2023			
Loss attributable to ordinary shareholders	(201,962)	(192,109)	(394,071)
1.1.2021 to 30.6.2022 (Restated)			
Loss attributable to ordinary shareholders	(760,134)	(66,447)	(826,581)

	Group	
	31.12.2023 '000	30.6.2022 '000
Issued ordinary shares at beginning of the year	3,678,263	2,992,575
Share issuance arising from private placement	214,437	393,876
Effect of treasury shares held	(1,841)	(5,968)
Share issuance arising from ESOS	-	33,603
Weighted average number of ordinary shares	3,890,859	3,414,086

	Group	
	1.7.2022 to 31.12.2023 Sen	1.1.2021 to 30.06.2022 Sen Restated
From continuing operations	(5.19)	(22.26)
From discontinued operation	(4.94)	(1.95)
Basic loss per ordinary share	(10.13)	(24.21)

Notes to the Financial Statements

27. Loss per ordinary share (continued)**Diluted loss per ordinary share**

The Group's diluted earnings per ordinary share for the financial period approximates its basic earnings per ordinary share.

28. Commitments

	Group	
	31.12.2023	30.6.2022
	RM'000	RM'000
Capital commitments:		
Property, plant and equipment		
- Contracted but not provided for in the financial statements	<u>37,329</u>	<u>140,598</u>

Notes to the Financial Statements

29. Related parties

Significant related party transactions

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	
	1.7.2022 to 21.12.2023 RM'000	1.1.2021 to 30.06.2022 RM'000	1.7.2022 to 21.12.2023 RM'000	1.1.2021 to 30.06.2022 RM'000
A. Subsidiaries				
Management fees received	-	-	3,552	5,337
Loan interest received	-	-	80,209	58,940
ESOS payable	-	-	1,200	2,955
B. Key management personnel				
Directors				
- Fees	1,287	2,186	1,287	2,186
- Remuneration	2,550	5,147	2,018	5,147
- Employee benefits (including estimated monetary value of benefit-in-kind)	96	36	85	36
- Share-based payments	-	2,772	-	2,772
- Manpower supply	783	-	783	-
	<u>4,716</u>	<u>10,141</u>	<u>4,173</u>	<u>10,141</u>
Subsidiaries directors				
- Remuneration	11,168	13,828	-	-
- Short-term employee benefits	1,120	689	-	-
- Share-based payments	43	18	-	-
	<u>12,331</u>	<u>14,535</u>	<u>-</u>	<u>-</u>
Other key management personnel				
- Remuneration	801	2,914	-	-
- Short-term employee benefits	37	51	-	-
- Share-based payments	516	63	-	-
	<u>1,354</u>	<u>3,028</u>	<u>-</u>	<u>-</u>
	<u>18,401</u>	<u>27,704</u>	<u>4,173</u>	<u>10,141</u>

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, 19 and 20.

Notes to the Financial Statements

30. Financial instruments

30.1 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").

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	Derivatives used for hedging RM'000
31.12.2023				
Financial assets				
Group				
Trade and other receivables, less prepayments and SST receivable	130,659	130,659	-	-
Derivative financial assets	6,045	-	-	6,045
Cash and cash equivalents	169,498	169,498	-	-
	<u>306,202</u>	<u>300,157</u>	<u>-</u>	<u>6,045</u>
Company				
Trade and other receivables, less prepayments	407,174	407,174	-	-
Cash and cash equivalents	81	81	-	-
	<u>407,255</u>	<u>407,255</u>	<u>-</u>	<u>-</u>
30.6.2022				
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	-	-
	<u>229,300</u>	<u>228,478</u>	<u>174</u>	<u>648</u>
Company				
Trade and other receivables, less prepayments	308,565	308,565	-	-
Cash and cash equivalents	63	63	-	-
	<u>308,628</u>	<u>308,628</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

30. Financial instruments (continued)

30.1 Categories of financial instruments (continued)

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
31.12.2023			
Financial liabilities			
Group			
Loan and borrowings	(1,259,203)	(1,259,203)	-
Trade and other payables, less SST and VAT payable	(387,811)	(387,811)	-
	<u>(1,647,014)</u>	<u>(1,647,014)</u>	<u>-</u>
Company			
Loan and borrowing	(456,256)	(456,256)	-
Trade and other payables	(121,568)	(121,568)	-
	<u>(577,824)</u>	<u>(577,824)</u>	<u>-</u>
30.6.2022			
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)	-
	<u>(1,674,212)</u>	<u>(1,674,212)</u>	<u>-</u>
Company			
Loan and borrowing	(347,027)	(347,027)	-
Trade and other payables	(139,585)	(139,585)	-
	<u>(486,612)</u>	<u>(486,612)</u>	<u>-</u>

Notes to the Financial Statements

30. Financial instruments (continued)**30.2 Net gains and losses arising from financial instruments**

	Group		Company	
	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000	1.7.2022 to 31.12.2023 RM'000	1.1.2021 to 30.6.2022 RM'000
Net (losses)/gains arising on				
Financial assets				
measured at fair value				
through profit or loss	(5,977)	(519)	-	-
Financial assets				
measured at amortised				
cost	(15,047)	17,936	102,251	181,453
Financial liabilities				
measured at amortised				
cost	(166,066)	(287,321)	(85,068)	(13,028)
	<u>(187,090)</u>	<u>(269,904)</u>	<u>17,183</u>	<u>168,425</u>
Net loss on impairment of				
financial assets at				
amortised cost	(32,499)	(5,789)	-	27,151

30.3 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.

30.4 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.

Notes to the Financial Statements

30. Financial instruments (continued)

30.4 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 (2022: 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.

Notes to the Financial Statements

30. Financial instruments (continued)**30.4 Credit risk (continued)**

Policies and processes (continued)

(iii) Financial guarantees and advances for subsidiaries

The Group through 4 (four) (2022: 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 RM28,106,000 (2022: RM31,534,000) in respect of trade receivables of RM111,955,000 (2020: RM97,477,000). 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	
	31.12.2023	30.6.2022
Group	RM'000	RM'000
Financial assets		
Trade receivables	111,955	97,477
Contract assets	139,855	120,762
Other receivables and deposits	18,704	64,087
Short-term deposits with licensed banks	23,700	25,464
Cash and bank balances	145,798	41,450
	<u>440,012</u>	<u>349,240</u>

Notes to the Financial Statements

30. Financial instruments (continued)

30.4 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	
	31.12.2023	30.6.2022
Company	RM'000	RM'000
Financial assets		
Amounts due from subsidiaries	407,155	308,562
Other receivables and deposits	19	3
Cash and bank balances	81	63
	<u>407,255</u>	<u>308,628</u>

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:

	31.12.2023		30.6.2022	
	RM'000	%	RM'000	%
Asia and Oceania	13,397	5	99,130	45
Europe	<u>238,413</u>	<u>95</u>	<u>119,109</u>	<u>55</u>
	<u>251,810</u>	<u>100</u>	<u>218,239</u>	<u>100</u>

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.

Notes to the Financial Statements

30. Financial instruments (continued)**30.4 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
31.12.2023			
Not past due	80,623	-	80,623
Past due 0 – 30 days	15,750	-	15,750
Past due 31 – 60 days	4,125	-	4,125
Past due 61 – 120 days	1,690	-	1,690
Past due more than 120 days	59,947	(50,180)	9,767
	<u>162,135</u>	<u>(50,180)</u>	<u>111,955</u>
30.6.2022			
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
	<u>137,169</u>	<u>(39,692)</u>	<u>97,477</u>

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 were:

	Group	
	31.12.2023 RM'000	30.6.2022 RM'000
At the beginning of the period	39,692	43,223
Impairment loss recognised	20,734	2,389
Impairment loss written off	1,636	(5,845)
Classified as held for sale	1,420	(2,578)
Effect on the movement of exchange rate	(13,302)	2,503
At the end of the period	<u>50,180</u>	<u>39,692</u>

Notes to the Financial Statements

30. Financial instruments (continued)

30.4 Credit risk (continued)

Amounts due from subsidiaries

Risk management objectives, policies and processes for managing the risk

The Company provide unsecured loans and advances to subsidiaries, where applicable. The Company also trades with related parties which certain Directors have substantial interest.

The Company monitor the ability of the counterparty to repay the balances on an individual basis. Generally, the Company consider that these receivables have low credit risk, as the Company are able to determine the timing of payments of these balances when they are payable.

Using internal information available, 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 Company do not specifically monitor the ageing of these receivables.

	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
31.12.2023			
Company			
Low credit risk	407,155	-	407,155
Credit impaired	320,599	(320,599)	-
	<u>727,754</u>	<u>(320,599)</u>	<u>407,155</u>
30.6.2022			
Company			
Low credit risk	308,562	-	308,562
Credit impaired	280,934	(280,934)	-
	<u>589,496</u>	<u>(280,934)</u>	<u>308,562</u>

Notes to the Financial Statements

30. Financial instruments (continued)**30.4 Credit risk (continued)**Amounts due from subsidiaries (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment losses are as follows:

	Group		Company	
	31.12.2023	30.6.2022	31.12.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
At 1 July 2022/ 1 January 2021	-	28,509	280,934	159,522
Impairment loss (reversed)/ recognised	-	(5,206)	-	136,469
Acquisition of a subsidiary	-	(21,780)	-	-
Effect on the movement of exchange rate	-	(1,523)	-	-
Unrealised loss/(gain) on foreign exchange	-	-	39,665	(15,057)
At 31 December 2023/ 30 June 2022	<u>-</u>	<u>-</u>	<u>320,599</u>	<u>280,934</u>

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	
	31.12.2023	30.6.2022
	RM'000	RM'000
At 1 July 2022/1 January 2021	8,534	-
Impairment loss recognised	11,765	8,606
Effect on the movement of exchange rate	<u>(107)</u>	<u>(72)</u>
At 31 December 2023/30 June 2022	<u>20,192</u>	<u>8,534</u>

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.

Notes to the Financial Statements

30. Financial instruments (continued)

30.4 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.

30.5 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) (2022: 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

Notes to the Financial Statements

30. Financial instruments (continued)

30.5 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	Carrying amount	Contractual interest/profit rates per annum	Contractual cash flows	Less than 1 year	1 – 2 years	2 – 5 years	More than 5 years
31.12.2023	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Non-derivative financial liabilities</i>							
Term loans – secured							
- RM	184,565	6.50-10.4	200,479	200,479	-	-	-
- USD	88,833	4.35-14	100,259	100,259	-	-	-
- THB	3,720	5.25	3,916	3,916	-	-	-
Term loans – unsecured							
- EUR	391,026	11.50	435,995	435,995	-	-	-
- RM	14,810	18	18,346	18,346	-	-	-
- USD	88,389	10.50	97,670	97,670	-	-	-
Fixed rate Thai Baht loan							
- THB	456,256	10.25	503,022	503,022	-	-	-
Revolving credits – secured							
- USD	15,921	10.25	16,614	16,614	-	-	-

Notes to the Financial Statements

30. Financial instruments (continued)

30.5 Liquidity risk (continued)

Maturity analysis (continued)

Group (continued) 31.12.2023	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
<i>Non-derivative financial liabilities (continued)</i>							
Hire purchase and lease creditors							
- EUR	7,089	3.75	7,958	1,270	1,270	3,813	1,605
- RM	61	3.44-4.10	62	62	-	-	-
- THB	174	3.16-4.42	180	180	-	-	-
Bank overdrafts – secured							
- RM	8,359	4.02-8.15	8,916	8,916	-	-	-
Lease liabilities							
- EUR	76,539	0.06-7.40	86,780	13,317	11,674	31,502	30,287
- RM	792	4.40-7.70	832	555	277	-	-
Trade and other payables	387,811		387,811	387,811	-	-	-
	1,724,345		1,868,840	1,788,412	13,221	35,315	31,892

Notes to the Financial Statements

30. Financial instruments (continued)

30.5 Liquidity risk (continued)

Maturity analysis (continued)

	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
Group (continued)							
31.12.2023							
<i>Derivative financial liabilities</i>							
Forward exchange contracts							
(gross settled):							
- Outflow	-		87,893	87,893	-	-	-
- Inflow	(6,045)		(93,938)	(93,938)	-	-	-
	<u>(6,045)</u>		<u>(6,045)</u>	<u>(6,045)</u>	<u>-</u>	<u>-</u>	<u>-</u>
			1,862,795	1,782,367	13,221	35,315	31,892

Notes to the Financial Statements

30. Financial instruments (continued)

30.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	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
30.6.2022							
<i>Non-derivative financial liabilities</i>							
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	-	-	-

Notes to the Financial Statements

30. Financial instruments (continued)

30.5 Liquidity risk (continued)

Maturity analysis (continued)

Group (continued) 30.6.2022	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
<i>Non-derivative financial liabilities (continued)</i>							
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	-	-
	<u>1,703,614</u>		<u>1,815,233</u>	<u>1,565,009</u>	<u>158,492</u>	<u>66,095</u>	<u>25,637</u>

Notes to the Financial Statements

30. Financial instruments (continued)

30.5 Liquidity risk (continued)

Maturity analysis (continued)

	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
Group (continued)							
30.6.2022							
<i>Derivative financial liabilities</i>							
Forward exchange contracts							
(gross settled):							
- Outflow	239		8,245	8,245	-	-	-
- Inflow	-		(8,006)	(8,006)	-	-	-
	<u>239</u>		<u>239</u>	<u>239</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>1,815,472</u>	<u>1,565,248</u>	<u>158,492</u>	<u>66,095</u>	<u>25,637</u>

Notes to the Financial Statements

30. Financial instruments (continued)**30.5 Liquidity risk (continued)**

Maturity analysis (continued)

Company 31.12.2023	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
<i>Non-derivative financial liabilities</i>					
Fixed rate Thai Baht Loan					
- THB	456,256	3.00 - 10.25%	456,256	456,256	-
Trade and other payables	121,568	-	121,568	121,568	-
Financial guarantee	-	-	793,820	793,820	-
	<u>577,824</u>		<u>1,371,644</u>	<u>1,371,644</u>	<u>-</u>

30.6.2022

<i>Non-derivative financial liabilities</i>					
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	-
	<u>486,612</u>		<u>1,418,887</u>	<u>1,318,664</u>	<u>100,223</u>

Financial guarantees

The Group and the Company provide guarantees relating to borrowings and performance obligation of subsidiaries of RM809,976,000 (30.6.2022: RM913,908,000).

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.

30.6 Foreign currency risk

The Group operates in 16 (30.6.2022: 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.

Notes to the Financial Statements

30. Financial instruments (continued)

30.6 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.

Group	Denominated in			
	USD RM'000	EUR RM'000	THB RM'000	RM RM'000
31.12.2023				
Trade receivables	28,072	704	-	1,971
Other receivables	2,716	1,439	-	5,914
Cash and bank balances	2,365	41	26	129
Deposits with licensed banks	-	-	-	6,688
Trade payables	(4,813)	(40,514)	-	(27,262)
Other payables and accruals	(285)	(216)	(222)	(22,168)
Term loans	(153,302)	(391,027)	(456,256)	(121,683)
Bank overdraft	-	-	-	(2,989)
Lease liabilities	-	-	-	(770)
Finance lease liabilities	-	-	-	(60)
Bills payable	-	-	-	-
Forward exchange contracts	(6,044)	-	-	-
Net exposure in the statement of financial position	(131,291)	(429,573)	(456,452)	(160,230)

Notes to the Financial Statements

30. Financial instruments (continued)

30.6 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.

Group	Denominated in			
	USD RM'000	EUR RM'000	THB RM'000	RM RM'000
30.6.2022				
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)

	USD	THB
Company	RM'000	RM'000
31.12.2023		
Cash and bank balances	2	26
Trade and other receivables	-	482,903
Borrowing	-	(456,256)
Net exposure in the statement of financial position	2	26,673

30.6.2022		
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

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.

Notes to the Financial Statements

30. Financial instruments (continued)

30.6 Foreign currency risk (continued)

Group	Equity		Profit or loss	
	31.12.2023 RM'000	30.6.2022 RM'000	31.12.2023 RM'000	30.6.2022 RM'000
USD	(10,335)	6,281	(6,565)	(5,711)
EUR	(25,947)	7,590	(21,479)	(18,855)
THB	(4,878)	(766)	(22,823)	(18,297)
RM	(9,260)	-	(8,011)	(5,703)

Company	Profit or loss	
	31.12.2023 RM'000	30.6.2022 RM'000
USD	-	3,945
THB	1,334	(6,794)

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.

30.7 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.

Notes to the Financial Statements

30. Financial instruments (continued)**30.7 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	
	31.12.2023	30.6.2022	31.12.2023	30.6.2022
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	23,700	25,464	-	-
Financial liabilities	(1,075,848)	(880,078)	(456,256)	(347,027)
Lease liabilities	(77,331)	(29,402)	-	-
	<u>(1,129,479)</u>	<u>(884,016)</u>	<u>(456,256)</u>	<u>(347,027)</u>
Floating rate instruments				
Financial liabilities	(183,355)	(381,648)	-	-
	<u>(183,355)</u>	<u>(381,648)</u>	<u>-</u>	<u>-</u>

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	25 bp
	increase	(decrease)
	RM'000	RM'000
31.12.2023		
Floating rate instruments	<u>(458)</u>	<u>458</u>
30.6.2022		
Floating rate instruments	<u>(954)</u>	<u>954</u>

Notes to the Financial Statements

30. Financial instruments (continued)

30.8 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.

Notes to the Financial Statements

30. Financial instruments (continued)**30.8 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
	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
31.12.2023								
Group								
Financial assets								
Forward exchange contracts	-	6,045	-	6,045	-	-	-	6,045
Financial liabilities								
Fixed rate hire purchase liabilities	-	-	-	-	-	-	(2,457)	(2,457)
Long term payables	-	-	-	-	-	-	(837)	(837)
Long service leave liability	-	-	-	-	-	-	(303)	(303)
	-	-	-	-	-	-	(3,597)	(3,597)
								(7,209)

Notes to the Financial Statements

30. Financial instruments (continued)

30.8 Fair value of financial instruments (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	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		
30.6.2022										
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)

Notes to the Financial Statements

30. Financial instruments (continued)**30.8 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 (2022: 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

	31.12.2023	30.6.2022
Group		
Fixed rate term loans	0.00% - 18.00%	0.00% - 18.00%
Fixed rate hire purchase liabilities	1.50% - 8.08%	1.50% - 8.08%

Notes to the Financial Statements

30. Financial instruments (continued)

30.9 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.

30.10 Material accounting policy information

The Group or the Company applies settlement date accounting for regular way purchase or sale of financial assets.

31. 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.

The debt-to-equity ratios at 31 December 2023 and at 30 June 2022 were as follows:

	Group	
	31.12.2023 RM'000	30.6.2022 RM'000
Total loans and borrowings (see Note 17)	<u>1,259,203</u>	<u>1,261,726</u>
Total equity	<u>497,353</u>	<u>832,256</u>
DER	<u>2.53</u>	<u>1.52</u>

There was no change in the Group's approach to capital management during the financial year.

The Group is required to maintain a maximum debt-to-equity ratio of 1.0 to comply with a bank covenant, failing which, the bank may call an event of default. The Group has breached this covenant. The Group is also required to maintain certain financial covenant ratios as disclosed in Note 17.

Notes to the Financial Statements

32. 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.

Notes to the Financial Statements

32. Operating segment (continued)

Geographical segments

The segments are classified into geographical presence as follows:

Geographical segment	Countries	Asia and Oceania				Europe				America				Consolidated	
		1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022	1.7.2022 to 31.12.2023	1.1.2021 to 30.6.2022	RM'000	RM'000
Asia and Oceania	Malaysia, Thailand, Indonesia, Myanmar, Australia and Mauritius	63,213	98,140	1,895,043	1,338,254	(52,953)	(83,753)	(1,565,884)	(1,106,907)	-	-	-	-	1,958,256	1,436,394
Europe	Germany, Italy, United Arab Emirates, United Kingdom, British Virgin Islands, Netherlands, Saudi Arabia, and Isle of Man	10,260	14,387	329,159	231,347	(161,750)	(195,283)	(314,556)	(710,999)	5,968	-	-	-	(1,618,837)	(1,190,660)
America	United States of America and Canada	(151,490)	(180,896)	14,603	(479,652)	42,156	37,850	94,378	104,268	5,968	5,968	(1,455)	(1,455)	(130,919)	(662,003)
		(109,334)	(143,046)	108,981	(375,384)							3,051	3,051	136,534	145,169
	Segment profit/(loss)									5,968	1,596			5,615	(516,834)
	Less: Depreciation and amortisation													(136,534)	(145,169)
	Finance costs													(130,919)	(662,003)
	Finance income													(245,626)	(183,694)
	Loss before tax													7,873	886
														(368,672)	(844,811)

Notes to the Financial Statements

32. 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		Europe		America		Consolidated	
	1.7.2022 to 1.1.2021 to	30.6.2022	1.7.2022 to 1.1.2021 to	30.6.2022	1.7.2022 to 1.1.2021 to	30.6.2022	1.7.2022 to 1.1.2021 to	30.6.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total loss for reportable segments before tax	(368,672)	(844,811)						
Loss on discontinued operation	164,503	69,050						
Consolidated loss (excluding tax and discontinued operation)	(204,169)	(775,761)						
			Asia and Oceania	Europe	America			
	1.7.2022 to 1.1.2021 to	30.6.2022	1.7.2022 to 1.1.2021 to	30.6.2022	1.7.2022 to 1.1.2021 to	30.6.2022	1.7.2022 to 1.1.2021 to	30.6.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	136,190	750,250	2,874,368	2,307,416	106	22,756	3,010,664	3,080,422
Segment liabilities	968,210	670,049	1,528,483	1,458,575	16,618	119,542	2,513,311	2,248,166
Capital expenditure	39,814	882	41,495	22,877	-	-	81,309	23,759
Depreciation and amortisation charged to profit or loss	36,245	37,850	89,652	104,268	-	3,051	125,897	145,169
Non-cash (income)/expenses other than depreciation and amortisation	58,877	83,592	30,231	461,747	-	67	89,108	545,406

Notes to the Financial Statements

33. 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	
			31.12.2023 %	30.6.2022 %
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 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

Notes to the Financial Statements

33. Subsidiaries (continued)

		Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
Name of subsidiary	Principal activities		31.12.2023 %	30.6.2022 %
Subsidiaries of the Company (continued)				
KNM Capital Labuan Limited	Provision of funding and treasury services and all related functions	Labuan	100	100
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	100	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

Notes to the Financial Statements

33. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
			31.12.2023 %	30.6.2022 %
Subsidiaries of KNM Process Systems Sdn. Bhd. (continued)				
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 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

Notes to the Financial Statements

33. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
			31.12.2023 %	30.6.2022 %
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
Asia Biofuels II Ltd. **	Investment holding	Republic of Mauritius	100	100
Subsidiaries of KNM International Sdn. Bhd.				
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
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

Notes to the Financial Statements

33. Subsidiaries (continued)

		Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
Name of subsidiary	Principal activities		31.12.2023 %	30.6.2022 %
Subsidiaries of KNM International Sdn. Bhd. (continued)				
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	100
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

Notes to the Financial Statements

33. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
			31.12.2023 %	30.6.2022 %
Subsidiaries of KNM Europa BV (continued)				
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 Icross 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
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

Notes to the Financial Statements

33. Subsidiaries (continued)

		Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
Name of subsidiary	Principal activities		31.12.2023 %	30.6.2022 %
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
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

Notes to the Financial Statements

33. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
			31.12.2023 %	30.6.2022 %
Subsidiaries of KNM Corporation (continued)				
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
Subsidiaries of KMK Power Sdn. Bhd.				
Poplar Investments Limited **	Property investment	Isle of Man	100	100
KMK Green Ventures Sdn. Bhd. **	Dormant	Malaysia	100	100

Notes to the Financial Statements

33. Subsidiaries (continued)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
			31.12.2023 %	30.6.2022 %
Subsidiaries 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

Notes to the Financial Statements

33. Subsidiaries (continued)

		Principal place of business/ Country of incorporation	Effective ownership interest and voting interest	
Name of subsidiary	Principal activities		31.12.2023 %	30.6.2022 %
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
Subsidiary 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

Notes to the Financial Statements

33. Subsidiaries (continued)

For financial period ended 31.12.2023:

- * Audited by a member firm of KPMG.
- ** Audited by another firm of accountants.
- % The subsidiary is in the progress of striking-off.
- # The subsidiary is dissolved or strike off during the period.

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..

34. Significant events during the financial period

- (a) On 28 September 2022, the shareholders of the Company has approved the proposed disposal of BORSIG. On 30 November 2022, the relevant conditions precedent have not been fulfilled and hence, the Company has decided not to further extend the longstop date of the proposed disposal and instead has exercised its withdrawal right under the the share sale and purchase agreement. Accordingly, the proposed disposal has not materialised. On 16 December 2022, the Company has announced that approval be hereby given by the Board of Directors for the proposed floatation of Borsig GmbH on main board of the Singapore Stock Exchange Securities Trading Limited by way of an initial public offer.
- (b) On 26 October 2022, a subsidiary of the Company, KNMPS had 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. On 9 December 2022, the same subsidiary had been served with another winding-up petition issued by the Shah Alam High Court dated 5 December 2022 as the subdiary is unable to repay its creditor. On 15 December 2022, the High Court has granted the Company and KNMPS a RO to allow the Company and KNMPS to negotiate and finalise the terms of the SOA with its Scheme Creditors without the potential threat of any proceedings and actions being brought against the Company and KNMPS in the interim. The RO had expired on 2 November 2023 and on 21 November 2023, the High Court then granted a new RO to the Company and KNMPS until 20 February 2024. The Company and KNMPS have filed a request for an extension of time for the RO and while the request is being reviewed, an ad interim RO was granted by the High Court on 19 February 2024 until the next hearing that was scheduled on 7 March 2024. The ad interim RO was further extended to 13 March 2024, 8 April 2024 and 26 April 2024.

Notes to the Financial Statements

34. Significant events during the financial period (continued)

- (c) On 31 October 2022, the Company had triggered the criteria pursuant to Paragraphs 2.1(e) of Practice Note No. 17 ("PN17") of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") and classified as a PN17 Company on 1 November 2022. The Company is obliged to provide a regularisation plan to the relevant regulatory authorities within 12 months from 1 November 2022, of which Bursa Malaysia had on 5 Jan 2024, granted the Company an extension of time until 30 April 2024;
- (d) On 9 November 2022, a subsidiary of the Company received a notification from its lawyer that it has received a letter dated 8 November 2022 from Lukoil Uzbekistan Operating Company LLC's ("LUOC") lawyer, informing that the amount payable to LUOC by the subsidiary pursuant to the final arbitration award ("the Award") dated 29 September 2022 issued by the Arbitration Tribunal is USD1.87 million, subject to the additional post-award interest rate of 2.5% per annum starting to run 30 days from the issuance date of the Award. This marks the end of the dispute among the parties involved. The liabilities have been provided for in the previous financial period.
- (e) On 20 January 2023, the Company has announced its intention to undertake a private placement of up to 367,642,100 new ordinary shares in the Company, representing not more than 10% of the issued ordinary shares in the Company. Subsequently on 31 January 2023, Bursa Malaysia Securities Berhad approved the listing of and quotation of up to 367,642,100 new ordinary shares via a private placement to eligible investors. The private placement was completed on 8 June 2023 with the issuance of 37,500,000 and 330,142,100 new ordinary shares at RM0.05 and RM0.0541 respectively.
- (f) On 26 May 2023, the Group accepted an offer in principle with an interested buyer from United Arab Emirates to dispose its investment in Italy and United Arab Emirates at an indicative consideration equal to Euro 12,000,000. On 9 September 2023, the interested buyer has appointed another company in United Arab Emirates to replace it as the purchaser in this transaction and the aggregate cash consideration was revised to EUR 22,000,000. On 7 November 2023, one of the conditions precedent in the Share Purchase Agreement was rejected by the Italian Government and all parties had mutually terminated the agreement.
- (g) On 11 October 2023, the Group has filed action at the High Court of Malaya at Kuala Lumpur against two former directors for damages claim of EUR3,444,832 (equivalent to RM17,258,609) in relation to the proposed disposal of BORSIG. The hearing dates have been fixed on 5 July 2024.

35. Events subsequent to period end

- (a) On 16 February 2024, the Group had received two binding and irrevocable offers from two interested buyers from Italy to acquire Group's investment in Italy and United Arab Emirates. On 27 March 2024, the Group had entered into a Share Purchase Agreement with these buyers for an aggregate cash consideration of EUR16,500,000.

Notes to the Financial Statements

35. Events subsequent to period end

- (b) On 26 April 2024, the Company had submitted a further extension of time application to Bursa Securities of 12 months up to 30 April 2025 to submit the regularisation plan to the relevant regulatory authorities. The application is currently reviewed by Bursa Securities.
- (c) On 26 April 2024, the Company and its subsidiary, KNMPS had filed an application to the High Court of Kuala Lumpur to sanction a new Proposed Scheme of Arrangement with its creditors and for a Restraining Order pursuant to Section 368(1) of the Companies Act 2016. Upon the filing of the above application, an automatic moratorium under Section 368(1A) of the Companies (Amendment) Act 2024 is granted to the Company and KNMPS from the date of filing of the application on 26 April 2024 for a maximum of two months or until the High Court decides on the application, whichever is earlier.
- (d) The credit facilities of certain overseas subsidiaries in Germany will be expiring on 2 May 2024. The negotiation with the financial institutions to renew/extend the credit facilities are on-going.

36. Comparative figures

The Group and the Company have changed the year end from 30 June 2023 to 31 December 2023. Accordingly, the financial statements of the Group and of the Company for the current financial period ended 31 December 2023 covers a 18 months period compared to a 18 months period for the previous financial period.

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 64 to 168 are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting 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 31 December 2023 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:

.....
Tunku Dato’ Yaacob Khyra
Chairman

.....
Ravindrasingham A/L Balasingham
Director

Kuala Lumpur,

Date: 30 April 2024

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Cha Fui Min**, the officer primarily responsible for the financial management of KNM Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 64 to 168 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 Cha Fui Min (MIA No. CA27861), at Kuala Lumpur in the Federal Territory on 30 April 2024.

.....
Cha Fui Min

Before me:

Independent Auditors' Report

To the Members of KNM Group Berhad (Company No. 200001018741 (521348-H))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of KNM Group Berhad, which comprise the statements of financial position as at 31 December 2023, 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 material accounting policies as set out on pages 64 to 168.

We do not express an opinion on the accompanying financial statements of the Group and the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

We have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion after considering the implications of the following matters:

1. As disclosed in Note 1(b) to the financial statements, the following events and conditions indicate that material uncertainties exist that may cast significant doubt on the Group's and the Company's ability to continue as going concerns:
 - The Group incurred net losses of RM420,825,000 for the financial period ended 31 December 2023 and as at that date, the current liabilities of the Group and of the Company exceeded their current assets by RM1,159,847,000 and RM170,165,000, respectively.
 - The Company has been classified as a PN17 Company on 1 November 2022 and required to submit its regularisation plan to relevant regulatory authorities for approval before 30 April 2024. The Company had on 26 April 2024, submitted an application to Bursa Securities for a further extension of 12 months up to 30 April 2025 to submit its regularisation plan;
 - The Group and the Company have defaulted various loans and borrowings amounting to RM1,251,879,000 and RM456,256,000 respectively;

Independent Auditors' Report

To the Members of Knm Group Berhad (Company No. 200001018741 (521348-H))
(Incorporated in Malaysia)

- A subsidiary of the Company, KNM Process Systems Sdn. Bhd. ("KNMPS") had been served with winding-up petitions by their creditors ("Scheme Creditors"). On 15 December 2022, the High Court of Kuala Lumpur ("High Court") has granted the Company and KNMPS a Restraining Order ("RO") to allow the Company and KNMPS to negotiate and finalise the terms of the Scheme of Arrangement ("SOA") with its Scheme Creditors without the potential threat of any proceedings and actions being brought against the Company and KNMPS in the interim. The RO had expired on 20 February 2024 and an ad interim RO has been granted to the Company and KNMPS until 26 April 2024. On 26 April 2024, the Company and KNMPS had filed an application to the High Court to sanction a new SOA with its creditors and for a new RO. Upon the filing of the above application, an automatic moratorium is granted to the Company and KNMPS from the date of filing of the application for a maximum of two months or until the High Court decides on the application, whichever is earlier; and
- The credit facilities of certain overseas subsidiaries in Germany will be expiring on 2 May 2024. The negotiation with the financial institution to renew/extend the credit facilities are on-going.

Notwithstanding the above, the financial statements of the Group and of the Company have been prepared on a going concern basis. The Directors have initiated plans to dispose the Company's investment in Italy and the United Arab Emirates and to float the shares of its subsidiary in Germany. The Directors are also exploring opportunities to monetise the Group's other overseas investments and non-core assets. As of the date of this report, other than the ongoing exercise to dispose its investments in Italy and the United Arab Emirates as disclosed in Note 35, the remaining plans are still at its preliminary stages and no formal agreements have been entered into with any investors or buyers. In view of the uncertainties involving the timing and successful floatation exercise as well as disposal of other investments and non-core assets, we were not able to obtain sufficient appropriate audit evidence to determine whether the Group's use of going concern basis of accounting was appropriate.

At the date of this report, the ability of the Group and the Company to continue as going concerns are highly dependent on the plans and factors as disclosed in Note 1(b). Accordingly, the financial statements of the Group and the Company may require adjustments relating to the recoverability and classification of recorded assets and to the classification and additional amounts of liabilities should the Group and the Company are unable to successfully implement or achieve the outcomes of the said plans.

2. The carrying amount of property, plant and equipment of the Group as at 31 December 2023 which has not been in use amounted to RM739,595,000. As disclosed in Note 3.6 to the financial statements, we were not provided with the fair value less cost of disposal or value in use to determine the recoverable amount of the said property, plant and equipment. As a result, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amount of property, plant and equipment of the Group and to determine whether any adjustments were necessary in respect of the Group's property, plant and equipment and the elements making up the statement of profit or loss and other comprehensive income, changes in equity and cash flows.

Independent Auditors' Report

To the Members of Knm Group Berhad (Company No. 200001018741 (521348-H))
(Incorporated in Malaysia)

3. The audit of the subsidiaries in Germany is currently on-going. As disclosed in Note 6, the delay in completion of the audit was due to amongst others, the ongoing negotiation/renewal of the credit facilities with the financial institutions which is due to expire on 2 May 2024. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the following carrying amounts included in the Group financial statements:

Property, plant and equipment	RM 112,593,000
Right-of-use assets	RM 71,651,000
Goodwill	RM 452,916,000
Other intangible assets	RM 346,587,000
Inventories	RM 58,519,000
Current tax assets	RM 29,786,000
Contract assets	RM 132,920,000
Trade and other receivables	RM 206,305,000
Derivative financial assets	RM 6,045,000
Cash and cash equivalents	RM 144,037,000
Loans and borrowings	RM 7,089,000
Lease liabilities	RM 76,544,000
Deferred tax liabilities	RM 190,176,000
Trade and other payables	RM 127,637,000
Contract liabilities	RM 100,644,000
Non-controlling interest	RM 10,893,000
Revenue	RM 1,582,703,000
Contract costs	RM 1,212,365,000
Administrative expenses	RM 148,561,000
Other income	RM 37,759,000
Other operating expenses	RM 91,375,000
Finance costs	RM 7,152,000
Finance income	RM 1,753,000
Tax expense	RM 50,132,000

We were unable to determine whether any adjustments were necessary in respect of the above financial information, and the elements making up of the statement of financial position, statement of profit or loss and other comprehensive income, changes in equity and cash flows.

4. The carrying amount of interests in subsidiaries of the Company and amount due from subsidiaries as at 31 December 2023 amounted to RM1,990,490,000 and RM407,155,000 respectively. As disclosed in Note 6 and Note 13.1 to the financial statements, we were not provided with the fair value less cost of disposal or value in use to determine the recoverable amount of the interests in subsidiaries and amounts due from subsidiaries. As a result, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amount of interests in subsidiaries of the Company and amount due from subsidiaries and to determine whether any adjustments were necessary in respect of the Company's interests in subsidiaries and amount due from subsidiaries and the elements making up the statement of profit or loss and other comprehensive income, changes in equity and cash flows.
5. Certain subsidiaries have defaulted loans and borrowings supported by corporate guarantee issued by the Company during the financial period. As disclosed in Note 17.7, we were not provided with the expected recoverable amount of the underlying securities. As a result, we were unable to obtain sufficient appropriate audit evidence to determine whether a provision for corporate guarantee is required for the Company and to determine whether any adjustments were necessary in respect of the provision for corporate guarantee and the elements making up the statement of profit or loss and other comprehensive income, changes in equity and cash flows.

Independent Auditors' Report

To the Members of Knm Group Berhad (Company No. 200001018741 (521348-H))
(Incorporated in Malaysia)

The matters above formed the basis of our disclaimer of opinion on the financial statements of the Group and the Company for the financial period ended 31 December 2023.

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.

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, IFRS Accounting Standards as issued by the International Financial Reporting Standards Board (IFRS Accounting 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 responsibility is to conduct an audit of the Group and of the Company's financial statements in accordance with approved standards on auditing in Malaysia and International Standards on Auditing and to issue an auditors' report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that:

- (a) Except as disclosed in the *Basis for Disclaimer of Opinion*, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provision of the Act.
- (b) We have not obtained all the information and explanations that we required for the matters as described in the *Basis for Disclaimer of Opinion*.
- (c) The subsidiaries of which we have not acted as auditors are disclosed in Note 33 to the financial statements.

Independent Auditors' Report

To the Members of Knm Group Berhad (Company No. 200001018741 (521348-H))
(Incorporated in Malaysia)

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

Petaling Jaya

Date: 30 April 2024

Ooi Eng Siong
Approval Number: **03240/02/2026 J**
Chartered Accountant

List of Top 10 Major Properties

Held by the Group as at 31 December 2023

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age Of The Building	Date of Acquisition/ Revaluation	2023 Net Book Value (RM'000)
279 Moo 13 Khao Hin Sorn, Chachoengsao Thailand	(i) Industrial land	Freehold	758,688 m ²	-	-	07/03/2022	270,334
	(ii) Factory			66,780 m ²	15 - 31 years	07/03/2022	
Via Valtrighe, 5 & 6 24030 Terno d'Isola (BG); Italy	(i) Fabrication plant	-	-	48,937 m ²	57 years (First Phase) 32 years (Second phase) 63 years	31/12/2019	177,011
	(ii) Staff house	-	-	396 m ²		31/12/2019	
	(iii) Staff house	-	-	120 m ²		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	-	-	03/01/2024	153,055
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	18 years/ 16 years (due to extension of the building)	31/12/2019	32,345
Egelisstraße 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	15 years/14 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	16 years	31/12/2019	
Bottroper Strasse 279 Gladbeck, Germany	(v) Fabrication plant & office	Freehold, upon rights to purchase	26,290 m ²	8,228 m ²	up to 60 years "different erection dates"	31/12/2019	
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	32 years	10/10/2019	60,845

List of Top 10 Major Properties

Held by the Group as at 31 December 2023

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age Of The Building	Date of Acquisition/ Revaluation	2023 Net Book Value (RM'000)
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	59,322
	(ii) Fabrication plant and office building	-	-	13,368 m ²	23 years	6/11/2019	
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	38,094
	(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	20 years	2/12/2019	
	(iv) Fabrication plant and office building		-	9,879 m ²	32 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	36,361
	(ii) Fabrication plant and office building	-	-	16,351 m ²	19 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	-	-	31/12/2023	34,181
	(ii) Fabrication plant and office building	-	-	20,135 m ²	17 years	31/12/2023	
Lot 1593 & 1594, Kampung Lepau, Pengerang, Johor	Fabrication plant & office building	Rental (yearly basis)	40,050 m ²	21,428.6 m ² (based on approved building plan)	Under Construction since 2015	31/12/2020	16,516

Analysis of Shareholdings

As at 29 March 2024

Total Number of Issued Shares : 4,045,905,355*
 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 29 March 2024)

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	1,849	5.27	85,259	0.00
100 to 1,000	4,057	11.56	2,363,491	0.06
1,001 to 10,000	13,163	37.50	68,129,801	1.69
10,001 to 100,000	12,698	36.17	491,330,081	12.15
100,001 to less than 5% of issued shares	3,334	9.50	2,609,651,288	64.53
5% and above of issued shares	3	0.00	872,504,160	21.57
TOTAL	35,104	100	4,044,064,080	100

THIRTY LARGEST SHAREHOLDERS

(as per Record of Depositors as at 29 March 2024)

No.	Name of Shareholders	No. of Shares Held	%
1	CGS INTERNATIONAL NOMINEES MALAYSIA (ASING) SDN. BHD. EXEMPT AN FOR CGS INTERNATIONAL SECURITIES SINGAPORE PTE. LTD. (RETAIL CLIENTS)	337,065,805	8.34
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR KENANGA INVESTORS BHD	269,438,355	6.66
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAA GROUP BERHAD	266,000,000	6.58
4	ARANEUM SDN BHD	147,874,000	3.66
5	MAHMUD ABU BEKIR TAIB	110,475,000	2.73
6	CARTABAN NOMINEES (TEMPATAN) SDN BHD RHB TRUSTEES BERHAD FOR KENANGA ISLAMIC ABSOLUTE RETURN FUND	95,238,095	2.36
7	MAA GROUP BERHAD	91,000,000	2.25
8	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR INTER MERGER SDN. BHD.	90,125,218	2.23
9	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR METTIZ CAPITAL SDN BHD (PB)	80,456,200	1.99
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IMPERIUM EDUMAAX SDN. BHD.	80,000,000	1.98

Analysis of Shareholdings

As at 29 March 2024

No.	Name of Shareholders	No. of Shares Held	%
11	GAN SIEW LIAT	74,296,250	1.84
12	OOI CHEOW HAR	52,990,300	1.31
13	MELEWAR INDUSTRIAL GROUP BERHAD	38,200,000	0.95
14	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD. (SINGAPORE BCH)	33,800,000	0.84
15	AFFIN HWANG NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AVEDA ASSETS CAPITAL INC.	33,694,700	0.83
16	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH POH CHOO	26,700,000	0.66
17	LEE KEK MING	20,000,000	0.50
18	ONG HUNG HOCK	20,000,000	0.50
19	ONG NGOH ING @ ONG CHONG OON	19,500,000	0.48
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TRISTAN HILARY THOMAS	16,821,600	0.42
21	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GENTING UTAMA SDN BHD (M&A)	16,000,000	0.40
22	TAY HOCK SOON	15,011,000	0.37
23	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR METTIZ CAPITAL SDN. BHD.	13,000,000	0.32
24	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	11,856,690	0.29
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD ANDREW ONG LIEN SENG	11,500,000	0.28
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG VUN KON @ CHUNG VUN KON(E-TWU)	11,000,000	0.27
27	CITIGROUP NOMINEES (ASING) SDN BHD CBHK PBGSG FOR CORNELIUS ASSETS INC.	10,750,000	0.27
28	TEO TUAN KWEE	10,500,000	0.26
29	CHONG TONG SIEW	10,000,000	0.25
30	TAY SWEE IMM	9,800,000	0.24

Analysis of Shareholdings

As at 29 March 2024

LIST OF SUBSTANTIAL SHAREHOLDERS (as at 29 March 2024)

Name	No. of Shares held in KNM Group Berhad			
	Direct	% ^(a)	Indirect	% ^(a)
Tunku Dato' Yaacob Khyra ("TY")	Nil	Nil	475,201,800 ⁽¹⁾	11.75
MAA Group Berhad ("MAAG")	357,001,800	8.83	80,000,000 ⁽²⁾	1.98
Andreas Heeschen ("AH")	Nil	Nil	333,600,000 ⁽³⁾	8.25

LIST OF DIRECTORS' SHAREHOLDINGS (as at 29 March 2024)

Name	No. of Shares held in KNM Group Berhad			
	Direct	% ^(a)	Indirect	% ^(a)
TY	Nil	Nil	475,201,800 ⁽¹⁾	11.75

Note:

^(a) The percentages of shareholdings of the Major / Substantial Shareholders are calculated by dividing the shares held by the respective Major / Substantial Shareholders with the total number of issued shares (excluding 1,841,275 treasury shares).

⁽¹⁾ TY is deemed interested by virtue of his indirect interest in MAAG, Imperium Edumaax Sdn Bhd ("IESB") and Melewar Industrial Group Berhad.

⁽²⁾ MAAG is deemed indirect interest, as it is the ultimate holding company of IESB. IESB is a wholly owned subsidiary of Edumaax Sdn Bhd, which in turn is a wholly owned subsidiary of MAA Corporation Sdn Bhd, which in turn is a wholly owned subsidiary of MAAG.

⁽³⁾ AH is deemed interested by virtue of him being a registered holder of CGS-CIMB Nominees (Asing) Sdn Bhd Exempt AN For CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients) For Andreas Heeschen.

Notice of 21st Annual General Meeting

NOTICE IS HEREBY GIVEN that the **21ST ANNUAL GENERAL MEETING ("AGM")** of the Company will be held at the **Hang Li Po Ballroom, Level 4, Mines Beach Resort, Jalan Dulang, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan** on **Thursday, 6 June 2024** at **10.30 a.m.** for the following purposes:

AGENDA

RESOLUTION

AS ORDINARY BUSINESS

- | | |
|---|----|
| (1) To receive the Audited Financial Statements for the financial period ended 31 December 2023 together with the Reports of the Directors and the Auditors thereon.
[Please refer to Explanatory Note A] | |
| (2) To confirm and ratify the Directors' fees of RM560,000.00 due to the Directors of the Company for the period from 1 July 2023 to 30 June 2024. | 1 |
| (3) To approve the payment of Directors' fees of RM720,000.00 to the Directors of the Company for the period from 1 July 2024 until the conclusion of the next AGM of the Company. | 2 |
| (4) To confirm and ratify the benefits amounting to RM120,000.00 due to the Directors of the Company for the period from 1 July 2023 to 30 June 2024.
[Please refer to Explanatory Note B] | 3 |
| (5) To approve the benefits amounting to RM190,000.00 payable to the Directors of the Company for the period from 1 July 2024 until the conclusion of the next AGM of the Company.
[Please refer to Explanatory Note B] | 4 |
| (6) To re-elect the following Directors who are retiring in accordance with Article 113 of the Company's Constitution and who, being eligible, offer themselves for re-election: | |
| (i) Tunku Dato' Yaacob Khyra | 5 |
| (ii) Datuk Uwe Ahrens | 6 |
| (7) To re-elect the following Directors who are retiring in accordance with Article 112 of the Company's Constitution and who, being eligible, offer themselves for re-election: | |
| (i) Yee Hong Ho | 7 |
| (ii) Thulasy Suppiah A/P Suppiah | 8 |
| (iii) Ho Soo Woon | 9 |
| (iv) Dato' Abd.Gani bin Yusof | 10 |
| (v) Andrew Veno | 11 |
| (8) To re-appoint Messrs. KPMG PLT as Auditors of the Company, to hold office until conclusion of the next AGM and to authorise the Directors to fix their remuneration. | 12 |

Notice of 21st Annual General Meeting

AS SPECIAL BUSINESS

RESOLUTION

(9) To consider and, if thought fit, to pass the following resolution as Ordinary Resolution: -

(a) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

13

"THAT, subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company at any time until the conclusion of the next AGM, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued."

(10) To transact any other business of which due notice shall have been given.

By Order of the Board

KENNETH GOH KWAN WENG (BC/G/88)
Company Secretary

Seri Kembangan,
Selangor Darul Ehsan
30 April 2024

NOTES:-

1. The 21st AGM of the Company will be held physically whereby shareholders/proxies/corporate representatives will have to be physically present at the Meeting Venue and there will be no option for shareholders to participate virtually.
2. A member entitled to attend, speak and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be in writing, executed by the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or signed by an officer or attorney so authorised.
5. The instrument appointing a proxy (must be in hard copy) must be deposited at the Company's Registered Office, **15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan** not less than twenty-four (24) hours before the time set for holding the meeting or any adjournment thereof.
6. Any alteration in the Form of Proxy must be initialled.
7. Form of Proxy sent through facsimile transmission shall not be accepted.

Notice of 21st Annual General Meeting

8. *For the purpose of determining a member who shall be entitled to attend this 21st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 78(i), 78(ii) and 78(iii) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 30 May 2024. Only a depositor whose name appears on the Record of Depositors as at 30 May 2024 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.*

9. *Explanatory Notes to the Agenda:*

(A) Audited Financial Statements

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.

(B) Benefits Payable to the Directors of the Company (Ordinary Resolutions 3 and 4)

Section 230(1) of the Act provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

The proposed Ordinary Resolutions 3 and 4 is to seek shareholders' ratification/approval for payment of Directors' benefits (excluding Directors' fees) to the Directors of the Company for the period from 1 July 2023 to 30 June 2024 and 1 July 2024 until the conclusion of the next AGM of the Company respectively.

The benefits comprises the meeting allowances, benefits-in-kind and other emoluments payable to the Directors of the Company.

In determining the estimated total amount of remuneration (excluding Directors' fees) for the Directors of the Company, the Board considered various factors including the number of scheduled meetings for the Board and Board Committees as well as the number of Directors involved in these meetings.

The Board is of the view that it is just and equitable for the Directors to be paid the Directors' remuneration (excluding Directors' fees) as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the relevant period.

10. *Explanatory Notes to Special Business of Agenda 9:*

(C) Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Act (Ordinary Resolution 13)

The Ordinary Resolution proposed under Resolution 13 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Act. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.

The Proposed Resolution 13, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the total number of issued shares of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.

As at the date of this Notice, 367,642,100 new shares in the Company were issued pursuant to the mandate granted to the Directors at the 20th AGM held on 13 December 2022, which will lapse at the conclusion of the 21st AGM to be held on 6 June 2024.

Notice of 21st Annual General Meeting

11. Poll Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all resolutions set out in the Notice of the 21st AGM will be put to vote by way of poll.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election in Agenda 6 and 7 of the Notice of the 21st AGM of the Company are set out in the Directors' Profile on pages 14 to 18 of this Annual Report.

The detailed information relating to general mandate for issue of securities pursuant to Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Securities are set out under Note C of the Notice of the 21st AGM of the Company.

**KNM GROUP BERHAD**Registration No.: 200001018741 (521348-H)
Incorporated In Malaysia

Form of Proxy

No. of Shares Held	
CDS Account No.	

I/We _____ NRIC No. /Passport No./Reg. No.: _____
(Full Name as per NRIC / Passport / Certificate of Incorporation in Capital Letters)of _____
(Full Address and Contact No.)being a member/members of **KNM GROUP BERHAD** hereby appoint * **Chairman of the meeting** or

Name of Proxy		NRIC No./ Passport No. of Proxy	
Full Address		Contact No. & Email Address	

or failing him/her

Name of Proxy		NRIC No./ Passport No. of Proxy	
Full Address		Contact No. & Email Address	

as ***my/our** proxy to vote for ***me/us** and on ***my/our** behalf at the **21st Annual General Meeting ("AGM")** of the Company to be held at the **Hang Li Po Ballroom, Level 4, Mines Beach Resort, Jalan Dulang, The Mines Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan** on **Thursday, 6 June 2024** at **10.30 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of the 21st AGM. ***My/our proxy** is to vote as indicated below:

Resolution	Description of Resolution	FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
1.	To confirm and ratify the Directors' fees of RM560,000.00 due to the Directors of the Company for the period from 1 July 2023 to 30 June 2024.				
2.	To approve the payment of Directors' fees of RM720,000.00 to the Directors of the Company for the period from 1 July 2024 until the conclusion of the next AGM of the Company.				
3.	To confirm and ratify the benefits amounting to RM120,000.00 due to the Directors of the Company for the period from 1 July 2023 to 30 June 2024.				
4.	To approve the benefits amounting to RM190,000.00 payable to the Directors of the Company for the period from 1 July 2024 until the conclusion of the next AGM of the Company.				
	To re-elect the following Directors who are retiring in accordance with Article 113 of the Company's Constitution and who, being eligible, offer themselves for re-election:				
5.	(i) Tunku Dato' Yaacob Khyra				
6.	(ii) Datuk Uwe Ahrens				
	To re-elect the following Directors who are retiring in accordance with Article 112 of the Company's Constitution and who, being eligible, offer themselves for re-election:				
7.	(i) Yee Hong Ho				
8.	(ii) Thulasy Suppiah A/P Suppiah				
9.	(iii) Ho Soo Woon				
10.	(iv) Dato' Abd.Gani bin Yusof				
11.	(v) Andrew Veno				
12.	To re-appoint Messrs. KPMG PLT as Auditors of the Company, to hold office until conclusion of the next AGM and to authorise the Directors to fix their remuneration.				
	Special Business				
13.	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016.				

[Please indicate with a "√" or "X" in the spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the Proxy/Proxies will vote or abstain from voting on the resolutions at his/her discretion]

The proportion of my holdings to be represented by my ***proxy/proxies** are as follows:

	Number of Shares	Percentage
First Proxy		%
Second Proxy		%
Total		100%

Dated this _____ day of _____ 2024

Signature of Shareholder(s)/Common Seal

Notes:-

- 1. The 21st AGM of the Company will be held physically whereby shareholders/proxies/corporate representatives will have to be physically present at the Meeting Venue and there will be no option for shareholders to participate virtually.
- 2. A member entitled to attend, speak and vote at the meeting is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- 3. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- 4. The instrument appointing a proxy shall be in writing, executed by the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or signed by an officer or attorney so authorised.
- 5. The instrument appointing a proxy (must be in hard copy) must be deposited at the Company's Registered Office, **15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan** not less than twenty-four (24) hours before the time set for holding the meeting or any adjournment thereof.
- 6. Any alteration in the Form of Proxy must be initialled.
- 7. Form of Proxy sent through facsimile transmission shall not be accepted.
- 8. For the purpose of determining a member who shall be entitled to attend this 21st AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 78(i), 78(ii) and 78(iii) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 30 May 2024. Only a depositor whose name appears on the Record of Depositors as at 30 May 2024 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

* Please strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit).

Fold here



The Secretary
KNM GROUP Berhad
15 Jalan Dagang SB 4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan

Fold here

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 8945 7719 | **E** sales@knm-group.com
www.knm-group.com



FBM Hudson FZE

PO Box 17101, Jebel Ali Free Zone, Dubai, United Arab Emirates
(Plot 47-R-1, Jebel Ali Free Zone)
T +97 1 4 883 568 | **F** +97 1 4 883 5860 | **E** commercial@fbm-knm.ae
www.fbmhudson.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 8945 7719 | **E** knmre@knm-group.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 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 8945 7719 | **E** info@borsigboiler-knm.com



KNM Europa BV

Boterbosstraat 2, 2820 Rijmenam Belgium
T +32 15 52 86 83 | **E** sales@knm-group.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 8945 7719 | **E** info@borsigservices-knm.com



KNM Projects (Thailand) Co Ltd

825, Phairojkiija 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



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



Impress Ethanol Co., Ltd.

Impress Farming Co., Ltd.
825, Phairojkiija 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



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



KNM Project Services Limited

Second Floor, West Wing, Peterscourt, City Road,
Peterborough PE1 2SP, United Kingdom
T +603 8946 3000 | **F** +603 8945 7719 | **E** knmre@knm-group.com



BORSIG Membrane Technology GmbH

Bottruper 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



Global Green Energy Corporation Ltd

Fort Anne, Douglas, Isle of Man IM1 5PD
T +603 8946 3000 | **F** +603 8945 7719 | **E** knmre@knm-group.com



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



Peterborough Green Energy Ltd

Ruthlyn House, 90 Lincoln Road, Peterborough, PE1 2SP, United Kingdom
T +603 8946 3000 | **F** +603 8945 7719 | **E** knmre@knm-group.com



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

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 8945 7719

Email : knm@knm-group.com

Website : www.knm-group.com