



KKB ENGINEERING BERHAD

Registration No.: 197601000528 (26495-D)



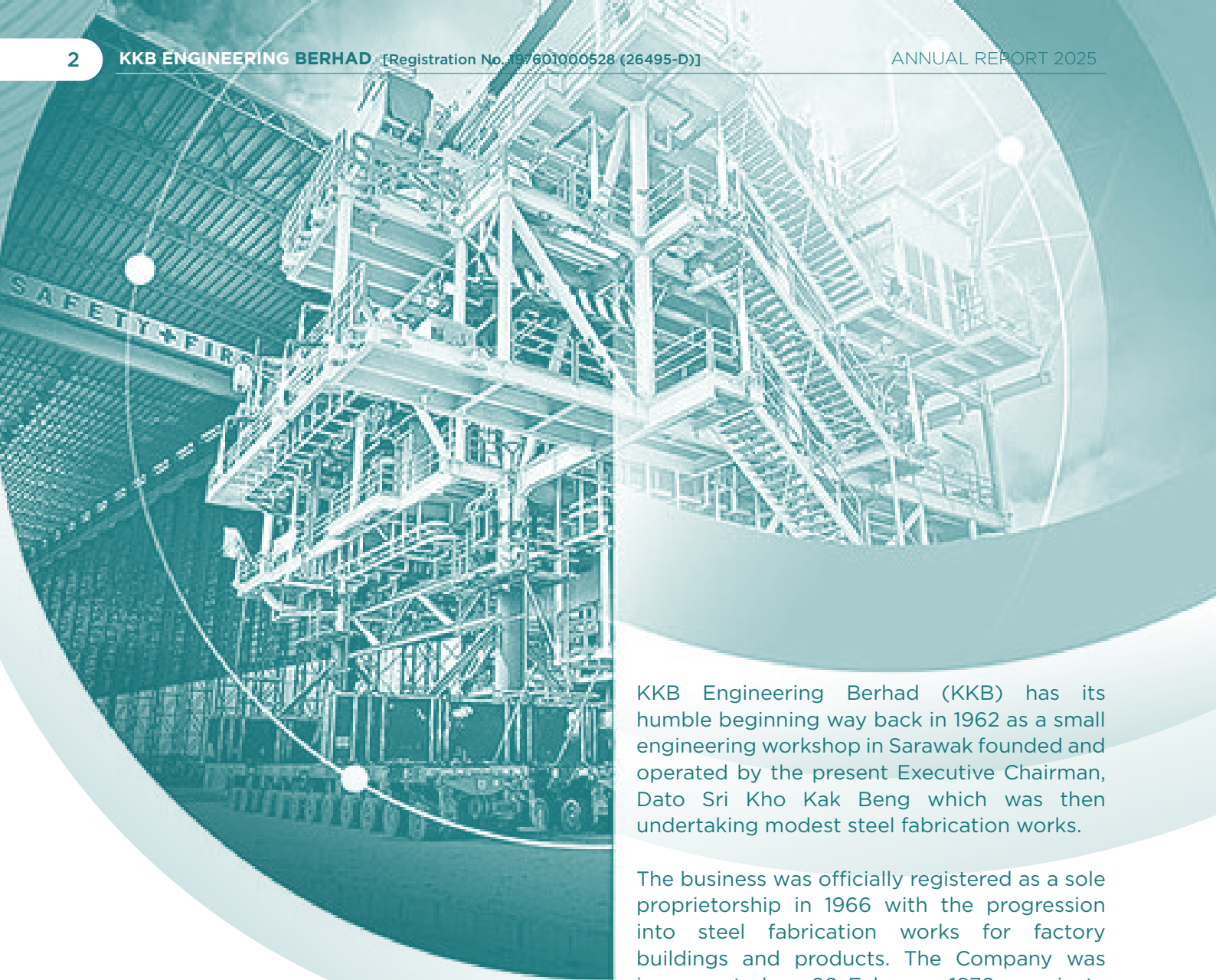
2025

ANNUAL REPORT



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CORPORATE PROFILE

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

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

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

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



OUR VISION

A Successful and Diversified Steel Related International Business Enterprise.



OUR MISSION

To be “Supplier of First Choice” of Customers.

To have consistent “Fair and Equitable Return of Investment” for Shareholders.

To progress through continuous advancement on Technology, Innovation and Training.

To be “A Preferred Place of Work” of employees.

To be a good Corporate Citizen, who is committed to a high standard of protection of Health, Safety and Environment (HSE) at all times.



OUR VALUE CREATION

Our Objectives

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

Our Culture & Values

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

Our Goals

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

Our Plan & Strategy

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato Sri Kho Kak Beng

Executive Chairman

Kho Pok Tong

Group Managing Director

Kho Poh Lin

Executive Director

Yong Voon Kar

Independent Non-Executive Director

Ir. Haji Othman bin Abdul Kadir

Independent Non-Executive Director

Norliza binti Mohamad Nawi

Independent Non-Executive Director

Chai Woon Chew

Non-Independent Non-Executive Director

Lau Nai Pek

Non-Independent Non-Executive Director



COMPANY SECRETARY

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



LEGAL ADVISER

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



AUDITORS

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



PRINCIPAL BANKERS

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



SHARE REGISTRAR

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



REGISTERED OFFICE

Head Office:

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

Corporate Office:

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

Branch Office – Kota Kinabalu:

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



STOCK EXCHANGE LISTING

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



WEBSITE

www.kkbbe.com.my

GROUP CORPORATE STRUCTURE



KKB ENGINEERING BERHAD

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

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



KKB INDUSTRIES (SABAH) SDN. BHD.

[Reg. No.: 200401036627 (675138-T)]

- Manufacturing of Steel Pipes and Pipe Specials
- Steel Fabrication



KKB BUILDERS SDN. BHD.

[Reg. No.: 200501018164 (700277-H)]

- Building Contractor
- Civil Engineering
- Water Engineering Works
- Other Contracting Services
- Earthworks



KKB UNIVERSAL ROOFING (SARAWAK) SDN. BHD.

[Reg. No.: 197801005879 (43031-T)]

- Manufacturing of uPVC Roofing Sheets, uPVC Pipes and Other Related Products



OPTIMA LINE ENGINEERING SDN. BHD.

[Reg. No.: 199701024514 (440012-H)]

- Property Holding



KKB ENERGY SDN. BHD.

[Reg. No.: 202301024222 (1518145-V)]

- Engineering and Construction for Renewable Energy Facilities



HARUM BIDANG SDN. BHD.

[Reg. No.: 199601035034 (407387-U)]

- Manufacturing and Trading of Steel Pipes and Pipe Specials



HB PIPES SDN. BHD.

[Reg. No.: 197901003653 (48210-A)]

- Property Holding



KKBWCT JOINT VENTURE SDN. BHD.

[Reg. No.: 201401042025 (1118191-T)]

- Civil Construction



OCEANMIGHT SDN. BHD.

[Reg. No.: 201201029015 (1013502-A)]

- Structural Steel Fabrication for Oil & Gas Facilities

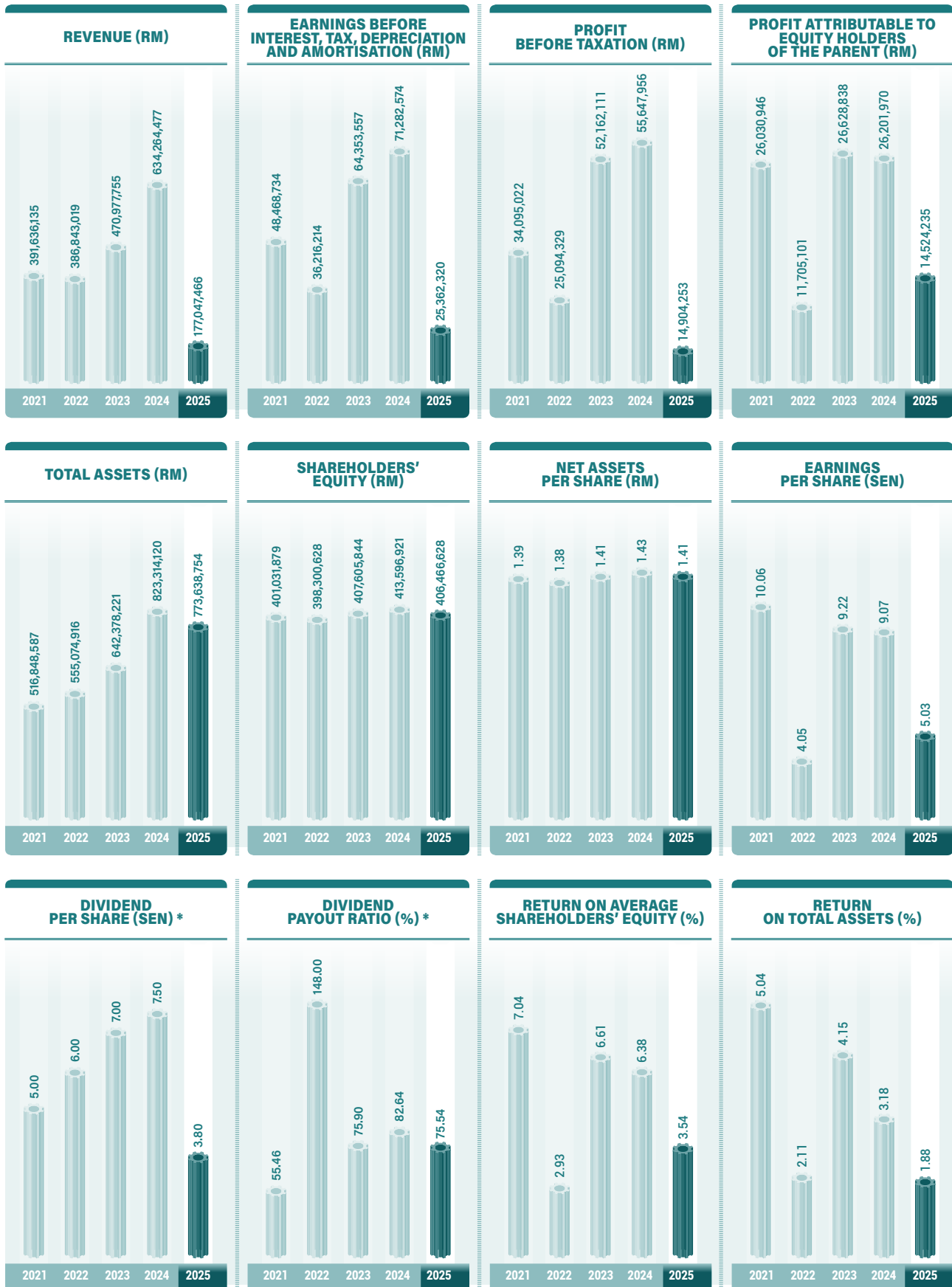


EDISI OPTIMA SDN. BHD.

[Reg. No.: 199701028518 (444017-K)]

- Construction and General Engineering
- Requalification of LP Gas Cylinders and Related Services

GROUP PERFORMANCE FOR FINANCIAL YEAR ENDED 31 DECEMBER



* Dividend for FYE 2025 is based on assumption that Company will pay a First and Final Single Tier Dividend of 3.8 sen per share, upon obtaining Shareholders' approval at the forthcoming AGM.

EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

2025 marks a significant milestone – our 63 years of excellence since its incorporation in 1962 and 31 years as a public listed company since its listing on the Bursa Malaysia Securities Berhad in 1994. Over the past decades, we have weathered many challenges and global uncertainties. Amidst a challenging and dynamic environment, we have held fast to our principles of operational excellence and safety in managing our operations. The management remained steadfast and focused on strengthening our capabilities to navigate the challenging business environment. We stayed defensive to preserve our cash reserves and invested prudently.

Our strategic move to venture into the Oil and Gas sector in 2013, in line with our long-term ambition to expand and grow our businesses to complement our traditional activities proved timely, as our Group revenue rebounded to RM634.3 million in FY2024 and laying a solid foundation for the future.

We remained resilient during the global COVID-19 pandemic in 2020, with its unprecedented impact. This demonstrated a strong track record of implementing diverse strategies to adapt, reshape our business, and consistently deliver results over the past 31 years as a public listed company.

KKB Group navigated a complex and evolving business environment shaped by persistent geopolitical tensions, inflationary pressures and cautious sentiment across our core businesses. Despite these headwinds, I am pleased to report that the Group remained resilient and took deliberate steps to position itself for sustainable long-term value creation.

Our team remained disciplined in cost management while staying alert to emerging opportunities. Our core Steel Fabrication division maintained operational stability, although experienced slower momentum. The Engineering segment remained an important part of the Group, contributing stable and recurring earnings that supported overall performance. The Group continues to focus on deepening customer engagement, enhancing internal processes, and sharpening execution capabilities.

While it may be easier to see risks rather than opportunities in this challenging and competitive environment, our priority is to maintain the growth momentum across our core businesses while ensuring we catch the upside in moments of disruption.

Financial Performance Overview

In FY2025, the Group is seeing a reset of its Group activities with major projects being delivered in FY2024 and mid FY2025.

The Group recorded revenue of RM177.0 million in FY2025 (FY2024: RM634.3 million), a decrease of 72.1% over FY2024. This was mainly due to softer contributions from the Engineering sector. Revenue from the Manufacturing sector rose 347.5% to RM80.1 million (FY2024: RM17.9 million), supported by higher revenue from both the Steel Pipes and LP Gas cylinders manufacturing divisions. The Engineering sector posted revenue of RM97.0 million (FY2024: RM616.4 million), reflecting slower activities for both the major steel fabrication works for the Oil and Gas facilities and civil construction works in FY2025.

Gross profit stood at RM37.6 million (FY2024: RM103.6 million), but gross profit margin improved by 5% to 21% (FY2024: 16%), while total assets reduced marginally by 6.0% to RM773.6 million (FY2024: RM823.3 million) attributable to lower trade receivables and Contract assets in line with lower revenue of the Group.

Importantly, gross profit margins remained steady and resilient. This demonstrates the Group's continued focus on cost discipline, resource optimisation, and prudent management of direct expenses.

The consolidated Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") decreased to RM25.4 million (FY2024: RM71.3 million) whilst consolidated profit after tax declined to RM14.0 million compared to RM40.5 million in FY2024. Profit attributable to equity holders of the parent decreased by 44.7% to RM14.5 million (FY2024: RM26.2 million), thereby reducing Earnings per share to 5.03 sen compared to 9.07 sen in FY2024.

Net asset value per share decreased to RM1.41 as at 31 December 2025 compared to RM1.43 as at 31 December 2024, based on 288,727,040 shares in issue.

The Group continues to maintain a strong and resilient Balance Sheet, ending the year with a healthy cash position (short term funds, cash and short-term deposits) of RM234.3 million (FY2024: RM218.1 million). With a strengthened asset base, the Group enters FY2026 with greater flexibility to pursue future growth opportunities. Capital management remains key. We are taking a balanced and proactive approach, scaling businesses with long-term potential while returning value to shareholders through dividends.

We continued to be well diversified in our revenue stream. The Steel Fabrication and Civil Construction division within the Engineering sector registered a combined revenue of RM95.5 million (FY2024: RM613.6 million), whilst the Steel Pipes manufacturing division registered revenue of RM72.3 million (FY2024: RM13.3 million) and LPG Cylinders manufacturing division posted revenue of RM7.8 million (FY2024: RM4.6 million).

EXECUTIVE CHAIRMAN'S STATEMENT (CONT'D)

This strategy of diversification, helps us to navigate market turbulence and we are grateful that this structure gives us predictability and flexibility through good and bad times. These efforts are attributable to the meticulous execution of our corporate strategy, driven commitment from its management team and all employees, and via the careful stewardship from the Board of Directors.

In January 2026, our subsidiary, OceanMight Sdn. Bhd. was awarded a contract for Provision of Minor Engineering, Procurement and Construction (ePC) of Fixed Offshore Structure and Host Tie-In at Erb West for Belud South Greenfield Development (GFD) Project by PETRONAS Carigali Sdn. Bhd. of which is expected to contribute positively to the Group's performance in FY2026, in particular the Engineering sector.

The Board remains committed to prudence, robust financial discipline and continued operational efficiency. With a clear strategic direction and an agile operating structure, the Group is well-positioned to capture emerging opportunities and deliver enduring value to all stakeholders.

Progressing Sustainability

For the financial year ended 31 December 2025, the Group continued to demonstrate resilience despite operating in a more challenging environment. Revenue was RM177.0 million while still maintaining its positive profit before taxation of RM14.9 million on the back of slower activities. These results underscore the strength of our diversified business model. Our economic sustainability strategy remains firmly anchored in responsible financial management, disciplined cost control, and prudent capital allocation. The Group's continued profitability and strong balance sheet enable us to reinvest in our capabilities, explore diversification opportunities, and contribute to the communities where we operate. This balance between financial discipline and sustainability principles strengthens our ability to deliver enduring economic value even amidst market uncertainties.

In KKB, we are driving concerted efforts to contribute to the green goals of our customers, our partners and the markets in which we operate.

As of December 2025, we have converted one (1) of our service fleet to electric vehicle (EV) with the aim of achieving more over the next few years.

We are committed to sustainability, focusing on both environmental care and creating value for the community. KKB Group strives to protect the environment by prioritizing resource efficiency in our business operations and responsible sourcing in our value chain. Our offices also support local communities through donations and actively participate in outreach programmes with non-profit organisations and charitable bodies.

Meanwhile, strong corporate governance is central to the Group's operational framework. Therefore, the Group upholds high standards of integrity, transparency and accountability across all levels of management.

KKB Group also ensures that its supply chain partners adhere to responsible business practices through vendor screening and sustainability assessments. By embedding ESG considerations into decision-making processes, the Group reinforces stakeholder trust and long-term resilience.

The Group continues to recognise the importance of conducting our business in a sustainable and responsible manner focusing on sustainability values based on Environmental, Social and Governance framework. We continue to build on our strong commitment to environmental sustainability in how we operate our business. Sustainability aligns with our founding philosophy of value for all.

An update on our approach towards sustainability is included in our Sustainability Statement section on pages 28 to 77 of this Annual Report.

DIVIDEND AND SHAREHOLDERS' RETURN

KKB remains committed to delivering value to its shareholders. With a view to rewarding shareholders for their continued support and trust in KKB coupled with the strength of the Group's financial position, the Board of Directors is pleased to recommend for shareholders' approval at the forthcoming Fiftieth (50th) Annual General Meeting a first and final single tier dividend of 3.80 sen per ordinary share, in respect of financial year ended 31 December 2025. The proposed dividend, if approved, would amount to approximately RM10.97 million, representing about 75.5% of the Consolidated Profit attributable to equity holders of the parent.

The Company endeavours to maintain stable dividends and return profits to shareholders in line with Company's performance through a dividend payout ratio of 20% or more of Consolidated Profit attributable to owners of the parent, depending on our financial performance, the availability of adequate distributable reserves and on condition that such distribution will not be detrimental to our Group's cash flows requirements.

During the year, the Company paid a first and final single tier dividend of seven and a half (7.5) sen per ordinary share, in respect of the financial year ended 31 December 2024. As such, the total dividend payment of RM21.7 million represented about 82.6% of the Consolidated Profit attributable to equity holders of the parent and it is well above our 20% dividend policy.

EXECUTIVE CHAIRMAN'S STATEMENT (CONT'D)

APPRECIATION

We always strive to do well, do right, and do better, towards delivering a resilient performance in the coming years. At the core of this ambition is our people i.e their values, passions, capabilities, and their willingness to learn, contribute, lead, and take on new ideas and responsibilities.

I would like to take this opportunity to express my deepest appreciation to my fellow Board members for their relentless assistance, support and guidance during the year. On behalf of the Board, I extend my sincere gratitude to the senior management team and all our employees for their dedication and hard work, particularly during such challenging times. They have consistently risen above challenges throughout the past years.

In addition, a note of heartfelt thanks is due to Dr Arjunan Subramaniam who retired from the Board in May 2025. Dr Arjunan's invaluable contributions, guidance and expertise have been instrumental in our journey, and we greatly appreciate his service over the past years.

In closing, I would also like to express my sincere gratitude to all other stakeholders such as shareholders, customers, suppliers, bankers, business partners, advisers and relevant authorities for their trust and continuous support.

I am confident that we will build upon the strong foundation and the Group's solid financial footing position the business well for the future to reach greater heights and create sustainable value for our shareholders and stakeholders.

Together, let us look forward to a successful and prosperous 2026!

Thank you.

DATO SRI KHO KAK BENG
Executive Chairman



MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

INTRODUCTION

This Management Discussion and Analysis (MD&A) of the consolidated financial results of KKB Engineering Berhad ("KKB" or "the Company") and its subsidiaries ("KKB Group or "the Group") should be read in conjunction with the audited consolidated financial statements and notes thereto for the financial year ended 31 December 2025 ("FY2025"). Additional information about the Company is available at www.kkbeb.com.my

COMPANY OVERVIEW

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

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

Engineering Sector

- Steel Fabrication

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

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

- Hot-Dip Galvanising

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

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

- Civil Construction

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

Manufacturing Sector

- LP Gas Cylinders Manufacturing

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

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

- Shell Malaysia Trading Sdn Bhd
- Shell Timur Sdn Bhd
- Brunei Shell Marketing Sdn Bhd
- Shell Gas Lanka Limited, Sri Lanka
- Petronas Dagangan Berhad
- ExxonMobil Malaysia Sdn Bhd
- Boustead Petroleum Marketing Sdn Bhd
- NGC Malaysia Sdn Bhd
- Petron Malaysia Refining & Marketing Bhd
- Summit Petroleum (M) Sdn Bhd
- MyGaz Sdn Bhd
- Petrosniaga Sdn Bhd

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

- Steel Pipes Manufacturing

KKB Group manufactures Steel Tubular Piles, Mild Steel Concrete Lined (MSCL) pipes and Mild Steel Polyurethane Lined (MSPUL) pipes and pipe specials for foundation, dredging, land reclamation, water and sewage delivery system.

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

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

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

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

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

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

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

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

(d) Product Certification by IKRAM QA Services Sdn Bhd and Certificate of Approval for Water Supply Product by State Water Authority (Jabatan Bekalan Air Luar Bandar (JBALB)/Ministry of Utility and Telecommunication Sarawak)

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

(e) Product Certification by SIRIM QAS International Sdn Bhd

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

(f) Product Certification by Det Norske Veritas (DNV) & Inspection by TUV NORD Malaysia(TUV)

- Tote Tank and Lifting Frame

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

INFORMATION TECHNOLOGY

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

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

KKB Group has a fully integrated Enterprise Resource Planning (ERP) system covering Financial, Distribution, Manufacturing, Fixed Assets Management and Project Management modules using Oracle JD Edwards EnterpriseOne software.

During the year, we reviewed our data security framework, along with a revamp and implementation of Data Privacy and Security Policy governing the management of personal data collected and processed by the Group. This coincides with our increased integration of technology, including upgrading our Oracle JD Edwards EnterpriseOne software to a later Tools Release 9.2.5.6 to improve its business processes and operation efficiency.

Embracing technology smoothens the path of compliance with the first Phase of Malaysia's e-invoice implementation on 1st August 2024.

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

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

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

With the rise in scams and cyber threats, we are proactively strengthening our defences to ensure our operations stay safe in an increasingly digital world. We send our employees for cyber awareness training to be better prepared against scams.

REMAINING COMMITTED AND FOCUSED ON OUR CORE COMPETENCIES

The Group continues to consolidate its presence in the major Onshore Steel Fabrication activities for the Oil & Gas sector. The Group has successfully delivered several projects in FY2025, indicating strong execution capabilities.

The completion of SHELL FaS project (F22, F27, Selasih & F23 – Brownfield) and Samsung OGP project reflects our ability to navigate challenges such as rising material and operational costs.

In January 2026, we secured a new contract from PETRONAS Carigali Sdn. Bhd. for Provision of Minor Engineering, Procurement and Construction (ePC) of Fixed Offshore Structure and Host Tie-In at Erb West for Belud South Greenfield Development (GFD) Project.

Understanding core competencies allows us to identify opportunities that bolster our value chain. Guided by our strategy, we executed on the outlined approaches to capitalise on opportunities and strengthen our core competencies to sustain growth.

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

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

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

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

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

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

HIGH COMMITMENT ON HEALTH, SAFETY AND ENVIRONMENT

We believe occupational health and safety is a fundamental human right and a fundamental principle in our value creation process. Safety remains our highest priority and is firmly ingrained in all aspects of our business and operations. This comes through in consistent practices on the ground, across the ranks including our contractors and subcontractors.

Workplace health and safety risks, including accidents and occupational illnesses, can impact business continuity and employee well-being. We regularly inspect, audit and gather employee feedback to identify and evaluate these risks. We implement robust health and safety policies including training such as safety protocols and emergency procedures, incident reporting, monitoring and review. General safety awareness and safety incident reporting awareness was provided to employees through monthly themes and campaign initiatives.

KKB Group has a well-defined Occupational Health and Safety policy and supporting processes to ensure the safety and well-being of its employees. Safety lead and lag indicators are measured across the organization and reported. KKB is certified to ISO 45001:2018 Occupational Health and Safety Management System. The Group Health Safety and Environment Task Force Committee monitors, advises, and drives occupational, health and safety initiatives and reviews the Group's health and safety performance on a regular basis.

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

PURSUING SUSTAINABILITY AND CORPORATE GOVERNANCE PRINCIPLES

KKB achieved a key milestone in its sustainability journey with its inaugural inclusion in the FTSE Russell ESG ratings, earning three (3) stars rating in December 2025. Developed by global index provider FTSE Russell, the FTSE4Good Bursa Malaysia Index serves as a benchmark for Malaysian companies that demonstrate leading ESG practices. In addition, KKB achieved three (3) stars rating under the National Corporate Governance and Sustainability Awards (NACGSA) 2025 by MSWG. The NACGSA recognizes Malaysia public listed companies for their excellence in corporate governance and sustainability practices. The assessment methodology, endorsed by the Corporate Governance Council combines three assessments comprising the ASEAN Corporate Governance Scorecard, the Malaysian Code on Corporate Governance and the Sustainability Scorecard. This reflects the tangible progress of our broader ESG strategy, which is anchored in responsible governance, environmental stewardship and inclusive growth. It reinforces our commitment to embedding sustainability into every aspect of our operations, ensuring long-term value creation for our stakeholders, society and the environment.

KKB consciously embeds the highest standards of governance in its operations. The Board recognise the importance of maintaining good corporate governance and is committed to meet all applicable rules, regulations, norms and standards that will meet the expectations of the stakeholders.

Governance at KKB encompasses ensuring ethical and transparent business conduct, addressing sustainability risks and opportunities and aligning robust disclosure requirements. The principles of integrity, transparency and accountability are embedded in its Code of Conduct and Ethics. KKB's Code of Conduct serves as a guide for all employees' behavior. We have a holistic compliance framework and an integrated governance structure that encourages a strong commitment to Environment, Social and Governance (ESG) disclosure standards for promoting transparency and accountability.

We have long recognized the ESG stewardship as core to our purpose. We have a proud legacy of pioneering positive change, not just within the industry but in the communities where we operate as well, and our commitment remains steadfast.

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

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

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

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

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

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

KKB reaffirms its commitment to climate change, as driven by the Board and strives to push toward being carbon neutral by 2050. This is further endorsed at Management level, with a firm understanding on its responsibility to address ESG related risks and nurture continued value creation for its stakeholders.

Our strategic direction is guided by our core values of integrity, innovation, teamwork and a strong Board. This lays strong foundation for our business operations, which are enhanced by the personality and culture that have been nurtured throughout the value chain.

Regular assessments ensure a well-rounded Board with complementary skills, competencies and qualifications in order to guide KKB Group effectively and champion stakeholder interests. Our Board practices are benchmarked against the Malaysian Code of Corporate Governance.

Measures are put in place and constantly tested and reviewed to ensure its relevancy and effectiveness in the environment of the Group's business operations. The compliances and practices adopted in pursuance of good corporate governance are as reported in the Corporate Governance Overview Statement, which can be found on pages 87 to 110 of this Annual Report.

STRENGTHENING OUR PRESENCE IN MAJOR ONSHORE FABRICATION

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

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

ITEM	YEAR AWARDED	PROJECT TITLE	CLIENT
1	2026	Provision of Minor Engineering, Procurement and Construction (ePC) of Fixed Offshore Structure and Host Tie-In at Erb West for Belud South Greenfield Development (GFD)	Petronas Carigali Sdn Bhd
2	2024	Fabrication of Bridge and Boat landing for Kasawari Carbon Capture & Storage project	Malaysia Marine and Heavy Engineering Sdn Bhd
3	2023	Module Fabrication/supply of Steel Structures for the Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu	Samsung E&A Malaysia Sdn Bhd
4	2023	Provision of Engineering, Procurement and Construction (EPC) of Standard Wellhead Platforms for MLNG FaS (F27, F22 and Selasih) Gas Field Development	Sarawak Shell Berhad

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

ITEM	YEAR AWARDED	PROJECT TITLE	CLIENT
5	2022	Provision of Fabrication, Engineering, Supervision, Manpower, Necessary Equipment/Tools and Consumables to carry out Piles Fabrication, Loadout and Sail Away for SK408W Jerun A CPP Jacket	Malaysia Marine and Heavy Engineering Sdn Bhd
6	2021	Procurement, Fabrication & Transportation of Jacket Levelling System and Gripper Cans for the Ilijan Marine Jetty	2H Offshore (Asia Pacific) Sdn Bhd
7	2020	Provision of Engineering, Procurement and Construction of Flare Platform for Kasawari Gas Development Project	Unincorporated Joint Venture of Malaysia Marine and Heavy Engineering Sdn Bhd and Technip Geoproduction (M) Sdn Bhd
8	2020	Provision of Engineering, Procurement, Construction and Commissioning (EPCC) of Pemanis Satellite (PESA) Topside for PTTEP's Sarawak SK309 Development (Contract No. CP16003)	PTTEP Sarawak Oil Limited
9	2020	Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for BKD-A and Host Tie-In Modification at BNCPB-B Topsides – Bakau Non-Associated Gas Development Project	Petronas Carigali Sdn Bhd
10	2019	Provision of Engineering, Procurement, Construction and Commissioning of New ESP Module for Upgrading and Modification on MAMPU-1 and AJK Platform for Vestigo Petroleum Sdn Bhd	MISC Offshore Floating Terminals Dua (L) Limited
11	2018	Provision of Procurement and Construction for Wellhead Deck, Piles and Conductor for Pegaga Project	Sapura Fabrication Sdn Bhd
12	2018	Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for D18 Phase 2 Project	Petronas Carigali Sdn Bhd
13	2018	Provision of Engineering, Procurement, Construction, Installation and Commissioning of Wellhead Platforms for D28 Phase 1 Project	Petronas Carigali Sdn Bhd
14	2018	HHP Piping Flowlines for Kinabalu Redevelopment Project	Repsol Oil & Gas Malaysia Limited
15	2016	Engineering, Procurement and Construction (EPC) for Bunga Pakma Wellhead Riser	Repsol Oil & Gas Malaysia Limited
16	2015	Engineering, Procurement and Construction (EPC) of Wellhead Platform for Kinabalu Redevelopment Project	Repsol Oil & Gas Malaysia Limited
17	2015	Provision of Yard Space, Manpower, Tools, Equipment and Services for New Helideck Steel Support Fabrication and New Helideck Assembly for Baram-B Revisit 4 Project	Petronas Carigali Sdn Bhd
18	2014	Provision of Fabrication, Hook-Up and Commissioning Services for Tanjong Baram Wellhead Platform	2H Offshore Engineering Services Sdn Bhd

As at 31 December 2025, OMSB has successfully completed fifteen (15) projects, achieving a combined total of 10.0 million safe working man-hours without any lost time incidents. The completion of these projects has demonstrated our capability in complex project execution and management. Of these projects, the super fast-tracked D28 EPCIC contract, was completed in a record nine months from the date of the award in 2018 – thereby underscoring OMSB's capabilities as a reliable and skilled oil and gas service provider.

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

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

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

YEAR	FINANCIAL YEAR ENDED 31 DECEMBER				
	2021	2022	2023	2024	2025
Revenue (RM)	391,636,135	386,843,019	470,977,755	634,264,477	177,047,466
EBITDA (RM)	48,468,734	36,216,214	64,353,557	71,282,574	25,362,320
Profit before tax (RM)	34,095,022	25,094,329	52,162,111	55,647,956	14,904,253
Profit after tax (RM)	28,910,782	18,466,615	34,345,691	40,462,980	14,037,151
Profit attributable to equity holders of the parent (RM)	26,030,946	11,705,101	26,628,838	26,201,970	14,524,235
Total assets (RM)	516,848,587	555,074,916	642,378,221	823,314,120	773,638,754
Total borrowings (RM)	149,976	52,387	-	-	-
Issued capital (RM)	175,254,461	175,254,461	175,254,461	175,254,461	175,254,461
Shareholders' equity (RM)	401,031,879	398,300,628	407,605,844	413,596,921	406,466,628
Total number of issued shares	288,727,040	288,727,040	288,727,040	288,727,040	288,727,040
PER SHARE INFORMATION					
Earnings per share (sen)	10.06	4.05	9.22	9.07	5.03
Net assets per share (RM)	1.39	1.38	1.41	1.43	1.41
Dividend per share (sen) *	5.00	6.00	7.00	7.50	3.80
KEY FINANCIAL RATIOS					
Gross margin (%)	18.29	14.95	18.39	16.33	21.26
EBITDA margin (%)	12.38	9.36	13.66	11.24	14.33
Net profit margin (%)	7.38	4.77	7.29	6.38	7.93
Return on average shareholders' equity (%)	7.04	2.93	6.61	6.38	3.54
Return on total assets (%)	5.04	2.11	4.15	3.18	1.88
Inventory turnover (times)	7.09	7.08	7.75	10.11	2.10
Trade receivable turnover (days)	81	60	58	48	126
Trade payable turnover (days)	128	88	119	161	622
Current ratio (times)	5.04	3.89	2.90	1.93	3.29
Gearing – Debts to equity (times)	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio (%)	55.46	148.00	75.90	82.64	75.54

* Dividend for FYE 2025 is based on assumption that Company will pay a First and Final Single Tier Dividend of 3.80 sen per share, upon obtaining Shareholders' approval at the forthcoming AGM.

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

OVERVIEW OF KKB'S SHARE PRICE IN YEAR 2025

Month	High Price RM	Low Price RM	Close Price RM	Volume (Units)
January	1.58	1.39	1.39	701,800
February	1.48	1.41	1.44	330,400
March	1.47	1.37	1.43	206,400
April	1.43	1.20	1.40	369,600
May	1.47	1.35	1.38	255,100
June	1.45	1.25	1.31	283,500
July	1.37	1.22	1.37	479,900
August	1.46	1.27	1.29	689,100
September	1.34	1.24	1.30	379,900
October	1.31	1.22	1.24	635,800
November	1.27	1.18	1.23	209,500
December	1.23	1.05	1.06	390,600

	RM
Year High	1.58
Year Low	1.05
Year Close	1.06
Market Capitalisation as at 31.12.2025	306,050,662

FINANCIAL PERFORMANCE OVERVIEW

For the financial year ended 31 December 2025, the Group continued to demonstrate resilience despite operating in a more challenging business environment and remained prudent in managing its business operations.

The Group recorded revenue of RM177.0 million for the financial year ended 31 December 2025, a decrease of 72.1% compared to RM634.3 million in FY2024, mainly due to lower revenue from the Engineering sector.

In FY2025, the group recorded a pre-tax profit of RM14.9 million, decreased by 73.2% compared to RM55.6 million in the preceding year, mainly attributable to the weak performance of the Steel fabrication division within the Engineering sector.

The overall group's results were impacted by the soft performance of the Engineering sector, in particular the Steel Fabrication division with major projects being delivered in FY2024 and finalisation of major contracts during the year coupled with slower contract rolled out in FY2025. The weak Performance of the subsidiary company i.e OMSB has pulled down the overall results of the Group in FY2025. OMSB recorded revenue of RM32.8 million in FY2025 compared to RM353.4 million in FY2024.

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

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

	GROUP		
	FY2025 RM'000	FY2024 RM'000	VARIANCE %
Revenue	177,047	634,264	-72.1%
Gross Profit	37,632	103,606	-63.7%
Selling and Distribution Expenses	(429)	(1,201)	-64.3%
Administrative Expenses	(34,307)	(46,263)	-25.8%
Finance Cost	(2,274)	(5,545)	-59.0%
Finance Income	1,547	1,969	-21.4%
Other Expenses	(3,341)	(8,058)	-58.5%
Other Income	15,326	8,779	74.6%
Share of Results of Associates	750	2,361	-68.2%
Profit before Tax	14,904	55,648	-73.2%
Income Tax Expense	(867)	(15,185)	-94.3%
Profit after Tax	14,037	40,463	-65.3%

Breakdown of revenue by sectors and divisions:-

	GROUP				
	FY2025		FY2024		VARIANCE
	RM'000	%	RM'000	%	%
Engineering Sector					
Civil Construction	56,693	32%	279,706	44%	-79.7%
Steel Fabrication	38,807	22%	333,933	53%	-88.4%
Hot-Dip Galvanising	1,479	1%	2,725	0%	-45.7%
	96,979	55%	616,364	97%	-84.3%
Manufacturing Sector					
LP Gas Cylinders	7,782	4%	4,606	1%	69.0%
Steel Pipes	72,286	41%	13,294	2%	443.7%
	80,068	45%	17,900	3%	347.3%
Total Revenue	177,047	100%	634,264	100%	-72.1%

Revenue

Engineering Sector

Group revenue for the engineering sector declined by 84.3% to RM97.0 million in FY2025 compared to RM616.4 million in the preceding year. Similarly, Gross Profit decreased by 84.5% from RM102.0 million in FY2024 to RM15.8 million, attributed to the weak performance of the Group's Steel Fabrication division.

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

Performance of the Engineering sector, particularly the Steel Fabrication division which supports the major onshore fabrication for the Oil and Gas facilities was affected by slower contracts roll out by major oil companies in 2025.

The Group's Steel Fabrication division recorded a significant decrease of 88.4% in revenue, from RM333.9 million in the preceding year to RM38.8 million in the current year on the back of slower activities and completion of major contracts during the year. Revenue was mainly from the Engineering, Procurement and Construction ("EPC") of Standard Wellhead Platforms for MLNG FaS (F27, F22, Selasih and F23 Brownfield) for Sarawak Shell Berhad; Module Fabrication and supply of Steel Structures for the Samsung Malaysia Rosmari & Marjoram Onshore Gas Plant project in Bintulu, Sarawak; fabrication of Bridge and Boat landing for Kasawari Carbon Capture & Storage project and other miscellaneous fabrication works.

Group revenue for the Civil Construction division decreased to RM56.7 million in FY2025 compared to RM279.7 million recorded in the preceding year. Revenue in FY2025 was mainly from the water related construction project i.e the Proposed Serian Regional Water Supply Phase II (Stage 1), Sarawak.

The Hot-Dip Galvanising ("HDG") division recorded revenue of RM1.5 million in FY2025 (FY2024: RM2.7 million) due to the low business volume. HDG plant resumed operation in mid-June 2025 after undergoing a major maintenance works and upgrading during the year.

Manufacturing Sector

The Group's Manufacturing sector recorded higher revenue in FY2025, improved by 347.3% to RM80.1 million compared to RM17.9 million in FY2024, on the back of increased revenue from both the Steel Pipes and LP Gas ("LPG") Cylinders manufacturing divisions.

Revenue from the Group's Steel Pipes manufacturing division increased to RM72.3 million (FY2024: RM13.3 million) supported by revenue contribution from the Steel Pipes manufacturing plant in Kota Kinabalu, Sabah. Revenue was mostly from the supply of Mild Steel Concrete Lined Pipes and fittings to Sabah; for the Salim Water Treatment Plant in Sibul, Sarawak, the Proposed Serian Regional Water Supply Phase II (Stage 2) and for the Batu Kitang Water Treatment Plant No. 4 (Module 7), respectively.

LPG Cylinders manufacturing division recorded revenue of RM7.8 million in FY2025 (FY2024: RM4.6 million), in line with higher offtake of New LPG Cylinders. Revenue for the year was mostly for the supply of New and Reconditioning/Requalification of LPG Cylinders and Compact valves to Petrosniaga Sdn Bhd.

Gross Profit

Gross profit of the Group decreased to RM37.6 million (FY2024: RM103.6 million) amidst lower revenue in FY2025. Gross profit margin however improved to 21% (FY2024: 16%), mainly due to improved margin from the Manufacturing sector and Civil Construction division although offset by the weak performance of the Steel Fabrication division.

The Manufacturing sector recorded an increase in its gross profit to RM21.8 million (FY2024: RM1.6 million) on the back of higher revenue. Accordingly, gross profit margin also improved by 18% as both the Steel Pipes and LPG Cylinders manufacturing divisions reflected a higher margin in FY2025 compared to the preceding year.

From the table below, gross profit margin improved by some 5% compared to the preceding year, mainly due to the overall improved margin for the Manufacturing sector and Civil Construction division.

	FY2025 RM'000	FY2024 RM'000	% ON REVENUE	
			FY2025	FY2024
Revenue	177,047	634,264	100%	100%
Cost of Sales				
Raw Materials Consumed	80,339	132,249	45%	21%
Direct Labour & Subcontract Cost	44,079	371,540	25%	59%
Depreciation	6,829	8,438	4%	1%
Others	8,168	18,431	5%	3%
	139,415	530,658	79%	84%
Gross Profit/Gross Profit Margin	37,632	103,606	21%	16%

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

Finance and Other Income

The Group's Finance and Other Income of RM16.9 million (FY2024: RM10.7 million) mainly derived from interests gained from short term funds/deposits placements, sales of scrap iron, rental income, gain on forex and reversal of impairment loss on trade receivables. The increase in Other Income is mainly due to recoverability of amount owing from trade receivables amounting to RM5.3 million which was previously impaired.

Administrative Expenses

The Group's administrative costs represent 19.4% of the group's revenue in FY2025. Administrative costs decreased by 25.9% to RM34.3 million in FY2025 in line with slower activities as compared to RM46.3 million recorded in FY2024.

The decrease in administrative expenses mainly from staff salaries and related cost is due to the decrease in the number of headcounts for the Group in line with slower activities for the Engineering sector during the year.

For FY2025, staff salaries and related cost accounted about 54% of the Group's total administrative expenses compared to 63% in the preceding year.

Other Expenses

Major components of the Group's Other Expenses consist of depreciation of property, plant and equipment, donations and sponsorship, legal and professional fees, impairment of goodwill, impairment of receivables, provision for slow-moving inventories and obsolete inventories written off.

Other expenses decreased by 59.3% to RM3.3 million in FY2025 as compared to RM8.1 million in FY2024. Comparatively, the decrease mainly from goodwill impairment – RM1.6 million, provision for slow-moving inventories – RM1.2 million and obsolete inventories written off – RM1.2 million, respectively.

Profit before tax

The Group recorded a pre-tax profit of RM14.9 million in FY2025 compared to RM55.6 million in FY2024 on the back of lower revenue. The weak performance of the subsidiary Company i.e OMSB has pulled down the overall results of the Group in FY2025. OMSB recorded a pre-tax loss of RM5.8 million in FY2025 against a pre-tax profit of RM52.9 million in the preceding year. OMSB which supports the major onshore fabrication for the Oil and Gas facilities was affected by slower activities and completion of major contracts during the year coupled with slower contracts roll out by major oil companies in 2025.

The Group is able to sustain its businesses by leveraging on its strong track record and capabilities. The Group continues to focus on optimising its costs whilst improving project delivery and execution to improve margins for both its Engineering and Manufacturing sectors.

Profit attributable to equity holders of the parent

Profit attributable to equity holders of the parent decreased by 44.7% to RM14.5 million in FY2025 as compared to RM26.2 million in the preceding year. This represents 8.2% of total group revenue as compared to 4.1% in the preceding year. Similarly, earnings per share was down to 5.03 sen, from 9.07 sen in the preceding year.

GROUP BALANCE SHEET AND CAPITAL MANAGEMENT

For the year under review, the Group adopted a disciplined approach to cash flow and working capital management with financial flexibility in place, ensuring sufficient liquidity to support on-going project execution and future growth opportunities. Despite prevailing market volatility, the Group's performance remained respectable, demonstrating resilience and operational stability in a challenging environment.

The Group regularly reviews all aspects of its capital structure with a focus on maximising returns to shareholders and maintaining balance sheet strength and flexibility. Our financial position remains healthy, as evidenced by our ability to generate substantial cash from operations. Operating cash flow provides the primary source of cash to fund operating needs and capital expenditures.

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

The net cash flows generated from operating activities for the year under review was RM31.2 million compared to RM13.5 million in FY2024. The Group's capital resources comprise primarily of cash flows generated from operating activities, cash and cash equivalents, short-term deposits, short term funds, and available lines of credit. The Group continues to maintain a prudent approach towards managing its capital resources to ensure adequacy in meeting operational requirements and capital expenditure from time to time.

Notably, the Group has no bank borrowings as at balance sheet date. The Group's balance sheet continued to be strong with low financial and operating leverage, evidenced by our gearing of 0.00 (FY2024: 0.00) times.

Total assets at the end of the reporting period stood at RM773.6 million whereby total current assets of RM632.4 million provides a comfortable cushion compared to RM198.9 million in total liabilities.

When compared to the preceding financial year, the Group's total assets decreased to RM773.6 million, mainly from the decrease in contract assets, trade and other receivables in line with lower revenue while total equity increased from RM467.3 million to RM574.7 million. In FY2025, the subsidiary company i.e KKBWCT Joint Venture Sdn Bhd capitalised part of the amount owing to its non-controlling shareholder i.e WCT Bhd through the issuance of RM115,000,000 Redeemable Preference Shares ("RPS") to WCT Bhd. The salient terms of the RPS are disclosed in Note 15(a) of the Audited Financial Statements.

The Group's financial position remains strong with improved cash position (short term funds, cash and short-term deposits) of RM234.3 million as compared to RM218.1 million in FY2024. The Group's short term funds are investment in money market funds in Malaysia that invest in highly liquid assets, which are readily convertible to cash.

During the year, the Company paid out dividend of RM21.7 million to its shareholders in respect of the first and final single tier dividend of seven and a half (7.5) sen per ordinary share for financial year ended 31 December 2024.

CAPITAL EXPENDITURE

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

In FY2025, an additional capital expenditure of RM1.1 million was incurred by the Group mostly towards the acquisition of various heavy plants, machineries and equipment. As at 31 December 2025, a total sum of approximately RM159.0 million has been invested for the expansion of our fabrication yard at Lot 777, Block 5, Jalan Bako, Muara Tebas Land District, Kuching, Sarawak. The Group funded most of its capital expenditures through cash generated from operations.

ANTI-BRIBERY AND CORRUPTION POLICY

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

Refresher sessions were conducted for employees to re-emphasize our stance on the matter. To enhance communication of our ABC Policy, a series of Anti-Bribery and Corruption Awareness have been conducted across all business units.

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

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

HUMAN CAPITAL

KKB aims to attract, develop, motivate, and retain diverse talent, which is critical for its competitive differentiation and continued success. We are committed to making KKB a great place to work in line with our mission to be "A preferred place of work" of employees.

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

KKB Group recognizes the importance of building a balanced and inclusive workforce, with human capital as a key driver of growth. Rising demand for specialised skills has prompted us to review and strengthen our people practices. Our workforce spans diverse demographics, allowing valuable exchange of knowledge between experienced employees and younger talents. We are committed to fostering a positive working environment where managers and co-workers collaborate effectively and build strong relationships.

We foster an environment where every individual feels they belong and empowered to unlock their potential, drive creativity, adaptability and excellence across the firm. KKB's values-driven culture, progressive Human Resource policies, and philosophy of investing in people and empowering them have been integral in creating a culture of belonging. As at 31 December 2025, the total employee base of KKB Group was five hundred and ninety three (593), representing four (4) nationalities, with seventy one (71) women in the workforce. KKB's philosophy of grooming leadership from within inspires higher levels of loyalty to the organization. This has resulted in a strong, deeply acculturated mid-layer with long tenures in the Group. They have played a pivotal role in integrating new talent and have added significant value through their contributions and contextual knowledge.

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

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

We believe the investment on our human capital will result in good performance of the Group. The Group commits to continuously train our employees via in-house and external training program. Its recruitment, training programs and talent development platform gives its employees opportunities to expand their roles and responsibilities and prepare them for leadership roles.

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

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

RISKS MANAGEMENT

KKB understands the importance of managing and mitigating risks to protect its businesses and to add value for all its stakeholders. The Group follows a comprehensive risk management framework that encompasses risk identification, risk assessment, risk response planning and actions, risk monitoring and overall risk governance.

KKB Group regularly conducts risk reviews, assessments, and scenario planning in anticipation of potential challenges and develop mitigation plans. Across the Group, we continue our efforts to embed strong risk management into our culture, governance structures and internal control framework. KKB Group takes a holistic view of its risk profile, covering strategic, operational, compliance and financial risks, thus enabling informed decision-making. Risks are assessed and managed at various levels with a top-down and bottom-up approach across the Group, business units, business functions and individual projects.

The Risk and Sustainability Committee is responsible for monitoring and reviewing the risk management plan and ensuring its effectiveness. The Audit Committee has additional oversight in the area of financial risks and controls. The major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

By proactively managing and mitigating these risks, the objective is to ensure the long-term sustainability and success of the Group. KKB's robust risk management initiatives will enable the company to navigate the challenges in the industry it operates and capitalize on the opportunities that lie ahead.

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

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

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

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

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

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

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

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

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

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

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

The Group is exposed to competition risk in all its business units and segments in which we operate but identified various initiatives to mitigate the risk: -

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

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

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

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

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

- The economic environment, pricing pressures and decrease in employee utilisation rates could negatively impact our revenues and operating results.
- Competition from other materials, or changes in the products or manufacturing design of the Company's customers who use steel products, could reduce market prices and demand for the Company's products, thereby may affect our revenue and profitability.
- Intense competition in the market for limited available projects could affect our pricing of which could reduce our share of business from clients and reduce our revenues.
- Our success depends upon the commitments of our management team and key personnel, and our ability to attract and retain skilled and experienced personnel to support the operations.
- Any announcements of minimum wage increases will have an impact on labour costs and the labour force of the Group and may reduce our profit margin.
- Failure to complete the projects within budget and on time, may affect our profitability.
- Inability to obtain regulatory approvals and permits such as work permit, Import permit, and approval for Treasury Exemption for importation of raw materials, which if not available, may adversely affect our operations and financial position.
- Disruption in the supply chain of raw materials and volatility in the prices of raw materials poses a significant risk to operations and operating costs.
- Potential liabilities and expenses associated with product defects and design, handling and distribution. Although Product liabilities are insured by the Company's insurance program, there is no assurance that the insurance policy is sufficient to cover any resulting financial liability or reputational harm.
- Cyber Security - Cyber risk continues to be a key priority that is actively managed within the Group. Malicious cyber activities pose a risk to the Group which may adversely affect our operations. To mitigate this, the Group continuously upgrades firewalls and phishing detection software and pro-actively train and test awareness of IT governance and control framework for all IT-related risks. Continued reinforcement of stringent security policies and procedures including enhanced security measures and awareness building to combat phishing attempts and soliciting for fraudulent causes or charities through social media, text or calls.
- Compliance, Legal & Governance Risk. This relates to the risk of loss through fines, penalties, personal loss of liberty and reputational damage from non-compliance with the legal and regulatory requirement including those relating to financial reporting, statutory and regulatory requirements, environmental health and safety. New and changing corporate governance and public disclosure requirements add uncertainty to our compliance policies and increase our costs of compliance. Failure to meet regulatory requirements could result in fines or other sanctions including, ultimately, the revocation of licences. To mitigate our risk exposure, we assess the impact of new legislation on our various operating companies and update our procedures and controls to ensure that we fulfil all our compliance responsibilities and compliance with all applicable regulations and legislation. We monitor new developments, participate in discussions and consult with regulatory authorities on regulatory reforms and developments. In addition, we conduct training and refresher sessions for employees and Management to stay abreast of any new regulatory obligations.
- Operational Risk which relates to the risk of loss caused by poor or ineffective internal processes, people and systems. It is the failure to implement acceptable practices in terms of internal processes, procedures and controls that may result in the non-achievement of the Group's objectives/vision and loss of core values. The failure to implement and monitor effective procedures and controls manifests itself in various functional areas such as financial disclosure and reporting, human resource practices, execution of projects or new initiatives, contract management, IT project implementation, etc. To mitigate this risk, the Group optimizes its business processes through standardisation and customization and continuously invest in training of staff in quality management.
- ESG Reporting requirements Risks: The introduction and implementation of International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards present compliance risks for the Group. These new requirements may heighten compliance costs and complexity as we align reporting processes with the new standards. Furthermore, the need for accurate and comprehensive sustainability-related disclosures may expose us to risks of non-compliance, potential penalties and reputational damage if we fail to meet the stringent requirements of the standards. To mitigate compliance risks, we send our staff for training, strengthened internal controls and engaged with subject matter experts to enhance our sustainability practices.
- Sustainability Risks - Climate change and Environmental aspects. Extreme weather events due to climate change may pose a threat to human safety and can cause disruptions especially in business operations due to water scarcity and supply chain business disruptions.

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

The company may face physical risks to life and property due to extreme weather events; risks of inadvertent non-compliance to emerging regulatory requirements such as solid waste regulations impacting health and safety in local communities, business disruption and reputational damage. All of these could affect the Company's growth, profitability and reputation.

To mitigate this risk, the Group continues to encourage the use of renewal energy and rain water harvesting for water management, awareness and training on reduction in carbon footprint & focus on waste management and supply chain sustainability with circular economy principles and responsible sourcing.

- Data Protection and Privacy Risks - Governments and regulators continue to introduce and tighten privacy and cyber security laws to address the rising threat to data privacy breaches. The Personal Data Protection (Amendment) Act 2024 and the Cyber Security Act 2024 provide for penalties, higher transparency requirements and greater powers to the authorities for enforcement. We seek to uphold the highest standards of data privacy protection and cyber security measures and continuously strive to maintain strict internal controls, conduct routine audits, govern processes and raise awareness among our employees.

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

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

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

INTERNAL FINANCIAL CONTROL SYSTEMS AND ITS ADEQUACY

The Group undergoes periodic audit by specialized third party consultants and professionals for business specific compliances such as quality management, information system, etc. The Audit Committee reviews reports submitted by the management and audit reports submitted by internal and external auditors. Suggestions for improvement are considered and the Audit Committee follows up on corrective action. The Audit Committee also meet with the internal and external auditors to ascertain, inter alia, their views on the adequacy of internal control systems and keeps the Board informed of its major observations periodically. Based on its evaluation, the Board is satisfied that the company's internal financial controls were adequate and operating effectively.

STRATEGY FOR SUSTAINABLE GROWTH

The Group's responsiveness, agility and adaptability to change have been core to its longevity. Customer-centricity is at the heart of KKB's Group strategy, organization structure and investment decisions. KKB Group continues to adopt a cautious approach to enhancing our order book by actively exploring new opportunities to further diversify and expand our core businesses to tap into new customers and markets, positioning the Group for future growth, proactively investing in building capabilities and reskilling its workforce to address those opportunities with a key emphasis on improving project delivery and stringent financial management to navigate the on-going challenging and competitive business environment.

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

KKB Group continues to practise prudent spending and efficient cash flow management while leveraging the expertise of our experienced management team to pursue new projects and investment opportunities.

GOING FORWARD AND OUTLOOK

As we look ahead, each of our business segments continues to face both challenges and opportunities.

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

The market for new LP Gas cylinders remains under pressure with stiff competition and continues to be supported by a stable base of recurring customers despite intensifying market competition. Nonetheless, the Group's steel pipes manufacturing division continues to provide resilience.

We are actively working to broaden our customers base and projects portfolio to sustain growth over the longer term. With a respectable order book and healthy customer relationships, we remain focused on navigating near-term challenges while building for sustainable growth. KKB Group continues to operate with prudence, discipline and adaptability. We remain steadfast in our commitment to building a sustainable organization and delivering sustainable returns over the long term.

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

Going forward, the Group remains focused on strengthening and expanding its core businesses for both the Engineering and Manufacturing segments. Management and Board remain aware of the competition and operational risks that could impact financial results and continue to take proactive measures to ensure the sustainability and resilience of existing businesses. We are committed to delivering and completing all projects within budget and on schedule.

The on-going works for the water related construction project for the Proposed Serian Regional Water Supply Phase II (Stage 1) is progressing smoothly and reaching its tail end. The construction industries remain challenging due to rising construction costs and fierce competition, which may impact the performance of the Group's Civil Construction division. The increasing commodity prices will heighten the risk of project cost overruns and reduce earnings margins.

The Construction division expects a less favorable outlook and a more competitive tender environment, driven by limited infrastructure projects and increasing cost of raw materials. To address this, the Group is adopting a highly selective approach to tendering, prioritising projects with sufficient margins to mitigate inflationary pressures and strategically replenish its order book.

Subsequent to the financial year end, the Group has been awarded with new contract for Provision of Minor Engineering, Procurement and Construction (ePC) of Fixed Offshore Structure and Host Tie-In at Erb West for Belud South Greenfield Development (GFD) Project together with the supply orders for the MSCL Pipes and Specials which is expected to contribute positively to the Group's financial performance for the financial year ending 31 December 2026.

The Group foresees FY2026 to be another challenging year. Nevertheless, the Group has a strong and healthy balance sheet, robust net cash position, diverse business units and with prudent management and good corporate governance, the Group will remain cautious and use its best endeavors to manage these competitive business environment and challenges.

Economic uncertainty significantly impacts the availability and initiation of new projects roll-out. The market is highly competitive, making it harder to secure new projects with appropriate profit margins.

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

KKB Group, via its subsidiary Company, OMSB shall continue to be a competent and competitive player in the Oil & Gas sectors to the many Production Sharing Contractors.

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

We are actively pursuing and looking for new opportunities to secure more infrastructure projects, including water supply and construction projects to replenish our order book for both the Engineering and Manufacturing sectors.

With the existing contracts in hand and the Group's diverse portfolio of robust businesses coupled with a healthy financial position, Management and Board remain positive that KKB Group will perform favourably for the financial year ending 2026, barring any unforeseen circumstances. The Group remains steadfast in its commitment to prudent cost management, efficient project execution and value creation for shareholders.

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

The Group continues to monitor the evolving geopolitical situation arising from the ongoing conflict involving Iran and the wider Middle East region. While the Group has no direct operations or financial exposure to the affected territories, the conflict has contributed to heightened global macro-economic uncertainty. The Group has observed some indirect market effects, including surging energy prices, higher logistic costs and increasing raw material cost. Despite these macro-economic pressures, the Group remains financially resilient, supported by a solid cash position, low levels of debt and comfortable liquidity ensuring that operations continue without significant disruption.



SUSTAINABILITY STATEMENT

Statement Overview

This Statement has been prepared in alignment with the International Sustainability Standards Board's (ISSB) IFRS S1 (*General Requirements for Disclosures of Sustainability-related Financial Information*) and IFRS S2 (*Climate-related Disclosures*), reflecting KKB Group's commitment to sustainability reporting.

This Statement represents a strategic evolution in our reporting, providing useful disclosures on how climate-related risks and opportunities are integrated into KKB's financial and operational resilience. Our objective is to seamlessly embed Economic, Environmental, Social, and Governance (EESG) principles into all aspects of our operations and decision-making processes. Accordingly, this Statement should be read in conjunction with the Corporate Governance Overview Statement and the Statement on Risk Management and Internal Control, which together represent our broader commitment to governance, accountability, and responsible business practices.

This report is intended to:

- Provide stakeholders including shareholders, customers, regulators, employees, and local communities with a clear and transparent overview of our EESG performance during the reporting period.
- Demonstrate how KKB Group and its subsidiaries manage sustainability-related risks and opportunities across our operations and geographies.
- Highlight key sustainability goals, achievements, challenges, and areas of continuous improvement.
- Show our alignment with Malaysia's national sustainability agenda and relevant regulatory frameworks, while contributing to broader goals such as climate action, energy efficiency, and sustainable development.

Reporting Period and Scope

This Statement covers the period from 1 January 2025 to 31 December 2025, unless otherwise stated. The information presented relates to the material risks, opportunities, and outcomes associated with the operations of KKB Group, including our subsidiaries and associate companies.

Reporting Principles and Frameworks

KKB Group's sustainability reporting is guided and anchored by a commitment to transparency, accountability, and alignment with global standards and national regulations. Our reporting approach ensures that disclosures are accurate, consistent, and comparable across reporting periods.

This Statement has been prepared with reference to the following frameworks and principles:

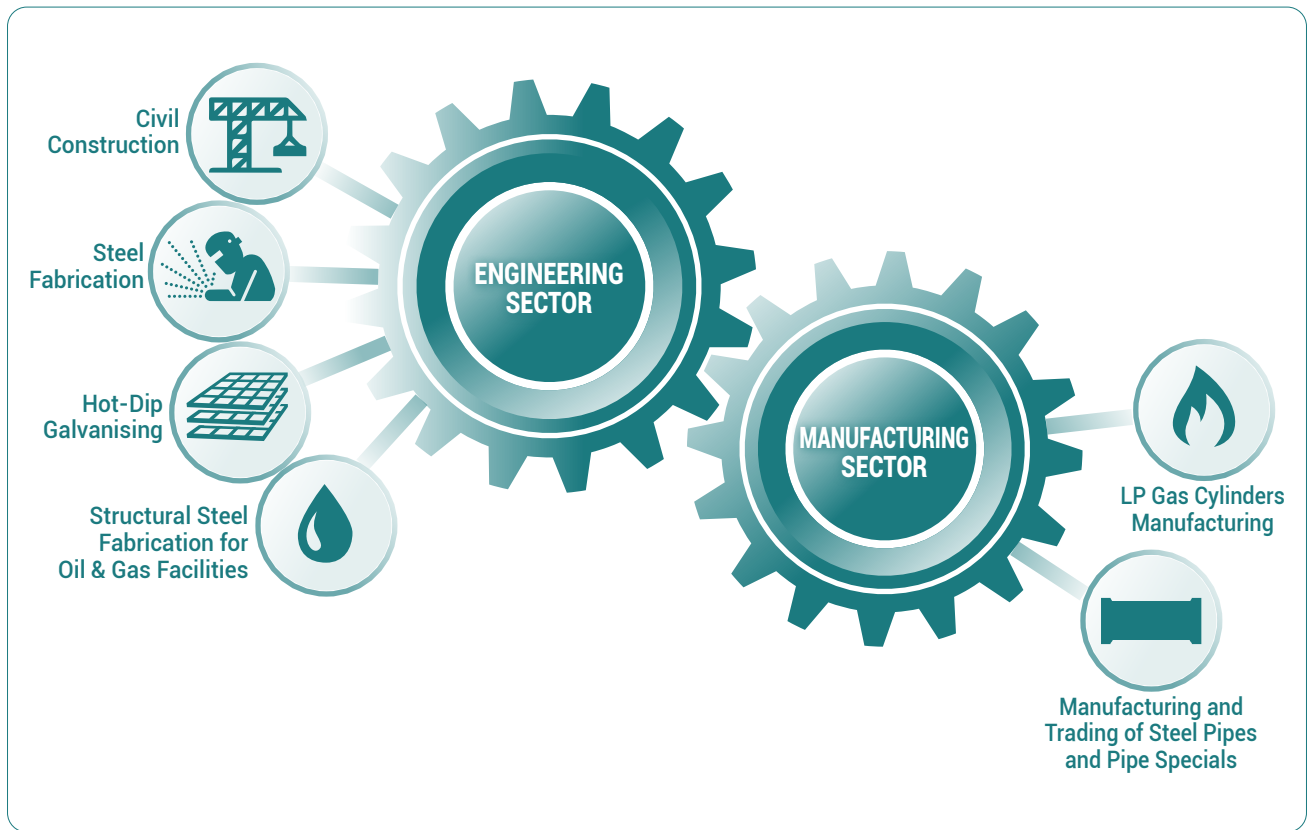
1. International Sustainability Standards Board (ISSB) - In accordance with the SC's NSRF, we adopt IFRS S1 and IFRS S2 as the foundation of our sustainability disclosures, establishing a consistent baseline for general and climate-related reporting.
2. United Nations Sustainable Development Goals (UN SDGs) - We align our sustainability efforts with the 17 UN SDGs, focusing on areas where we believe KKB Group can deliver the most meaningful impact, particularly in responsible consumption, industry innovation, resilient infrastructure, and climate action.
3. Bursa Malaysia Sustainability Reporting Guide (3rd Edition) - This Statement references Bursa Malaysia's latest guidance and toolkits to ensure alignment and full compliance with local reporting expectations and best practices.

This Statement also reflects the Group's activities in relation to international and industry-specific standards and certifications:

- ISO 9001:2015 (International Standards for Quality Management System) - Demonstrates our commitment to maintaining a robust framework for consistent quality across all manufacturing and engineering processes.
- ISO 45001:2018 (Occupational Health and Safety Management System) - Underpins our proactive approach to safeguard our workforce and ensuring a culture of safety across all project sites.
- IKRAM - Certification for construction products, ensuring quality and compliance with national and international standards.
- State Water Authority (SWA) - Certification of Approval for Water Supply Product, ensuring safety and compliance in water-related infrastructure.
- DNV (Det Norske Veritas) - Product certification for the transportation of dangerous goods involves the rigorous testing and assurance of transport units (such as containers, tanks, and lifting equipment) to ensure they meet stringent safety and durability standards for handling hazardous materials, particularly in demanding environments like offshore operations.

SUSTAINABILITY STATEMENT (CONT'D)

Group Overview



KKB Engineering Berhad is a Sarawak-based company with diversified operations across the Engineering and Manufacturing sectors. Our core activities encompass a broad spectrum of services that support Malaysia's infrastructure and industrial development.

Our subsidiaries and associate companies also play a vital role in delivering products and services across different regions and business segments, strengthening our operational reach and capabilities.

The Group serves a diverse portfolio of clients from both the public and private sectors, contributing meaningfully to national priorities such as infrastructure development, energy access, and industrial growth. With operations spanning multiple locations and complex supply chains, we adopt a comprehensive and adaptable approach to ensure sustainable and responsible business practices across all facets of our operations.

Key Sustainability Highlights

These sustainability highlights in FY2025 represent the collective efforts and progress made by the Group in creating a more sustainable future. While challenges persist, these achievements provide aspiration and motivation to continue working towards a harmonious coexistence with our earth.

 <p>Certified to ISO 45001 Certified to ISO 9001</p>	 <p>Technology Upgrade</p>
 <p>Zero Anti-bribery Corruption case reported</p>	 <p>PDPA 2024 Enhancement</p>
 <p>Cybersecurity Enhancement</p>	 <p>Establishment of Climate Change Policy</p>

SUSTAINABILITY STATEMENT (CONT'D)

SUSTAINABILITY GOVERNANCE

KKB Group has established a robust sustainability governance framework designed to ensure that sustainability principles are deeply embedded across our business strategy, financial planning, and operational decision-making. This framework supports the seamless integration of Environmental, Social, and Governance (ESG) considerations across the Group's entire value chain, ensuring alignment with evolving stakeholder expectations, stringent regulatory requirements, and industry best practices.

During FY2025, we enhanced our governance structure to strengthen institutional accountability, ensure effective execution of sustainability strategies, and promote deeper ESG integration across all levels of the organisation. The Group Sustainability Governance Structure is depicted in the chart below:



Board of Directors

The Board of Directors ("the Board") is accountable for the Group's sustainability direction and performance. It sets the strategic tone from the top and ensures that adequate policies, resources, systems, and processes are in place to manage material sustainability-related risks and opportunities.

The Board provides oversight through its delegated authority to the Audit Committee and ensures alignment with current regulatory requirements, stakeholder expectations, and industry best practices. As part of its commitment, the Board has adopted a Sustainability Policy, which aims to:

- Integrate sustainability principles into the Group's business activities to drive long-term value creation.
- Identify and prioritise material sustainability matters for risk mitigation and opportunity realisation.
- Foster a culture of sustainability throughout the Group, embedding ESG considerations into decision-making processes and organisational outcomes.

The Group remains committed to enhancing sustainability accountability and will continue to review the feasibility of incorporating sustainability-related performance metrics into its broader governance and assessment frameworks.

SUSTAINABILITY STATEMENT (CONT'D)

Audit Committee

The Audit Committee supports the Board in overseeing the effectiveness of the Group's sustainability-related policies, disclosures, and risk management processes. The Audit Committee provides independent oversight of the integrity and reliability of sustainability disclosures, ensuring that EESG data collection processes are transparent, verifiable, and free from the risks of "greenwashing." By doing so, the Audit Committee ensures that our reporting is accurate, complete, and in accordance with applicable standards, thereby safeguarding the Group's reputation and stakeholder trust.

Management Executive Committee (MANCO)

At the management level, led by the Group Managing Director (GMD) - the MANCO is responsible for implementing the sustainability direction set by the Board. The GMD drives and approves sustainability-related decisions. MANCO ensures that sustainability initiatives are executed in accordance with applicable laws, regulations, and best practices. It also monitors the Group's ESG performance and makes recommendations to the Board for continuous improvement and strategic alignment. The MANCO is supported by the Risk and Sustainability Committee (RSC), comprising KKB's Management level staff who head KKB's various divisions and departments.

Risk & Sustainability Committee (RSC)

Chaired by the Executive Director, the RSC is mandated with formulating and executing the Group's climate transition strategy. This involves identifying transition risks (such as carbon pricing) and physical risks (such as extreme weather) while ensuring that the Group's operational roadmap remains resilient in a low-carbon economy. The RSC serves as an avenue to ensure that sustainability-related risks and opportunities are deliberated at both the enterprise and business portfolio levels. Beyond strategy, the RSC defines key material topics, reviews sustainability performance, and drives transformation across the business. To ensure accountability, the RSC oversees sustainability KPIs and targets including those related to climate change, which are communicated across the organisation and aligned with KKB's strategic goals for the year.

As part of our efforts to enhance Sustainability Governance, the RSC provides strategic direction and oversight of KKB Group's sustainability programme, including the formulation of sustainability strategies, objectives and action plans. The RSC also defines key material topics, reviews sustainability performance and drives sustainability transformation across the business. To ensure the effective delivery of the Group's sustainability performance, the RSC have sustainability KPIs and targets, including those related to climate change. The sustainability Key Performance Metrics and targets are aligned with key objectives and goals to be delivered for the year, and communicated across the organisation.

The RSC ensures that the Group's sustainability efforts align with the interests of stakeholders including customers, employees, shareholders, communities, and regulators – and supports the achievement of key ESG targets.

Heads of Departments / Divisions

Department and division heads, supported by senior management, play a critical role in driving sustainability initiatives. They are responsible for identifying and managing material sustainability matters relevant to their respective functions, and for ensuring that ESG considerations are incorporated into project planning, procurement, and day-to-day operations.

As part of our commitment to sustainable growth and long-term value creation, we have embedded sustainability considerations into our corporate strategy. Our approach involves proactively identifying, assessing, and managing ESG risks and opportunities that have the potential to impact our business, stakeholders, and the communities in which we operate. This section outlines how we identify and assess our key sustainability risks and opportunities, how these feed into our strategic planning, and what our risk-mitigation and value capture plans are.

SUSTAINABILITY STRATEGY

Material Matters

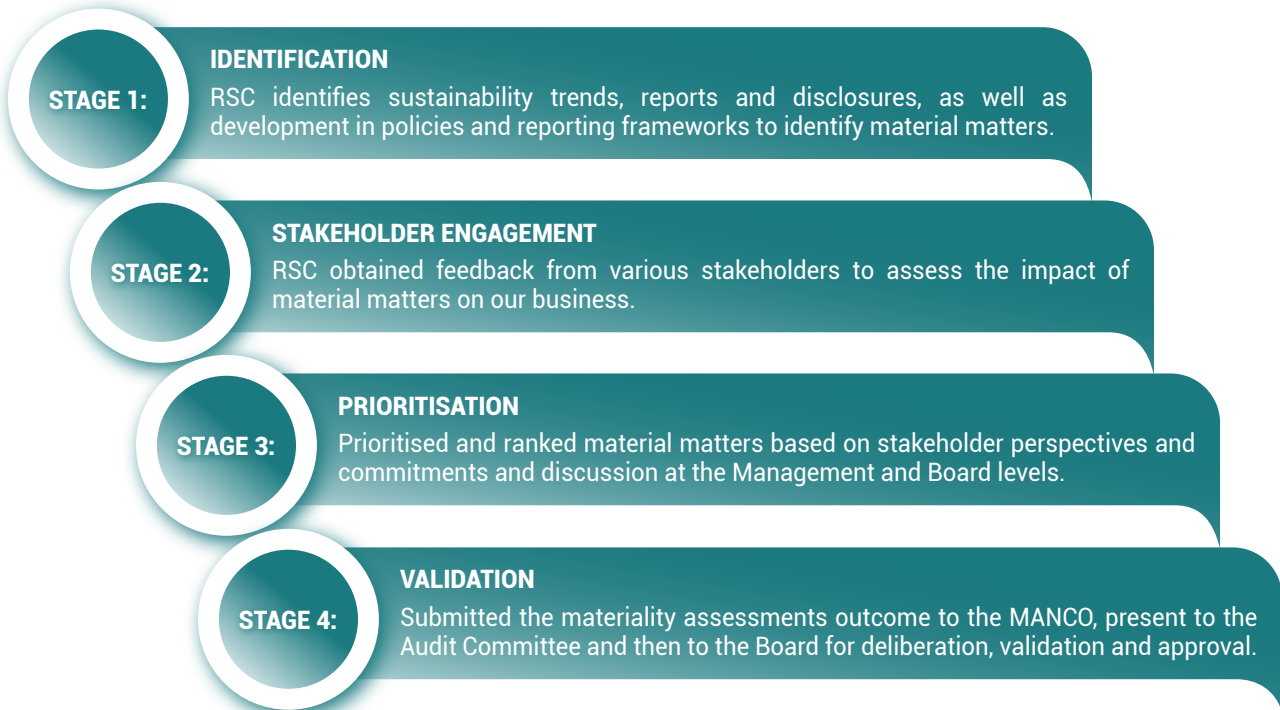
KKB Group identified material sustainability topics through internal assessment and stakeholder inputs. These matters reflect the most relevant sustainability issues impacting our operations, strategy and long-term value.

SUSTAINABILITY STATEMENT (CONT'D)

Materiality Assessment

At KKB Group, we strive to align our business strategies with the sustainability matters that are material to the Group. Such alignment would not be made possible without a robust system in place to identify material sustainability matters with precision. Against this backdrop, the Group adopted a four (4)-stage materiality assessment process to identify the sustainability matters that are material to the Group, as shown below.

Materiality Review in 2025



Our materiality assessment process begins with the identification followed by stakeholder engagement by the RSC of the Group's key stakeholder as well as a preliminary list of sustainability matters. To that effect, the RSC made references to both internal and external sources of information, which is done through active participation or engagement of dialogues with our investors or shareholders, customers, employees, business associates or vendors, authorities or regulators or government agencies, community and media which keep the Group on top of the latest market trends or industrial practices.

During the prioritisation stage, we evaluate the respective needs and expectations of our identified key stakeholders against the potential impact of each identified sustainability matters, determined using our established model of materiality matrix. The respective and specific needs and expectations of our identified key stakeholders are determined through direct stakeholders' engagement, allowing us to accurately weigh the significance of each matter to both our business and our stakeholders.

Stakeholder Engagement

KKB Group maintains trustworthy and resilient business by building long-term relationship, actively seeking feedback from stakeholders on material issues through two-way communications to promote transparency, as illustrated below:

STAKEHOLDERS	AREA OF INTEREST	OUR COMMITMENT	METHOD OF ENGAGEMENT
Investors/ Shareholders	<ul style="list-style-type: none"> Group financial performance Sustainable incomes Business strategies and operational efficiency Governance stability and sustainability Risk management 	KKB Group strives to achieve responsible commercial success by meeting our customers' needs, rewarding shareholders with consistent long-term growth in revenue and profitability, caring for the society and the environment in which we operate, and contributing towards the progress of our nation.	<ul style="list-style-type: none"> Meetings Annual General Meeting (AGM) Financial reports and announcements Press release and advertisements Company website Annual Report

SUSTAINABILITY STATEMENT (CONT'D)

STAKEHOLDERS	AREA OF INTEREST	OUR COMMITMENT	METHOD OF ENGAGEMENT
Customers	<ul style="list-style-type: none"> Product affordability and quality Support services Engagement opportunities and experience Product price and completion time Company's reputation 	KKB Group delivers products and services with superior quality and added value for years to come. Customers experience and feedback are paramount to continuous enhancement of our products and services.	<ul style="list-style-type: none"> Public engagement events Site visit Digital community engagement platform Customer feedback channels and service hotline
Employees	<ul style="list-style-type: none"> Personal and professional capacity building Career advancement Competitive remuneration & benefits Employees' health and safety Ethic and integrity 	KKB Group aims to provide rewarding careers to employees by promoting a safe and healthy work environment, encouraging career and personal development as well as maintaining an open and inclusive spirit in work culture.	<ul style="list-style-type: none"> Periodic management meetings Employees' appraisal KKB Group's internal engagement platforms Employee engagement activities Daily morning briefing Meeting
Business Associates/ Vendors	<ul style="list-style-type: none"> Supply chain management Cost reduction/savings Procurement practices Key platforms for sharing knowledge and know-how Facilitate information flows Promote co-operation in order to resolve problems within the industry 	KKB Group maintains strong and lasting relationship that are mutually beneficial to the Group and its suppliers, service providers, and business partners. Our business partners are expected to adhere to our standards on business principles and conduct.	<ul style="list-style-type: none"> Formal or informal meetings Performance appraisals Site/Plant visits Collaboration with business associations such FOMFEIA, Sarawak Skills and etc.
Authorities/ Regulators/ Government Agencies	<ul style="list-style-type: none"> Industrial regulatory development and compliance Environmental management and compliance Security and safety management 	KKB Group strictly complies with regulations related to our business and is supportive of government initiatives. This principle is extended to our suppliers and business partners.	<ul style="list-style-type: none"> Meetings/Dialogues Emails and letters Inspections Briefing/Consultations
Community	<ul style="list-style-type: none"> Economic investments for local welfare Infrastructure enhancements Community programmes and events for social development 	KKB Group continues to be a trusted and responsible corporate citizen to the communities in which we operate.	<ul style="list-style-type: none"> Meetings/Dialogues Emails and letters Company's Official Website Public events
Media	<ul style="list-style-type: none"> Market presence Reputation Corporate responsibility 	KKB Group strives to maintain a healthy relationship with the media as a communicator to the local community. We ensure content validity by providing the right information as we uphold our corporate responsibility.	<ul style="list-style-type: none"> Press Conference Meetings Public events

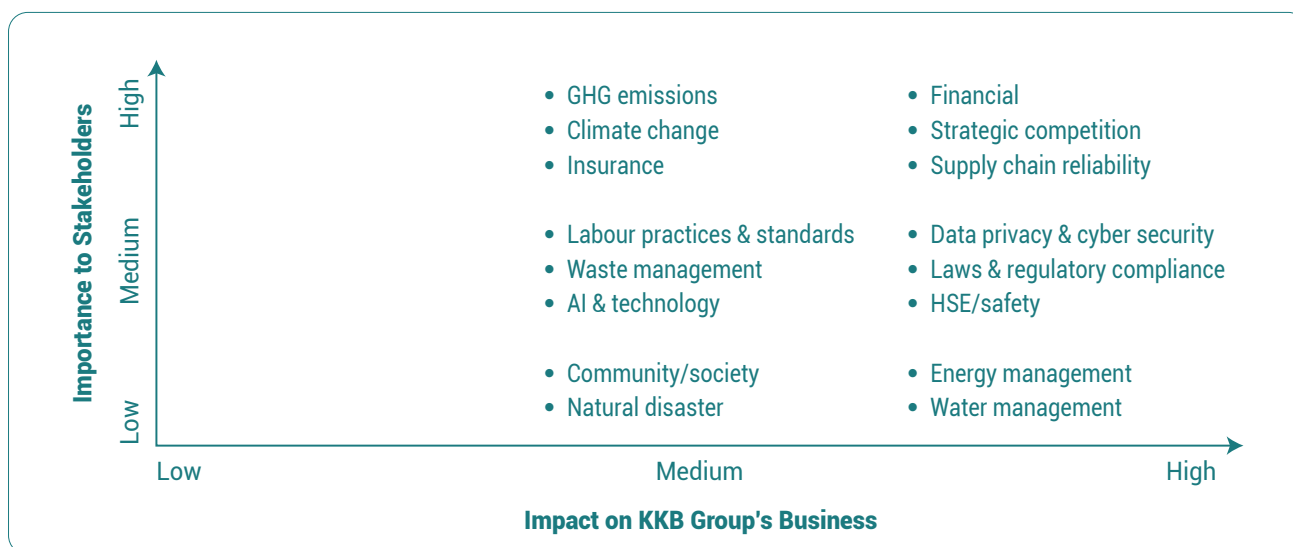
The Group's materiality assessment process ends with the validation stage. At KKB Group, we practise multi-layer reviews and validations to ensure the accuracy and completeness of the materiality matrix, i.e., reviews and endorsements by the MANCO, followed by the Audit Committee and lastly by our Board of Directors.

SUSTAINABILITY STATEMENT (CONT'D)

Through our recent materiality assessments (including stakeholder engagement, regulatory trends, and internal risk reviews), the following EESG matters are considered material for KKB Group:

Sustainability Categories	Key Issues	
Economic	- Strategic competition - Supply chain	- Financial - Insurance
Environmental	- Greenhouse gas emissions (Scope 1, 2 & 3) - Energy management - Water management	- Waste management - Impact of climate change (physical & transition risks) - Natural disaster
Social	- HSE/safety - AI & technology	- Community/society relations - Labour practices & standards
Governance	- Laws & regulatory compliance	- Data privacy & cyber security

KKB Group's Sustainability Materiality Matrix



The materiality assessment was conducted to identify the EESG and enterprise risk topics most significant to our business and stakeholders. The process evaluated each topic based on its impact on business performance and its importance to stakeholders, resulting in a clear prioritization of risks and strategic focus areas.

The assessment followed three steps:

- Identify key topics that were consolidated across strategic, operational, financial, supply chain, environmental, social, governance, technology and compliance areas.
- Evaluate significance of each topic and assessed for:
 - Business impact: operational continuity, financial exposure, regulatory consequences, and strategic relevance.
 - Stakeholder importance: expectations of regulators, employees, communities, investors, and customers.
- Map onto Materiality Matrix for topics were positioned based on their level of significance: High, Medium, or Low materiality.

High-Materiality topics represent the most significant risks and drivers of long-term value. They require strong controls, active monitoring, and regular management oversight i.e., Financial, Strategic competition, Supply chain reliability, Data privacy and cyber security, GHG emission and etc. Medium-Materiality topics is important topics that influence operations and stakeholder perception but with less immediate strategic impact i.e., Labour practice and standards, AI and technology, HSE/safety and etc. Low-Materiality topics are topics with limited impact on business value or stakeholder decisions. These are managed through standard processes and reviewed periodically i.e., general CSR or donation programs, non-strategic internal initiatives and natural disaster.

SUSTAINABILITY STATEMENT (CONT'D)

The materiality assessment highlights the areas where the Group must focus resources to manage risk, strengthen resilience, and meet stakeholder expectations. High-materiality topics such as cybersecurity, supply chain integrity, regulatory compliance, climate risks, and health & safety, should be integrated into core planning, policies, and reporting. The matrix will be reviewed annually to reflect changes in the operating environment and stakeholder priorities. This enables us to prioritise our sustainability initiatives and actions moving forward in order to maximise the shared value between our business and our stakeholders.

We recognize that the mere identification of material sustainability matters is insufficient to shape the Group's sustainable future without a clear understanding of the associated risks, opportunities, and impacts. Risks refer to events or circumstances that may hinder the Group's ability to achieve its sustainability objectives, while opportunities represent conditions that may enhance our progress. A comprehensive assessment of each material sustainability matter, together with its related risks, opportunities, and impacts enables the Group to continuously review, strengthen, and refine its strategies. These strategies are aligned with our sustainability objectives, which are developed with reference to the UN SDGs that we consider most relevant to our business.

In line with this comprehensive assessment, KKB Group specifically recognizes Climate Change as a cross-cutting theme for FY2025. While our material matters remain rooted in our operational findings, we have expanded our analysis to ensure that climate-related transition risks as outlined in IFRS S2 are factored into how we manage these matters. This ensures that our strategies for procurement, operational safety, and resource management are resilient against the evolving environmental and regulatory landscape, ultimately supporting the UN SDGs we have committed to.



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

KKB Group seeks to align with the UN SDGs by prioritizing focus areas where our sustainability initiatives can create the greatest impact.

Sustainability Risk Management

KKB Group established and implemented "Sustainability Risk Management System" to identify, assess and manage its EESG risks in their day-to-day business operations. A Sustainability Risk Management System (SRMS) is a structured framework used by the Group to identify, assess, manage, and monitor risks related to economic, environmental, social, and governance factors. It ensures that sustainability issues such as climate change, resource use, human rights, community impact, ethics, and corporate governance are integrated into the Group's overall risk management processes and decision-making.

Our sustainability risk assessment was conducted using an EESG framework to identify the most material risks affecting the organization. Each risk was evaluated using an impact and likelihood scoring model to determine where attention, controls, and resources are most needed. The results highlight several high-priority risks across the business, including climate-related physical and transition risks, cybersecurity and data privacy, supply chain disruption, regulatory compliance, and health and safety performance.

Sustainability risk management process comprises of several steps, namely:

- (i) communication and consultation (to ensure stakeholder alignment throughout the process);
- (ii) defining the scope, context and criteria of sustainability risk (to establish boundaries and benchmarks for sustainability risk);
- (iii) sustainability risk assessment (encompassing sustainability risk identification, sustainability risk analysis and sustainability risk evaluation);
- (iv) sustainability risk treatment (selection of sustainability risk treatment options, the preparation and the implementation thereof);
- (v) monitoring and review (to continuously track risk profiles and to control effectiveness); and
- (vi) recording and reporting (maintaining transparent documentation and disclosure of risk outcomes).

(Please refer to Statement of Risk Management and Internal Control at pages 111 to 120 for further information)

SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

Economic Performance

The Group's economic performance reflects its ability to generate value for stakeholders, maintain operational resilience, and support long-term sustainable growth. Operations span manufacturing and trading of steel pipes and pipe specials, LPG cylinder production, structural steel for oil and gas facilities, steel fabrication, galvanizing, and civil construction, serving a wide industrial and infrastructure customer base, ensuring our continued contribution to the regional and national economy.

Strategy, Risks, Opportunities and Impacts

The Group's economic strategy focuses on sustainable and resilient value creation, balancing short-term financial performance with long-term economic sustainability. Key elements include:

- Prudent capital allocation and investment in high-return projects.
- Optimisation of production efficiency and preventive maintenance.
- Disciplined procurement and pricing, leveraging supply chain management.
- Expansion within core competencies across manufacturing, fabrication, galvanizing, and civil construction.
- Local sourcing, workforce development, and stakeholder engagement, supporting competitiveness and community development.

Additionally, the Group integrates climate-related and resilience considerations (aligned with IFRS S2) into strategic planning, ensuring long-lived assets and operations remain robust against physical and transition risks while supporting low-carbon and sustainable growth.

The Group monitors several financially material risks that could affect profitability and cash flows:

- Macroeconomic volatility, including inflation, interest rate fluctuations, and currency movements.
- Cyclical demand in construction and infrastructure sectors.
- Raw material and energy cost volatility, especially steel, zinc, and fuel.
- Credit and counterparty risk, including delayed payments or defaults.
- Labor and skills availability, impacting productivity and project execution.
- Climate-related risks (IFRS S2), including extreme weather and transition-related regulatory risks.

Risks are mitigated through financial controls, scenario analysis, contract management, and market monitoring.

Opportunities to strengthen economic performance and resilience include:

- Infrastructure and energy development, supporting demand for steel pipes, LPG cylinders, and fabricated structures.
- Operational efficiency improvements, including process optimization, energy management, and waste reduction.
- Local and regional market expansion, leveraging established capabilities and supply chain relationships.
- Value-added services, such as integrated fabrication, galvanizing, and construction solutions.
- Workforce capability development, improving productivity and long-term competitiveness.
- Sustainability-linked growth opportunities (IFRS S2), including energy-efficient operations and low-carbon solutions.

The Group's operations create direct and indirect economic impacts:

- Financial impacts: Stable operations support revenue generation, margin protection, and long-term shareholder value.
- Employment and income generation: Provides direct employment and supports contractors, suppliers, and service providers.
- Local economic development: Procurement from local suppliers and engagement with domestic contractors supports skills development and community economic activity.
- Government and societal contributions: Taxes, levies, and regulatory compliance strengthen broader economic stability.

The Group remains committed to enhancing economic resilience, aligning business performance with responsible practices, and supporting sustainable long-term growth.

SUSTAINABILITY STATEMENT (CONT'D)

Metrics and Targets

The Group will continue to:

- Enhance cost efficiency and operational productivity.
- Maintain financial discipline and prudent capital allocation.
- Expand market reach while aligning operations with responsible business practices.
- Integrate climate-related considerations into strategy, risk management, and investment decisions.

This multi-faceted approach supports long-term sustainable growth, stakeholder value creation, and alignment with IFRS S1 and S2 expectations.

Supply Chain Management

The Group's supply chain plays a critical role and act as a cornerstone in supporting operational continuity, product quality, and long-term financial performance across its steel pipe manufacturing, LPG cylinder manufacturing, steel structure fabrication, hot-dip galvanizing, and civil construction activities. Given the material intensity and energy-dependent nature of these operations, the supply chain represents a financially material source of sustainability-related risks and opportunities, particularly in relation to cost volatility, climate transition, operational resilience, and social responsibility.

Strategy, Risks, Opportunities and Impacts

To mitigate and manage these risks and support sustainable value creation, the Group adopts a stringent supplier and vendor selection process designed to ensure that all suppliers meet operational, quality, and ethical standards that adhere to our high operational, quality and ethical benchmarks. This approach is reinforced through the Group's ISO 9001:2015 Quality Management System, certified by Lloyd's Register Quality Assurance, which mandates structured controls, documentation, and continuous improvement across procurement and supply chain operations.

Our Purchasing Section conducts periodic supplier performance evaluations against established criteria, with outcomes and corrective actions including engagement with underperforming suppliers formally documented. In addition, Quality Control inspections are performed upon receipt of raw materials to ensure full compliance with specifications. These practices strengthen supply continuity, protect product quality, and reduce operational disruption. The effectiveness of this approach has been demonstrated through external recognition for quality performance on major engineering and fabrication projects.

The Group also prioritises a localised and diversified supply chain wherever feasible. Key raw materials, including hot-rolled coil and steel plates, are sourced from local suppliers to enhance supply reliability, reduce logistical complexity, and support domestic industry. This strategy improves responsiveness to demand fluctuations while contributing to local economic development and employment creation, aligning with SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), and SDG 12 (Responsible Consumption and Production).

Preventive and efficient operational practices further support supply chain resilience. Planned preventive maintenance is carried out on major machinery to minimise unplanned downtime, while improved handling and loading procedures such as the use of appropriate bearing strips and wooden pallets help preserve material integrity throughout the supply chain.

The Group's supply chain is exposed to several financially material risks:

- Raw material price volatility, particularly for steel and zinc, which may impact margins and project profitability.
- Supplier concentration and logistics disruptions, potentially affecting production continuity and construction timelines.
- Climate-related transition risks, including carbon pricing, emissions regulations, and energy cost volatility affecting upstream steel production and galvanizing activities.
- Physical climate risks, such as extreme weather events that may disrupt supplier operations, transportation, and construction sites.
- Social, labour, and health and safety risks associated with contractors and subcontractors, particularly within fabrication and civil construction activities.

These risks are actively managed through supplier due diligence, performance monitoring, preventive maintenance, and stakeholder engagement.

SUSTAINABILITY STATEMENT (CONT'D)

The Group identifies opportunities within its supply chain to enhance resilience and long-term value creation:

- Local and regional sourcing, which improves supply security, reduces lead times, and supports cost stability.
- Supplier engagement on operational efficiency and sustainability, contributing to improved quality and reliability.
- Material efficiency and circularity, including recovery and reuse of scrap steel across fabrication and galvanizing operations.
- Progressive engagement with suppliers on emissions performance, supporting the Group's efforts to improve visibility over Scope 3 greenhouse gas emissions and manage climate-related transition risks.

The supply chain has significant impacts across financial, environmental, and social dimensions:

- Financial impacts: Procurement costs and supplier performance directly influence production efficiency, delivery schedules, and project margins. Effective supply chain management contributes to cost stability, operational continuity, and protection of long-term financial performance.
- Environmental impacts: Purchased materials—particularly steel and zinc—represent the largest source of the Group's Scope 3 greenhouse gas emissions. Improved material handling, efficiency, and supplier engagement help reduce waste and environmental footprint.
- Social impacts: The Group's supply chain supports employment and economic activity through local suppliers and contractors. Strong governance, ethical sourcing, and safety expectations contribute to improved working conditions and community outcomes.

The Group will continue to strengthen its supply chain by enhancing supplier engagement, data quality, and climate risk consideration, in line with evolving IFRS S1 and IFRS S2 requirements. These actions are expected to further improve resilience, manage sustainability-related risks, and support sustainable long-term value creation.

Metrics and Targets

The Group recognises supply chain localisation as a key strategic lever in strengthening the sustainability, resilience, and reliability of our operations. By prioritising the sourcing, the procurement of materials and services from local suppliers wherever feasible, the Group enhances quality assurance, shortens lead times, reduces logistical and geopolitical risks. Furthermore, this approach serves as a catalyst for a meaningful regional economic development.

Close proximity to our local vendor or supplier base facilities seamless collaboration, and heightened operational agility throughout our diverse project lifecycles. In aligned with this strategic commitment, the Group actively engages local suppliers and tracks performance through the proportion of procurement spending directed to local sources.

The table below summarises the Group's procurement expenditure for FY2023, FY2024, and FY2025, demonstrating a strong reliance on local suppliers over the reporting period.

Proportion of Spending on Local vs Foreign Suppliers

	KKB GROUP						Target
	FY2023 (RM)	(%)	FY2024 (RM)	(%)	FY2025 (RM)	(%)	
Local	149,269,653	86.66	384,573,009	99.17	98,275,238	79.76	70%
Foreign	22,981,785	13.34	3,227,260	0.83	24,940,751	20.24	30%
Total	172,251,438	100	387,800,269	100	123,215,989	100	100%

Performance Analysis

The Group has consistently achieved procurement spending from local suppliers in excess of its minimum target of 70% over the past three financial years, reflecting the integration of localisation considerations into its procurement processes. In FY2024, local procurement reached 99.17%, supported by a project portfolio that enabled a high level of domestic sourcing and the availability of suitably qualified local suppliers. In FY2025, the proportion of local procurement moderated to 79.76% but remained above the Group's established target. The increase in procurement from foreign suppliers during the year was primarily due to project-specific technical requirements, limited local availability of certain specialised materials or equipment, and cost and performance considerations for selected imported components. Notwithstanding these year-on-year variations driven by operational needs, the overall trend indicates that localisation remains an embedded and systematic component of the Group's procurement strategy, supporting supply chain resilience and local economic participation.

SUSTAINABILITY STATEMENT (CONT'D)

Going forward, the Group aims to maintain a minimum of 70% of annual procurement spending with local suppliers, subject to material availability, quality standards, and technical specifications of individual projects. This target reinforces the Group's commitment to responsible sourcing, operational resilience, and long-term value creation for the local economy.

To further strengthen local supplier engagement and resilience, the Group will:

- Continue developing long-term partnerships with key local suppliers.
- Support supplier capability-building where feasible.
- Balance localisation objectives with cost competitiveness, quality, and technical performance.
- Regularly review procurement strategies to adapt to evolving project and market conditions.

The Group's localisation strategy continues to deliver strong outcomes, with local procurement consistently exceeding the 70% target over the past three financial years. This performance underscores the Group's commitment to sustainable sourcing, supply chain resilience, and meaningful contribution to local economic development.

ENVIRONMENTAL

Energy Management

Energy management encompasses a structured set of actions and processes aimed at optimizing energy production and consumption. Our goals are to improve and enhance operational efficiency, reduce costs, and minimize environmental impact without compromising operational performance. Effective energy management is a critical component of the Group's sustainability strategy and is closely aligned with global environmental protection efforts and climate-related objectives.

In line with IFRS S1 (General Requirements for Disclosures of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures), the Group assesses energy management as a material sustainability matter by evaluating its associated risks, opportunities, and impacts on our financial performance, operational resilience, and long-term value creation. This strategic focus directly supports the Group's contribution to the UN Sustainable Development Goals (SDGs), particularly:

- SDG 7: Affordable and Clean Energy
- SDG 9: Industry, Innovation and Infrastructure
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action

Strategy, Risks, Opportunities and Impacts

The Group's energy management strategy is centred on energy conservation, efficiency enhancement, and the gradual adoption of cleaner and renewable energy sources, in alignment with our sustainability objectives and relevant UN SDGs.

Key strategic initiatives include:

- **Energy Conservation Practices:**
 - Switching off lighting and unplugging electrical equipment when not in use.
 - Promoting energy-efficient behaviour across operations through responsible equipment use, optimisation of operating hours, use of natural lighting and ventilation, energy-saving equipment settings, employee awareness initiatives, visible reminders, and monitoring of energy consumption at the operational level.
- **Infrastructure and Process Improvements:**
 - Installation of transparent roofing at manufacturing plants to maximize natural lighting and reduce electricity consumption.
 - Deployment of street lighting powered by renewable energy sources such as solar or wind.
 - Adoption of energy-efficient machinery and systems, including CNC metal cutting machines and Metal Inert Gas (MIG) welding systems.
- **Fuel Efficiency and Process Optimization** - Energy management extends beyond electricity to include fuel consumption. The Group actively pursues fuel reduction initiatives across its operations:
 - At KKB Industries (Sabah) Sdn. Bhd., the installation of an agitator for the bitumen decanter has significantly reduced diesel consumption.
 - At Harum Bidang Sdn. Bhd., the transition from a diesel-fired heating system to a bitumen decanter has:
 - ✓ Reduced bitumen runoff by at least 20%
 - ✓ Achieved substantial fuel savings
 - ✓ Eliminated hot-spot risks
 - ✓ Improved production efficiency by approximately 70%

SUSTAINABILITY STATEMENT (CONT'D)

These initiatives demonstrate the Group's commitment to operational excellence, resource efficiency, and climate-conscious decision-making, while supporting long-term value creation in accordance with IFRS S2 climate-related strategy and transition planning principles.

The Group is exposed to various energy-related risks arising from the global energy transition and evolving regulatory landscape. These risks include the potential substitution or obsolescence of existing products, processes, or systems, unsuccessful or inefficient investments in energy-efficient or low-carbon technologies, and changes in laws, regulations, or standards governing energy use, emissions, and efficiency. In addition, non-compliance with energy-related regulations may expose the Group to litigation, taxes, levies, fees, or penalties. The potential impacts of these risks include increased operating and capital expenditures to meet regulatory requirements, financial penalties and reputational damage arising from non-compliance, additional costs associated with adopting new practices, standards, or energy-efficient processes, and potential operational disruptions if energy transition measures are not effectively managed. These risks are systematically monitored and integrated into the Group's enterprise risk management and sustainability planning processes, in line with the principles of IFRS S1 and IFRS S2.

At the same time, the energy transition presents significant opportunities for the Group. Proactive energy efficiency initiatives and climate action can enhance the Group's corporate reputation, strengthen climate adaptation capabilities, and improve operational resilience. The adoption of energy-efficient and renewable technologies also presents opportunities to improve productivity and resource utilization. The potential impacts of these opportunities include increased stakeholder confidence, higher demand for the Group's products and services, improved access to capital from sustainability-focused investors and financiers, cost savings through enhanced efficiency, and greater long-term resilience against energy price volatility and regulatory changes.

Metrics and Targets

The Group recognizes the importance of transitioning toward a low-carbon economy, which requires sustained effort, continuous improvement, and targeted investment. In support of this commitment, the Group monitors total energy consumption across all operations as a key performance metric, with a focus on improving energy efficiency, optimizing fuel use, and reducing greenhouse gas ("GHG") emissions. Total energy consumption across major energy sources decreased significantly in FY2025 compared to FY2024, exceeding the Group's annual reduction target of $\geq 2\%$ volume of energy consumption. This improvement was primarily driven by lower electricity consumption, reduced diesel usage, and enhanced operational efficiency measures implemented during the year.

Total Energy Consumption by the Group

Type of Energy	FY2023	FY2024	FY2025	Target
Electricity (kWh)	3,114,872	4,205,418	3,266,572	Reduction $\geq 2\%$ volume of energy consumption annually
Diesel (Litre)	349,792	674,148	404,489	
Liquefied Petroleum Gas (Kg)	21,236	66,585	59,479	
Petrol (Litre)	-	-	78,875	

Electricity consumption declined from 4,205,418 kWh in FY2024 to 3,266,572 kWh in FY2025, reflecting successful energy management initiatives, improved process efficiency, and tighter operational controls. Diesel consumption was reduced from 674,148 litres to 404,489 litres, supported by fuel optimization strategies and improved fleet and equipment utilization. Liquefied petroleum gas ("LPG") consumption also decreased year-on-year, from 66,585 kg to 59,479 kg. Petrol consumption was recorded for the first time in FY2025 following changes in operational requirements; however, its impact on overall energy consumption remains limited.

Overall, this downward trend and the reduction in energy consumption demonstrates the effectiveness of the Group's energy efficiency initiatives and progress toward a lower-carbon energy mix. These efforts support the Group's climate-related risk management and emissions reduction strategy and are aligned with the disclosure requirements of IFRS S1 (General Requirements for Disclosures of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures). The Group remains committed to further reducing energy consumption and associated GHG emissions through continued efficiency improvements and the adoption of cleaner energy solutions.

SUSTAINABILITY STATEMENT (CONT'D)

Water Management

Strategy, Risks, Opportunities and Impacts

Water is a critical resource across the Group's operations, particularly within our high-intensity sectors such as in pipe manufacturing, steel fabrication, hot-dip galvanizing (HDG), LPG cylinder production, and civil construction across Sarawak and Sabah. In line with IFRS S1 and S2, the Group integrates water stewardship into its overall business strategy to enhance operational resilience, manage climate-related risks, and support long-term value creation. Oversight of water initiatives is embedded within the Group's governance framework, with the Management Executive Committee and Risk & Sustainability Committee responsible for reviewing strategies, monitoring performance, and ensuring alignment with both business objectives and sustainability targets.

The Group focuses on efficient water use in high-consumption processes, compliance with Malaysian regulations—including the Water Services Industry Act 2006, Environmental Quality Act 1974, and local state-level water abstraction permits—and protection of water quality to meet Department of Environment (DOE) standards for industrial discharge. These initiatives advance the Group's ESG commitments and contribute to the UN Sustainable Development Goals, particularly SDG 6 (Clean Water and Sanitation), SDG 12 (Responsible Consumption and Production), and SDG 13 (Climate Action).

Water-related risks include:

- **Physical risks:** Addressing water scarcity and seasonal variability, particularly in Sabah, affecting HDG and pipe manufacturing, as well as managing flood or extreme rainfall in Kuching and Kota Kinabalu; that potentially disrupting construction and facility operations.
- **Regulatory and transition risks:** Anticipating stricter water abstraction limits, evolving effluent standards, rising industrial water tariffs, and the need for water-efficient technologies.
- **Operational and supply chain risks:** Safeguard against potential downtime or delays due to water unavailability or quality issues among subcontractors or suppliers.

These risks are assessed through the Group's enterprise risk management framework and climate-related scenario analyses under IFRS S2, enabling proactive mitigation and strategic planning.

Opportunities include optimized water use, recycling, rainwater harvesting, and water-efficient technologies, such as water-efficient rinsing, closed-loop cooling, and improved wastewater treatment. These initiatives reduce operational costs, enhance climate resilience, strengthen competitiveness with sustainability-conscious clients, and foster stakeholder and community goodwill.

Metrics and Targets

To ensure transparency and continuous improvement, the Group measures performance through the following metrics:

- Total water consumption across all operations.
- Incidents of non-compliance with water quality permits, standards, and regulations.

Water Consumption by the Group

Water Consumption (m ³)	FY2023	FY2024	FY2025	Target
Total	62,064	88,197	94,145	Reduction ≥ 2% volume of water consumption annually

During the year under review, the Group achieved zero incidents of non-compliance with water quality permits, standards, or regulations, demonstrating robust governance and regulatory adherence.

The Group monitors water stewardship as a key sustainability metric by measuring total water consumption across all operations and tracking incidents of non-compliance with water quality permits, standards, and regulations. Total water consumption increased from 62,064 m³ in FY2023 to 88,197 m³ in FY2024 and further to 94,145 m³ in FY2025. This upward trend is primarily attributable to significantly higher production volumes and expanded project activity across the Group's operations. While our absolute consumption exceeded the annual reduction target of ≥ 2%, we remain committed to water efficiency. To better reflect our performance during periods of high growth, the Group is currently evaluating water-intensity metrics. This shift will allow us to measure efficiency relative to production output, ensuring that future operational expansion does not lead to disproportionate resource consumption.

SUSTAINABILITY STATEMENT (CONT'D)

Management recognizes water use efficiency as a material sustainability risk and is implementing measures to improve water management practices, including operational efficiency initiatives and enhanced monitoring. No material incidents of non-compliance with water quality permits or regulatory requirements were reported during the reporting period. The Group remains committed to improving water-use efficiency and aligning its water management strategy with the objectives of IFRS Sustainability Disclosure Standards and the United Nations Sustainable Development Goal 6 on Clean Water and Sanitation.

Waste Management

Strategy, Risks, Opportunities and Impacts

KKB Group recognises that effective waste management is fundamental to achieving long-term environmental sustainability, operational resilience, and responsible resource stewardship. Proper management of waste reduces inefficient resource use, minimises adverse environmental impacts, and ensures compliance with regulatory requirements. In line with IFRS S1, the Group considers waste-related risks and opportunities that could reasonably affect its financial position, performance, and future prospects. This commitment also supports the UN SDGs, particularly SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action).

The Group adopts a structured approach to waste management across three key stages: identification, evaluation, and management. Waste is first identified and classified into non-hazardous solid waste, recyclable waste, and hazardous (scheduled) waste. It is then evaluated for its physical, chemical, and biological characteristics to determine appropriate handling, treatment, or disposal methods. Finally, management procedures and instructions are implemented to ensure compliance with applicable laws and regulations while promoting a safe and healthy workplace.

KKB Group integrates the 5Rs principle (Refuse, Reduce, Reuse, Repurpose, Recycle) into its waste management system to minimise waste generation and maximise resource efficiency. Unnecessary materials, including single-use plastics and excessive packaging, are avoided; steel, hot-roll coil, mild steel, water, electricity etc resources, are used efficiently; materials are reused or repurposed where feasible e.g., steel, iron and spent lubricant oil; and recyclable materials such papers, envelopes and plastic bag are reuse to reduce reliance on virgin resources.

Specific waste streams are managed with targeted approaches. Electronic and office waste (e.g., desktops, printers, UPS batteries, cardboard, paper, plastics, glass, and aluminium) is segregated and recycled through licensed and reputable contractors, mitigating environmental and health risks. Scheduled (hazardous) waste, which may pose risks to public health and the environment, is managed strictly in compliance with the Environmental Quality Act 1974, Environmental Quality (Scheduled Wastes) Regulations 2005, and other regulatory requirements. Internal procedures and controls govern the handling, storage, transportation, and disposal of scheduled waste, ensuring safe, ethical, and responsible management.

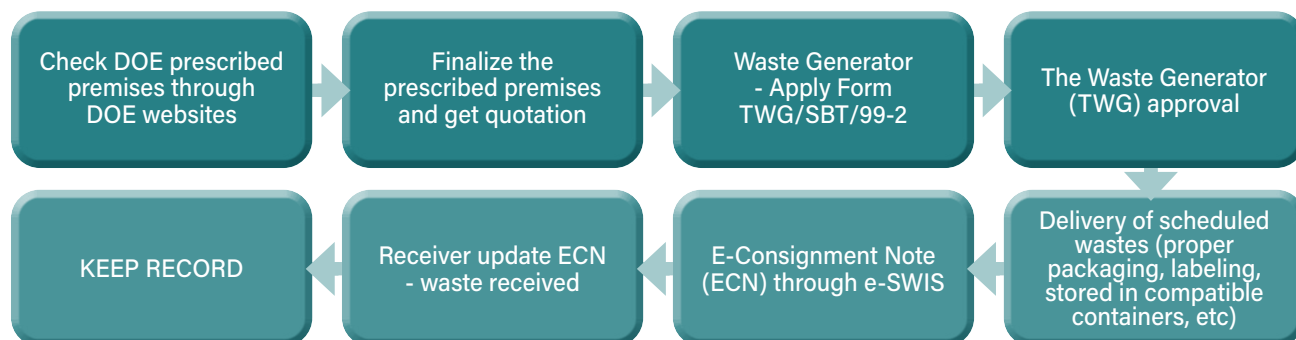
Through this structured and compliant approach, KKB Group ensures that waste management contributes to sustainable resource use, minimises environmental impact, strengthens operational resilience, and supports transparent reporting in accordance with IFRS S1 and S2 disclosure principles.

Scheduled Waste Management

Scheduled waste refers to waste with hazardous characteristics that may pose risks to public health and the environment. KKB Group ensures that all scheduled waste is managed in strict compliance with the Environmental Quality Act 1974, Environmental Quality (Scheduled Wastes) Regulations 2005, and other applicable regulatory requirements.

The Group has established internal procedures and controls for the handling, storage, transportation and disposal of scheduled waste, as illustrated in the Scheduled Waste Flowchart.

Scheduled Waste Flowchart



SUSTAINABILITY STATEMENT (CONT'D)

Scheduled Waste Generated by the Group

Type of Activity	Type of Scheduled Waste Generated	Code of Scheduled Waste
Manufacturing of Steel Pipes and Pipe Specials, LP Gas Cylinders & Hot-Dip Galvanising	Paint Waste	SW417
	Used Empty Paint Container	SW409
	Zinc Ash / Dross	SW104
Heavy machineries operations (e.g. hydraulic machine, bending machine)	Spent Lubricating Oil/Waste Oil	SW305
	Spent Hydraulic Oil	SW306
	Waste Battery	SW102
	Contaminated Rags / Plastic / Filter	SW410

The Group is exposed to several sustainability-related risks arising from waste management activities. Changes in laws and regulations governing waste management may result in increased compliance and operational costs as the Group adapts its processes to meet more stringent regulatory requirements. In addition, any failure to comply with applicable waste management laws and standards could expose the Group to litigation, fines and penalties, leading to financial losses, increased legal expenses and potential disruption to operations. The Group also faces reputational risks, including stigmatisation, if waste is not managed responsibly. Such reputational damage could adversely affect stakeholder confidence, resulting in loss of market share, reduced demand for the Group's products and services, and weakened relationships with customers and business partners. Collectively, these risks may have a direct financial impact on the Group through increased costs, potential liabilities and adverse effects on revenue, consistent with the disclosure requirements of IFRS S1.

Effective waste management also presents opportunities for the Group to enhance operational efficiency and long-term value creation. By reducing the usage and consumption of raw materials, the Group can lower operating costs while improving overall resource efficiency. Sound waste management practices further contribute to enhanced corporate reputation, strengthening brand value and the Group's competitive positioning in the market. Improvements in productivity and resource utilisation may translate into higher profitability and increased operational resilience over the long term. In addition, strong environmental performance can improve the Group's attractiveness to investors and customers, facilitating increased access to capital and new market opportunities. These opportunities support the Group's long-term growth strategy and are aligned with UN SDG 9 (Industry, Innovation and Infrastructure) and UN SDG 12 (Responsible Consumption and Production).

Metric and Targets

In strict alignment with IFRS S1 disclosure requirements, the Group monitors its waste generation and management performance using quantitative metrics. This approach ensures transparency, comparability, and decision-useful information for stakeholders. Waste data is tracked and categorised into total waste generated, waste directed to disposal, and waste diverted from disposal, providing clear visibility into operational impacts and the effectiveness of waste management practices.

The Group's waste management framework is governed by applicable environmental regulations and internal controls, with particular emphasis on compliance with the Department of Environment ("DOE") guidelines for scheduled (hazardous) waste. In accordance with DOE requirements, the Group ensures that scheduled waste:

- Does not exceed 20 metric tonnes at any one time, and
- Is stored for a maximum of 180 days prior to collection and disposal by licensed contractors.

Scheduled Waste (metric tonnes)	FY2023	FY2024	FY2025
Total Waste Generated	177.19	136.77	166.25
Total Waste Directed to Disposal	187.15	118.38	151.77
Total Waste Diverted from Disposal	0	0	0

SUSTAINABILITY STATEMENT (CONT'D)

The Group's scheduled waste generation exhibited fluctuations over the reporting period:

- FY2024 saw a reduction in total waste generated from 177.19 metric tonnes in FY2023 to 136.77 metric tonnes, reflecting enhanced operational controls and improved waste efficiency across specific activities.
- In FY2025, total waste increased to 166.25 metric tonnes, primarily due to higher operational activity levels and project-specific requirements.

Waste directed to disposal mirrored this trend: it decreased significantly from 187.15 metric tonnes in FY2023 to 118.38 metric tonnes in FY2024, before rising to 151.77 metric tonnes in FY2025. While the FY2024 performance demonstrated notable progress, the FY2025 figure remains above the Group's target of ≤ 100 metric tonnes, underscoring the need for further waste minimisation initiatives.

No scheduled waste was diverted from disposal during the reporting period, as the waste streams are predominantly hazardous and subject to regulatory constraints that limit options for reuse or recycling to protect public health.

Despite these variations, the Group maintained full compliance with DOE requirements on scheduled waste storage volumes and retention periods throughout the reporting period, ensuring safe and responsible management of hazardous waste.

Emissions and Climate-Related Management

Strategy, Climate-Risks Related, Opportunities and Impacts

KKB Group recognises that effective emissions and air quality management is essential for addressing climate change, reducing air pollution, safeguarding public health, and supporting the transition toward a low-carbon economy. The Group integrates emissions management into its operational strategy through monitoring, operational controls, and continuous improvement initiatives, aligned with IFRS S1 and S2 and contributing to UN SDG 12 (Responsible Consumption and Production) and UN SDG 13 (Climate Action).

Key elements of the Group's emissions management strategy include:

- Monitoring fuel and electricity consumption across operations to track Scope 1, Scope 2, and material Scope 3 greenhouse gas (GHG) emissions.
- Promoting energy efficiency through preventive maintenance, machinery optimisation, and operational controls.
- Reducing emissions via process optimisation, production planning, and adoption of energy-efficient technologies in pipe manufacturing, steel fabrication, HDG, and LPG cylinder production.
- Implementing air quality management practices at civil construction and logistics sites, including dust suppression, vehicle emissions management, speed limit enforcement, and regular cleaning of public roads.

The Group conducts periodic emissions monitoring through independent third-party consultants at key points in manufacturing and HDG processes. All fuel-burning systems, including diesel, LPG, and fuel oil equipment, are registered with the Department of Environment (DOE) and subject to monitoring to ensure compliance with environmental regulations.

KKB Group's emissions management faces several climate-related risks:

- **Regulatory/Transition Risks:** Changes in environmental laws, emission standards, and reporting requirements may increase compliance costs and operational expenditure. Non-compliance could lead to fines, penalties, or operational restrictions.
- **Operational Risks:** Inefficient energy use or equipment malfunction could result in higher fuel consumption, increased emissions, and potential downtime.
- **Reputational Risks:** Stakeholders increasingly expect strong environmental performance. Poor emissions management could impact customer trust, investor confidence, and access to capital.

These risks may have direct financial implications, including increased costs, potential liabilities, and revenue impacts, in line with IFRS S1/S2 risk disclosure requirements.

SUSTAINABILITY STATEMENT (CONT'D)

Proactive emissions management presents significant opportunities for KKB Group:

- **Operational Efficiency:** Optimising energy use and production processes reduces electricity and fuel consumption, lowering costs and emissions.
- **Clean Energy Transition:** Adoption of low-emission technologies and energy-efficient machinery strengthens resilience and prepares the Group for evolving regulatory standards.
- **Stakeholder Confidence:** Transparent reporting of emissions enhances KKB Group's reputation as a responsible industrial operator, improving engagement with investors, customers, and partners.
- **Collaborative Climate Action:** Participation in initiatives such as Bursa Malaysia's Centralised Sustainability Intelligence (CSI) Platform demonstrates commitment to collective climate action.

These initiatives contribute to long-term value creation and align with UN SDG 9 (Industry, Innovation, and Infrastructure) and UN SDG 13 (Climate Action).

Emissions from KKB Group's operations contribute to greenhouse gas accumulation and climate change. Through robust emissions management and air quality control measures, the Group aims to:

- Minimise environmental impact and carbon footprint.
- Mitigate climate-related risks.
- Protect the health and well-being of employees, contractors, and nearby communities.

Key initiatives include energy efficiency programmes, preventive maintenance, low-emission machinery, and continuous emissions monitoring. KKB Group continues to strengthen data collection, monitoring, and assessment processes to establish measurable reduction targets in line with regulatory expectations and IFRS S2 disclosure requirements.

By embedding emissions management into operational strategy and decision-making, KKB Group supports a sustainable operating model, enhancing energy efficiency, environmental governance, and stakeholder trust, while contributing positively to national and global climate objectives.

Metric and Targets

The Group's total greenhouse gas (GHG) emissions increased from 13,144.07 tCO₂e in FY2024 to 15,061.11 tCO₂e in FY2025. This increase reflects changes in energy consumption patterns and the expansion of emissions coverage, particularly under Scope 3, as the Group continues to enhance data completeness and transparency across its value chain. Despite the year-on-year increase in total emissions, reductions achieved in Scope 1 and Scope 2 emissions demonstrate the effectiveness of ongoing operational controls, energy efficiency initiatives, and emissions management practices. The Group remains focused on improving data quality, operational efficiency, and medium-term emissions reduction planning in line with IFRS S1 and IFRS S2.

Group GHG Emissions Performance and Targets

The table below presents the Group's GHG emissions performance and reduction targets:

GHG Emission Scope	FY2024		FY2025		Target tCO ₂ e
	Activity Data	tCO ₂ e	Activity Data	tCO ₂ e	
Scope 1 emission: -					
(a) Stationary Combustion					
- Liquefied Petroleum Gas (kg)	39,125.00	115.00	72,800.00	213.99	
- Diesel (Litres)	139,878.00	371.99	152,636.00	406.25	
(b) Mobile Combustion					
- Petrol (Litres)	31,724.00	74.39	18,163.10	42.75	
- Diesel (Litres)	480,765.00	1,278.53	97,121.30	258.49	
Sub-Total		1,839.91		921.48	1,600

SUSTAINABILITY STATEMENT (CONT'D)

GHG Emission Scope	FY2024		FY2025		Target tCO ₂ e
	Activity Data	tCO ₂ e	Activity Data	tCO ₂ e	
Scope 2 emission: -					
- Electricity (kWh) - Sarawak	3,959,581.00	787.99	3,094,207.99	615.75	
- Electricity (kWh) - Sabah	113,295.00	59.48	169,768.00	89.13	
- Electricity (kWh) - Selangor	-	-	2,596.00	2.01	
Sub-Total	4,072,876.00	847.47	3,266,571.99	706.89	500
Scope 3 emission: -					
(a) Business Travel - Air (miles)					
- Short Haul (<300 miles)	-	-	1,467.13	0.33	
- Medium Haul (>=300 miles, <2300 miles)	-	-	212,434.91	29.14	
(b) Employee Commuting (miles)					
- Car	-	-	1,731,722.40	599.95	
- Motorcycle	-	-	1,184,133.60	228.32	
(c) Suppliers (RM)	38,314,958.19	10,456.69	98,103,580.34	12,575.00	
Sub-Total		10,456.69		13,432.74	10,200
TOTAL tCO₂e		13,144.07		15,061.11	

Scope 1 emissions decreased significantly from 1,839.91 tCO₂e in FY2024 to 921.48 tCO₂e in FY2025, reflecting improved management of fuel consumption across both stationary and mobile combustion sources, achieving a landmark 50% reduction in Scope 1 emissions. The reduction was primarily driven by lower diesel and petrol consumption in mobile combustion activities, supported by enhanced fuel management, preventive maintenance programmes, and improved operational controls. This performance demonstrates our tangible progress toward a lower-carbon operational model.

Emissions from stationary combustion, including liquefied petroleum gas (LPG) and diesel usage, remain necessary to support core manufacturing and processing activities. These sources continue to be closely monitored, with efficiency improvements and optimisation initiatives implemented to support the Group's Scope 1 reduction target of 1,600 tCO₂e.

Scope 2 emissions, arising from purchased electricity consumption, decreased from 847.47 tCO₂e in FY2024 to 706.89 tCO₂e in FY2025, reflecting the effectiveness of the Group's ongoing energy management and efficiency initiatives.

This reduction was driven by two key factors. First, lower electricity consumption was recorded across operations in Sarawak and Sabah as a result of process optimisation, enhanced operational controls, and improved monitoring of energy usage. Second, the application of location-based emission factors highlights the influence of differing electricity generation mixes across regions. Sarawak's electricity supply is predominantly hydroelectric and therefore has a lower emission factor, while Sabah's grid remains more carbon-intensive due to fossil fuel-based generation. In FY2025, a greater proportion of electricity consumption occurred in lower-carbon locations, contributing to the overall reduction in Scope 2 emissions.

The combined effect of reduced electricity consumption and favourable grid emission factors underscores the Group's commitment to energy efficiency and climate-conscious operations. Looking ahead, the Group will continue to optimise electricity usage, adopt energy-efficient technologies, and explore opportunities for renewable electricity procurement to support the achievement of its Scope 2 emissions target and broader sustainability objectives.

SUSTAINABILITY STATEMENT (CONT'D)

Scope 3 emissions increased from 10,456.69 tCO₂e in FY2024 to 13,432.74 tCO₂e in FY2025, representing the largest contributor to the Group's overall emissions profile. This increase is primarily attributable to expanded reporting coverage and improved data availability, particularly for supplier-related emissions, as well as the inclusion of employee commuting and business travel data in FY2025.

Supplier emissions represent a significant proportion of Scope 3 emissions, highlighting the importance of value chain engagement, responsible procurement practices, and supplier collaboration. The Group has established a preliminary Scope 3 reduction target of 10,200 tCO₂e and will continue to strengthen data accuracy, expand reporting coverage, and engage suppliers to support more effective emissions reduction strategies over time.

For Scope 3 emissions relating to business travel and employee commuting, the Group applies a distance-based methodology for greenhouse gas emissions calculation. Emissions are calculated based on the distance travelled by mode of transport, multiplied by relevant emission factors in accordance with internationally recognised GHG accounting standards.

This approach enables consistent and transparent quantification of emissions from air travel, employee commuting by car and motorcycle, and other transport-related activities where direct fuel consumption data is not available. The use of a distance-based methodology enhances data comparability, improves disclosure quality, and aligns with the requirements of ISSB IFRS S1 and IFRS S2, as well as the GHG Protocol Corporate Value Chain (Scope 3) Standard.

While total GHG emissions increased year-on-year, the reductions achieved in Scope 1 and Scope 2 emissions highlight the effectiveness of the Group's operational controls, energy efficiency initiatives, and emissions management practices. The observed increase in Scope 3 emissions primarily reflects improvements in the maturity and transparency of the Group's ESG reporting framework and enhanced data coverage across the value chain, rather than a decline in environmental performance.

Looking ahead, the Group will continue to pursue emissions reductions across all scopes through energy efficiency improvements, operational optimisation, preventive maintenance, behavioural change initiatives, and strengthened supplier engagement. In line with IFRS S1 and IFRS S2, the Group will progressively enhance emissions data collection, refine targets, and expand Scope 3 coverage to support the transition toward a lower-carbon operating model and long-term sustainable value creation.

Air Emission and Air Quality Metrics

KKB Group closely monitors air pollutant emissions to ensure compliance with applicable environmental regulations. Emission control is regulated in accordance with the Environmental Quality (Clean Air) Regulations 2014. The Group uses air emission stack sampling results as a key performance indicator to monitor air quality performance against regulatory requirements. Stack sampling is conducted by independent third-party consultants at material emission points, including Burner C6, SB C2, and SB C3.

All measurements are expressed in mg/m³, dry @ 12% CO₂. Regulatory limits for particulate emissions have varied over the reporting period as follows:

- For Burner C6, the applicable regulatory limit was 150 mg/m³ from 2023 through 1st Quarter 2025. Starting 2nd Quarter 2025, a new stricter limit of 50 mg/m³ took effect as per DOE Clean Air Regulation 2014 (Second Schedule, Regulation 13).
- For SB C2 and SB C3, the regulatory limit remains 150 mg/m³ throughout the reporting period.

Emission Stack Sampling Results

Year 2023 – 1st Quarter Report

Description		Burner C6	SB C2	SB C3
Dust Particulate Emission	mg/m ³ , dry @ 12% CO ₂	48 mg/m ³	97 mg/m ³	68 mg/m ³
Standard Limit of Environmental Quality (Clean Air) Regulation 2014	mg/m ³ , dry @ 12% CO ₂	150 mg/m ³		

Year 2023 – 2nd Quarter Report

Description		Burner C6	SB C2	SB C3
Dust Particulate Emission	mg/m ³ , dry @ 12% CO ₂	53 mg/m ³	45 mg/m ³	30 mg/m ³
Standard Limit of Environmental Quality (Clean Air) Regulation 2014	mg/m ³ , dry @ 12% CO ₂	150 mg/m ³		

SUSTAINABILITY STATEMENT (CONT'D)

Year 2024 – 1st Quarter Report

Description		Burner C6	SB C2	SB C3
Dust Particulate Emission	mg/m ³ , dry @ 12% CO ₂	60 mg/m ³	32 mg/m ³	39 mg/m ³
Standard Limit of Environmental Quality (Clean Air) Regulation 2014	mg/m ³ , dry @ 12% CO ₂	150 mg/m ³		

Year 2024 – 2nd Quarter Report

Description		Burner C6	SB C2	SB C3
Dust Particulate Emission	mg/m ³ , dry @ 12% CO ₂	90 mg/m ³	65 mg/m ³	82 mg/m ³
Standard Limit of Environmental Quality (Clean Air) Regulation 2014	mg/m ³ , dry @ 12% CO ₂	150 mg/m ³		

Year 2025 – 1st Quarter Report

Description		Burner C6	SB C2	SB C3
Dust Particulate Emission	mg/m ³ , dry @ 12% CO ₂	95	84	103
Standard Limit of Environmental Quality (Clean Air) Regulation 2014	mg/m ³ , dry @ 12% CO ₂	150 mg/m ³		

Year 2025 – 2nd Quarter Report

Description		Burner C6	SB C2	SB C3
Dust Particulate Emission	mg/m ³ , dry @ 12% CO ₂	37	33	45
Standard Limit of Environmental Quality (Clean Air) Regulation 2014	mg/m ³ , dry @ 12% CO ₂	50 mg/m ³	150 mg/m ³	

From 2023 through the first quarter of 2025, particulate emissions from Burner C6 and other burners remained below the then-applicable regulatory limit of 150 mg/m³. Beginning in the second quarter of 2025, a stricter limit of 50 mg/m³ came into effect for Burner C6, reflecting updated regulatory requirements. The company achieved immediate compliance with this new limit, recording a particulate emission level of 37 mg/m³ in Q2 2025. Emissions from SB C2 and SB C3 remained consistently below the 150 mg/m³ limit throughout the period.

These results demonstrate the company's ongoing commitment to regulatory compliance and continuous improvement in emission control.

KKB Group is dedicated to maintaining high environmental standards by monitoring and managing air pollutant emissions in accordance with evolving regulatory requirements. The implementation of a stricter particulate emission limit of 50 mg/m³ for Burner C6 in the second quarter of 2025 underscores the Group's proactive approach to enhancing air quality and protecting public health.

While particulate emissions are not greenhouse gases, managing these emissions contributes significantly to reducing environmental impact and supports our broader sustainability goals.

It is the Group's objective to minimise the discharge of GHG emissions and air pollutants and to ensure that air quality control measures remain aligned with prevailing legal and regulatory requirements. To support this objective, KKB Group:

- Uses stack sampling results as a key indicator to monitor air emission performance.
- Tracks GHG emissions annually across Scope 1, Scope 2 and material Scope 3 categories.
- Medium-term reduction targets for Scope 1, Scope 2 and Scope 3 emissions.
- Continues to strengthen emissions data collection, monitoring and reporting processes to enable the setting of more granular and science-aligned targets in the future.

These metrics and targets support compliance with ISSB IFRS S2 (Metrics and Targets), contribute to IFRS S1 climate-related risk management, and align with UN SDG 12 (Responsible Consumption and Production) and UN SDG 13 (Climate Action).

SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL

KKB Group conducts its operations in accordance with the principles of social responsibility as articulated in ISO 26000. Its Group's Social Responsibility Policy establishes the foundation for ethical conduct, transparent governance, respect for human rights, responsible labour practices, environmental stewardship, fair operating practices, consumer responsibility, and community involvement.

Operating within the engineering, construction and manufacturing sectors, the Group recognises that strong social performance is critical to maintaining its social licence to operate and sustaining long-term business resilience. Through structured governance oversight by the Management Executive Committee (MANCO), KKB Engineering Group actively manages social risks and opportunities associated with workplace safety, supply chain practices, product responsibility, and community impact.

Guided by its Policy framework, the Group is committed to creating sustainable value for stakeholders while contributing positively to the communities and environments in which it operates.

Community/Society

Strategy, Risks, Opportunities and Impacts

KKB Group recognises that the support and trust of the local community are fundamental to the Group's long-term success and social licence to operate. As a responsible corporate citizen, the Group is committed to contributing positively to the communities in which it operates by supporting social development, education, skills development, and community well-being.

The Group's community strategy focuses on long-term value creation, achieved through structured corporate social responsibility (CSR) initiatives, partnerships with educational institutions, workforce development programmes, and active engagement with industry and community organisations. These initiatives are designed to strengthen local capabilities, enhance employability, and promote inclusive and sustainable economic growth.

Key focus areas of the Group's community strategy include:

- Community welfare and social support through direct support and health initiatives.
- Education, skills development and youth employability by way of building a robust talent pipeline through education and specialized technical training.
- Industry-academia collaboration and talent pipeline development via collaboration with institution to align vocational curricula with industrial needs.
- Active participation in community and industry networks.

This approach supports sustainable communities and aligns with ISSB IFRS S1, which emphasises the integration of sustainability-related matters into business strategy and long-term value creation.

The Group recognises that community and social matters may give rise to social and reputational risks if not effectively managed. Key risks identified include:

- Changing customer or community perceptions: Negative perceptions regarding the Group's social responsibility practices could reduce stakeholder trust and acceptance.
- Stigmatisation and loss of social licence – ongoing acceptance of trust and legitimacy from the key stakeholders to conduct activities may result in adverse public sentiment, leading to reputational damage protests or resistance to operations.
- Reputational risk: Failure to meet stakeholder expectations on social contributions and community engagement could affect brand reputation.

These risks may lead to reduced demand for the Group's goods and services, loss of business opportunities and, ultimately, adverse financial impacts through reduced revenue and profitability, consistent with IFRS S1 risk disclosure requirements.

Proactive and meaningful engagement with communities presents significant opportunities for KKB Group:

- Enhanced reputation and brand value: Strong community relationships can improve public perception and stakeholder trust.
- Attraction and retention of talent: Community involvement and skills development initiatives enhance the Group's employer value proposition.
- Business growth and competitiveness: Positive stakeholder relationships can support market access, customer loyalty and long-term business sustainability.

SUSTAINABILITY STATEMENT (CONT'D)

These opportunities may result in:

- Increased demand for the Group's goods and services.
- Attraction of new customers, investors and business partners.
- Improved competitiveness and revenue growth.

Such outcomes are aligned with IFRS S1, which highlights the link between sustainability performance and financial outcomes.

KKB Group's community initiatives generate positive social and economic impacts, including:

- Improved access to education, training and skills development for students and young professionals.
- Enhanced employability and workforce readiness in specialised industries such as steel fabrication, welding, LPG Cylinder manufacturing, and pipes and pipe specials manufacturing.
- Strengthened local economic development through job creation and sustainable income opportunities.
- Improved health and well-being within local communities through welfare and healthcare-related initiatives.

Through sustained community investment, the Group contributes to the development of resilient, inclusive and skilled communities, while reinforcing its role as a responsible corporate citizen.

The Group actively supports community welfare and health-related initiatives annually through donations, contributions and participation in fund-raising activities that foster community spirit, including:

- Kuching Marathon on 21 September 2025.
- World Heart Day "Walk-A-Mile" on 21 September 2025.
- SMK St. Joseph "Ora Et Labora Run" on 4 October 2025.

In addition, the Group collaborates with healthcare authorities to conduct bi-annual blood donation campaigns to support national blood bank needs. Blood donation campaigns organised by Sarawak General Hospital were held on 13 March 2025 and 1 October 2025.

KKB Group supports education and workforce development by providing industrial training opportunities to students from local colleges, universities and institutions. These programmes expose students to real-world industrial practices and support the development of future-ready talent.

The Group also acts as a bridge between academia and industry, ensuring the sustainability of Sarawak's industrial workforce through collaboration with higher education institutions and industry bodies by providing industry feedback and participating in committees such as PPKS and Sarawak Skills, contributing to curriculum relevance and industry alignment.

To support the sustainability of skilled labour, particularly in welding and fabrication, the Group encourages employees and their children to pursue technical education at PPKS and i-CATS, supported by tuition fee discounts. The establishment of AWISAR further strengthens the Group's ability to retain professionally trained and skilled welders, contributing to both organisational capability and societal economic well-being.

KKB Group actively participates in and supports the development of the manufacturing and welding industry at local and regional levels through engagement with business associations. These collaborations contribute to job creation, skills development and sustainable income opportunities for the local community.

Key associations include, among others:

- Federation of Malaysian Foundry & Engineering Industries Associations (FOMFEIA)
- Sarawak Foundry & Engineering Industries Association
- Federation of Malaysian Manufacturers
- Sarawak Chamber of Commerce & Industry
- Sarawak Manufacturers' Association
- Kuching & Samarahan Divisions Welding & Engineering Association
- i-CATS University College, Sarawak
- Kuching Chinese General Chambers of Commerce & Industry
- The Federation of Kuching and Samarahan Division Chinese Association
- Kuching Samarahan Divisions Building & Civil Engineering Contractors Association
- Kuching China Trades Importers & Exporters Association
- Kuching Importers of Chinese Goods Association, Sarawak

SUSTAINABILITY STATEMENT (CONT'D)

Metrics and Targets

KKB Group actively contributes to community development through direct financial investment and targeted outreach programmes, focusing on delivering positive outcomes for external beneficiaries within the communities in which it operates. In line with IFRS S1 (ISSB) requirements, the Group measures its community contributions using quantitative metrics for performance monitoring and accountability. KKB Group's total community outreach contribution for the respective financial years is shown below:

Community Outreach Contribution

Year	FY2023	FY2024	FY2025	Target
Contribution (RM)	92,000.00	287,362.50	228,390.00	100,000.00
Beneficiaries	21	23	15	5

The data indicates that KKB Group's contributions consistently exceed the established minimum targets for both investment and beneficiaries, reflecting the Group's commitment to meaningful community impact.

To ensure consistency and accountability, KKB Group has set the following annual targets for community outreach:

- Maintain an annual community investment of RM100,000 to support social, educational, and welfare-related initiatives, including activities such as charity sales organised by Home of Peace and PERKATA.
- Reach a minimum of five beneficiaries per year through structured and purposeful corporate social responsibility (CSR) programmes.

The Group will continue to review and enhance community-related metrics and performance indicators over time to strengthen impact measurement, improve transparency, and ensure alignment with evolving sustainability reporting standards and stakeholder expectations, in accordance with ISSB IFRS S1 and relevant UN Sustainable Development Goals (SDGs).

KKB Group's community and social initiatives are designed to contribute to the achievement of selected UN Sustainable Development Goals (SDGs). In support of SDG 3 – Good Health and Well-being, the Group implements health-related initiatives such as blood donation campaigns and community wellness programmes. Through educational partnerships, industrial training programmes, and collaboration with academia, KKB Group advances SDG 4 – Quality Education, promoting skills development and learning opportunities within the communities it serves. The Group also supports SDG 8 – Decent Work and Economic Growth by enhancing employability, providing skills development initiatives, and facilitating job creation. Community welfare programmes and ongoing stakeholder engagement further KKB Group's commitment to SDG 11 – Sustainable Cities and Communities, fostering inclusive and resilient communities. Finally, KKB Group actively builds partnerships for the goals (SDG 17) through collaborations with educational institutions, industry associations, and community organisations, ensuring that community initiatives are delivered in a coordinated and impactful manner.

KKB Group consistently exceeds its minimum targets for both investment and beneficiaries, demonstrating a clear commitment to measurable and meaningful community impact. Community contributions are strategically aligned with international sustainability frameworks and UN SDG priorities, ensuring that CSR programmes deliver tangible benefits to external stakeholders. The Group remains committed to enhancing impact measurement, improving transparency, and aligning community contributions with evolving sustainability standards and stakeholder expectations.

Diversity

Strategy, Risks, Opportunities and Impacts

The Group operates across multiple industrial and construction activities that rely on a highly skilled and diverse workforce, including welders, fabricators, technicians, machinists, engineers, project managers and site-based labour. A diverse workforce is considered a driver of operational excellence, quality, innovation, and safety performance. The Group's diversity strategy aims to enhance workforce capability, strengthen leadership pipelines, and support long-term value creation.

SUSTAINABILITY STATEMENT (CONT'D)

The strategy focuses on:

- Building an inclusive culture across fabrication shops, manufacturing plants and construction sites, ensuring fair treatment and respectful interactions among multicultural teams.
- Ensuring equitable employment practices, with non-discriminatory recruitment, performance assessment and promotion processes that enable equal access for all qualified candidates.
- Enhancing representation in technical and leadership positions, especially for women and other underrepresented groups in engineering, HSE, quality, fabrication supervision and project management roles.
- Developing skills across all workforce segments, including welders, inspectors and civil technicians, through training, apprenticeships, certification programmes and career development pathways.

These initiatives are embedded into workforce planning, leadership development and safety culture programmes across the Group.

The Group assesses diversity and inclusion as a material sustainability-related factor that may influence its cash flows, operational resilience, and long-term competitiveness.

Key diversity-related risks include:

- Talent acquisition and workforce shortage risk. Heavy manufacturing and construction industries face shortages in critical trades (welding, machining, NDT, fabrication, rigging, engineering). A lack of diversity or barriers to inclusion may reduce the Group's ability to attract and retain these skills, potentially increasing labour costs, overtime requirements, and reliance on subcontractors.
- Operational and safety risk: Inclusive communication is essential in multicultural teams working in hazardous environments. Poor inclusion practices may contribute to misunderstandings in safety briefings, PPE requirements or work instructions, affecting safety performance and operational continuity.
- Compliance and legal risk. Failure to comply with equal opportunity laws, workforce fairness standards, or labour regulations may result in penalties, project delays, contract risks or reputational damage.
- Reputational and customer relationship risk. Major industrial clients increasingly expect suppliers to demonstrate responsible labour practices. Weak diversity performance could affect pre-qualification for contracts, particularly in oil & gas, infrastructure and industrial fabrication.

A strong commitment to diversity provides clear opportunities affecting enterprise value:

- Access to a broader skills pool. By attracting a more diverse workforce including women technicians, international skilled labour, and talent with varied backgrounds, the Group can mitigate trade shortages and ensure operational stability.
- Enhanced innovation and productivity. Diverse teams contribute to improved fabrication techniques, problem-solving in manufacturing operations, quality control innovations and safety improvements that supports long-term operational efficiency.
- Stronger employer brand and retention. A reputation for fair and inclusive employment enhances retention, lowers recruitment costs and increases employee engagement across plants and construction sites.
- Competitive advantage in bidding. Clients increasingly assess social sustainability performance. A demonstrated commitment to diversity can strengthen tender submissions for civil construction, EPC, and industrial fabrication projects.

The Group monitors how diversity and inclusion practices influence its workforce stability, productivity and cost base:

- Improved retention and reduced hiring cycles lower recruitment and training costs.
- Higher engagement and safety performance reduce downtime and absenteeism.
- Enhanced representation in supervisory roles improves team coordination, contributing to production efficiency in fabrication and HDG operations.
- Access to a broader workforce reduces reliance on premium-rate labour or subcontractors, improving project margin stability.

While not all financial effects can be precisely quantified, diversity is considered a contributing factor to operational continuity, project delivery performance, and labour cost management.

SUSTAINABILITY STATEMENT (CONT'D)

The Board oversees sustainability-related human capital risks, including diversity and inclusion. Senior management is responsible for:

- implementing diversity policies across production, fabrication, galvanizing and construction operations. In safeguarding the gender equality and diversity in our workforce, our employees have been made known of our Gender Diversity Policy, Code of Business Conduct and Ethics as well as the Anti-Sexual Harassment Policy and Procedures.
- ensuring compliance with labour and equal opportunity requirements. Remuneration packages offered to our employees are equally subject to the principle of fairness and equality.
- integrating diversity metrics into HR dashboards and workforce development plans.
- reviewing workforce composition, pay equity indicators and representation data for decision-making.
- The concept of diversity applies equally to our Board of Directors. The right board composition influences the ability of the board to fulfil its oversight responsibilities. An effective board includes the right group of people, with an appropriate mix of skills, knowledge, experience and independent elements that fit the company's objectives and strategic goals. Diversity requirements of the Board with regards to gender, age, ethnicity, skills and experience are assessed and evaluated annually through our Assessment and Succession Plan.

Metrics and Targets

The Group is committed to building a workplace that embraces diversity across gender, age and employee categories. Our total headcount reflects the fluid nature of contract timelines and our commitment to operational restructuring for maximum efficiency. Across the reporting period, the Group employed:

- 1,170 employees in FY2023
- 896 employees in FY2024
- 593 employees in FY2025

The fluctuations reflect project cycles, manufacturing demand, contract timelines, and operational restructuring to optimise efficiency.

While our workforce composition remains predominantly male, consistent with the norms of heavy engineering, fabrication and construction industries, we remain focused on enhancing gender representation in technical and supervisory roles. The Non-Executive and General Worker categories represent the largest employee groups and are essential to our core operations which formed the backbone of our manufacturing and construction excellence.

Group's Percentage of Employees Category by Gender

Employee Category	Male (%)			Target	Female (%)			Target
	FY2023	FY2024	FY2025		FY2023	FY2024	FY2025	
Management	78.16	77.50	76.32	60%	21.84	22.50	23.68	40%
Executive	79.31	80.38	78.33	60%	20.69	19.62	21.67	40%
Non-Executive	86.88	91.87	91.58	70%	13.12	8.13	8.42	30%
General Workers	94.44	94.03	95.17	90%	5.56	5.97	4.83	10%

The Group recognizes that its operations have traditionally attracted a male-dominated workforce, particularly in welding, fabrication, machining, and site-based roles. While progress has been made, female representation remains below targets across all employee categories. In Management, female participation has risen from 21.84% to 23.68%, but still falls short of the 40% target. Even though it remains below our long-term target, the upward trajectory reflects our commitment to diversifying our leadership. Executive roles show modest female presence, ranging from 19.62% to 21.67%, while Non-Executive and General Worker positions continue to have low female representation, reflecting operational norms, which the Group are actively working to address through localized recruitment and technical outreach.

To address these gaps, the Group is focusing on targeted talent attraction to bring more women into leadership, supervisory, and operational roles, alongside mentorship and training programs to develop female talent for management and executive positions. Initiatives to retain female employees, including flexible work arrangements, professional development, and succession planning, are being strengthened. The Group also continues to foster an inclusive workplace culture that encourages women to thrive across engineering, HSE, QA/QC, and site-based roles.

SUSTAINABILITY STATEMENT (CONT'D)

By integrating these initiatives into our human capital strategy, KKB Group is committed to building a more balanced and resilient workforce that reflects the diverse talent pool of the regions we serve.

Group's Percentage of Employees Category by Age Group

Employee Category	Below 30 years (%)			30 – 50 years (%)			Above 50 years (%)		
	FY2023	FY2024	FY2025	FY2023	FY2024	FY2025	FY2023	FY2024	FY2025
Management	2.30	1.25	0	49.42	55.00	53.95	48.28	43.75	46.05
Executive	21.98	27.27	17.50	58.62	51.20	59.17	19.40	21.53	23.33
Non-Executive	43.77	34.98	18.42	44.86	51.23	59.47	11.37	13.79	22.11
General Workers	31.02	40.80	38.65	57.87	49.25	50.24	11.11	9.95	11.11

Category	Target Age Group		
	<30 years	30-50 years	>50 years
Management	10%	70%	20%
Executive	10%	80%	10%
Non-Executive	20%	70%	10%
General Workers	30%	50%	20%

Management

- Employees below 30 years declined from 2.30% in FY2023 to 0% in FY2025, significantly below the 10% target. This highlights limited youth representation in leadership roles.
- The 30–50 years age group represents the majority, increasing from 49.42% in FY2023 to 53.95% in FY2025, approaching the target of 70%.
- Employees above 50 years remain substantial (48.28% in FY2023 to 46.05% in FY2025), exceeding the 20% target, reflecting retention of experienced leaders.

The Management team's extensive experience provides stability; however, fostering and retaining emerging talent is vital to maintain a resilient leadership pipeline and support long-term succession planning.

Executive

- Employees below 30 years fluctuated between 21.98% (FY2023) → 17.50% (FY2025), exceeding the 10% target.
- The 30–50 years group remains dominant (58.62% → 59.17%), slightly below the 80% target.
- Employees above 50 years show a modest increase (19.40% → 23.33%), above the 10% target.

Executive roles display a balanced mix of young and mid-career employees, but the proportion of senior employees exceeds targets, underscoring the importance of succession planning and talent development for sustainable leadership.

Non-Executive

- Employees below 30 years drop sharply from 43.77% in FY2023 to 18.42% in FY2025, below the 20% target.
- Employees 30–50 years increase from 44.86% → 59.47%, slightly below the 70% target.
- Employees above 50 years rose from 11.37% → 22.11%, surpassing the 10% target.

The Non-Executive workforce is aging, with fewer young employees joining or remaining, highlighting the need for proactive recruitment and upskilling initiatives to sustain operational continuity.

General Workers

- Employees below 30 years remain high (31.02% → 38.65%), above the 30% target, supporting operational energy and adaptability.
- The 30–50 years group remains stable (57.87% → 50.24%), aligning with the 50% target.
- Employees above 50 years remain low (11.11% → 11.11%), slightly below the 20% target.

SUSTAINABILITY STATEMENT (CONT'D)

General Workers maintain a youthful and energetic workforce, supporting operational demands; however, retention of experienced workers remains below target, suggesting potential gaps in institutional knowledge continuity.

The Group's workforce is largely concentrated in the mid-career segment (30–50 years), ensuring operational stability and expertise. To strengthen intergenerational diversity and support long-term sustainability, focused initiatives are required to attract younger talent, retain experienced employees, and develop robust succession pipelines.

To ensure a resilient and future-ready workforce, the Group will focus on attracting and retaining young professionals (<30 years) in leadership and non-executive roles. Senior employees will mentor younger staff to transfer knowledge and prepare the next generation of leaders. Workforce skills will be strengthened through targeted training, cross-functional projects, and leadership development programs, maintaining agility across all age groups. Additionally, roles with a high concentration of senior employees will be assessed, and succession pipelines established to secure long-term operational continuity and resilience.

Directors by Gender

Gender	FY2023		FY2024		FY2025	
	Number	%	Number	%	Number	%
Male	7	77.8	7	77.8	6	75
Female	2	22.2	2	22.2	2	25
Total	9	100	9	100	8	100

Over the three-year period, the Board maintained a consistent level of gender diversity, with two female directors serving each year. While the total number of directors decreased from nine in FY2023–FY2024 to eight in FY2025, the representation of women increased proportionally from 22.2% to 25.0%. Male representation remained dominant but declined slightly from 77.8% to 75.0% in line with the change in board size.

This trend reflects the Company's commitment to sustaining gender diversity while managing Board renewal. The improvement in proportional female representation is aligned with corporate governance expectations and demonstrates progress toward gender balance. Continued efforts in succession planning and director development will further enhance the Board's overall diversity and effectiveness.

Directors by Age Group

Age Group (years)	FY2023		FY2024		FY2025	
	Number	%	Number	%	Number	%
50 – 59	2	22.2	3	33.3	3	37.5
60 – 69	4	44.4	3	33.3	2	25
70 – 79	1	11.2	1	11.2	2	25
80 and above	2	22.2	2	22.2	1	12.5
Total	9	100	9	100	8	100

Over the three-year period, the Board's age composition demonstrates a balanced approach to renewal and experience. The Board size remained stable at nine directors in FY2023 and FY2024 before adjusting to eight directors in FY2025 as part of natural succession planning.

Representation within the 50–59 age group increased steadily, rising from 22.2% in FY2023 to 37.5% in FY2025, reflecting the Company's intention to strengthen the Board with directors who bring both experience and long-term continuity. Conversely, the 60–69 age group decreased from 44.4% to 25.0% over the same period, indicating planned transitions and reduced concentration of directors within a single age bracket.

The 70–79 age group increased to 25.0% in FY2025, signalling the continued importance of retaining directors with deep institutional and industry expertise. Meanwhile, representation of directors aged 80 and above declined from 22.2% to 12.5%, consistent with ongoing refreshment initiatives and evolving governance expectations.

SUSTAINABILITY STATEMENT (CONT'D)

Overall, the Board's age distribution reflects a well-managed balance between renewal and continuity, ensuring the retention of critical experience while introducing directors capable of supporting long-term strategic growth. This generational diversity enhances Board effectiveness, improves resilience, and aligns with good corporate governance practices.

Board Diversity

Indicator	Target	
	Male	Female
Gender Diversity	50%	50%
Age Distribution:-		
30-50 years	10%	10%
> 50 years	40%	40%

At the Board level, we maintain gender parity over the long term and age diversity in line with succession planning.

Health and Safety

Strategy, Risks, Opportunities and Impacts

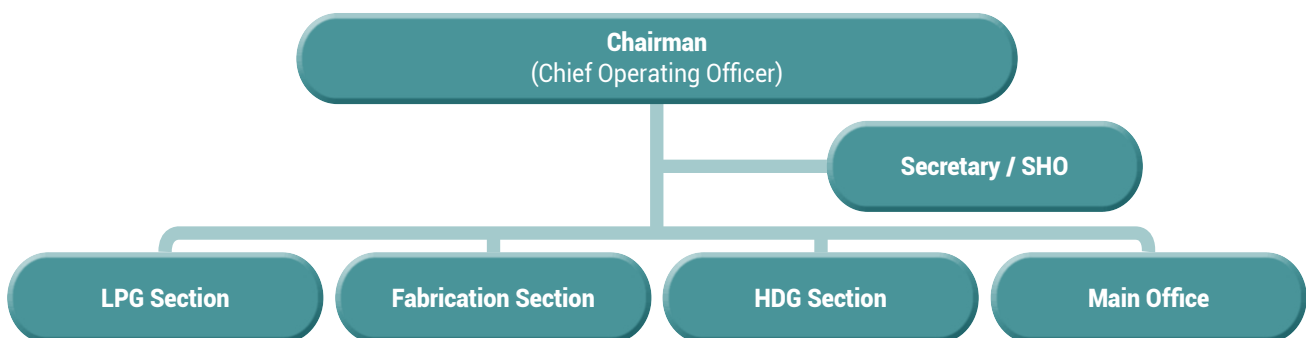
KKB Group's health and safety strategy is founded on the principle that all incidents are preventable and that the protection of employees, contractors, visitors and the public must be embedded at every stage of its manufacturing and construction activities. Given the inherently high-risk nature of pipe production, LPG cylinder manufacturing, steel and structural fabrication, hot-dip galvanising (HDG) and civil construction, the Group adopts a proactive, systems-driven and risk-based approach to occupational health and safety (OHS).

The Group's strategy is anchored on five core pillars: strong safety governance, prevention through safe systems of work, safety ownership and culture, competency development, and continuous improvement. Health and safety considerations are integrated into operational planning, project execution and workforce management, consistent with ISSB IFRS S1, which requires sustainability-related matters to be embedded into business strategy and decision-making.

Governance and Safety Oversight

Health and safety responsibilities are clearly defined across all levels of the organisation. The Board and senior management provide strategic oversight, while dedicated Health, Safety and Environment (HSE) teams at fabrication facilities, HDG plants and construction sites are responsible for implementation and day-to-day compliance.

SHC Organization Structure



The Group has implemented an Occupational Health and Safety Management System (OHSMS) to meet customer expectations and international standards, reinforcing its commitment to being a "Supplier of First Choice". The Safety and Health Committee (SHC) oversees the planning, implementation and monitoring of the OHSMS. The SHC comprises the Chief Operating Officer, Safety and Health Officer, managers and staff representatives, and operates in accordance with the Occupational Safety and Health Act 1994 (Act 514) and the Factories and Machinery Act 1967 (Act 139).

SUSTAINABILITY STATEMENT (CONT'D)

The Group has also established a Quality, Health, Safety and Environment (QHSE) Management Review Committee and an OH&S Steering Committee to support the identification, assessment and mitigation of operational risks. In support of the Group's mission to be a responsible corporate citizen, a Group HSE Task Force, subsidiary-level HSE Committees and specialised sub-committees have been formed to standardise safety practices and address high-risk areas across operations.

Each operating subsidiary maintains an Occupational Safety and Health (OSH) Committee, supported by specialised teams such as the Emergency Response Team, Hazardous Materials Team and Environmental Performance Monitoring Committee.

Management Systems and Policies

KKB Group's commitment to health and safety is reinforced by its ISO 45001:2018 certification, accredited by Bureau Veritas Certification (Malaysia) Sdn Bhd. This certification confirms that the Group's OHSMS meets internationally recognised standards for preventing work-related injuries and ill health, while promoting continual improvement in OHS performance.

The Group's Safety and Health Policy place the highest priority on employee safety and health, extending protection to company assets and the public. The policy emphasises preventive and protective measures, education and training, legal compliance and environmental protection. Contractors are required to meet the Group's health and safety standards, ensuring consistent practices across all operations.

Due to the nature of its operations, the Group faces several material health and safety risks that could impact workforce well-being, operational continuity and reputation:

- High-risk industrial activities: Welding, cutting, heavy machinery operation, overhead crane usage and HDG processes pose risks of burns, crush injuries, chemical exposure and mechanical failure.
- Construction site hazards: Working at height, excavation, confined spaces and heavy lifting increase the risk of serious incidents.
- Contractor and subcontractor risks: Variability in contractor safety performance may elevate incident risk if not effectively managed.
- Chemical and thermal exposure: HDG operations involve molten zinc, acids and fumes, requiring strict controls and PPE.
- Regulatory compliance risks: Non-compliance with occupational safety legislation may result in fines, stop-work orders or reputational damage.
- Fatigue and human error: Extended working hours and physically demanding tasks may increase accident likelihood.

In accordance with ISSB IFRS S1, these risks are assessed for their potential financial, operational and reputational impacts.

A strong health and safety framework creates strategic and operational opportunities for KKB Group:

- Improved productivity and reliability: Safer workplaces result in fewer disruptions, reduced downtime and improved production efficiency.
- Enhanced client confidence: Strong safety performance strengthens competitiveness in tenders, audits and long-term contracts, particularly in regulated industries.
- Talent attraction and retention: A robust safety culture enhances the Group's employer brand and supports workforce retention.
- Innovation and digitalisation: The adoption of safety technologies, including sensors, gas detection systems, automation, CCTV and AI-enabled monitoring, offers opportunities to further reduce risks.
- Cost efficiency: Reduced incidents lower medical costs, insurance premiums and project delays.

These opportunities support long-term value creation, consistent with IFRS S1.

The Group's health and safety initiatives deliver positive operational, social and governance impacts, including:

- Improved safety performance and reduced incident rates across manufacturing plants and construction sites.
- Increased employee confidence, engagement and morale.
- Improved contractor and supplier safety standards through audits and onboarding requirements.
- Enhanced operational stability and predictability.
- Positive societal outcomes through safer industrial and construction activities near public areas.

KKB Group places strong emphasis on training, awareness and behavioural safety. All new employees are required to complete HSE induction programmes, while ongoing training is provided to equip employees with the skills necessary to identify hazards and prevent incidents.

SUSTAINABILITY STATEMENT (CONT'D)

Key training areas include:

- Hazard Identification and Risk Assessment (HIRA).
- Working at height and scaffolding safety.
- Lifting operations and rigging.
- Hot-work safety.
- Chemical handling.
- Fire safety and emergency response.

The Group also conducts regular safety awareness campaigns, toolbox talks and safety briefings, covering topics such as PPE usage, machinery guarding, ergonomics, noise exposure, chemical handling and hand injury prevention. Participation in national initiatives, including DOSH OSH Week, reinforces regulatory awareness and safety culture.

Metrics and Targets

In line with ISSB IFRS S1 (General Sustainability-related Disclosures) and IFRS S2 (Climate-related Disclosures), KKB Group monitors key occupational health and safety (OHS) metrics to assess performance, manage risk, and drive continuous improvement across its operations.

Group Occupational Health and Safety Performance

Description	FY2023	FY2024	FY2025	Target
Number of work-related fatalities	0	0	0	0
Lost Time Incident Rate (LTIR)	1.19	1.13	0.56	0

Note: LTIR is calculated as the number of lost-time injuries per 200,000 hours worked, providing a standardized measure of injury frequency across the Group.

KKB Group's safety performance over FY2023–FY2025 demonstrates consistent improvement and a strong focus on injury prevention.

Zero work-related fatalities were recorded across all three reporting years, reflecting the Group's sustained commitment to eliminating high-severity safety risks. Over the same period, the Lost Time Incident Rate (LTIR) declined steadily from 1.19 in FY2023 to 0.56 in FY2025, representing a 53% reduction over three years. The significant improvement achieved in FY2025 indicates the effectiveness of strengthened safety controls, enhanced incident prevention measures, and increased workforce awareness of occupational health and safety practices. While the Group's long-term objective remains the elimination of lost-time injuries, management recognises that achieving and sustaining this outcome requires ongoing vigilance, continuous improvement, and proactive management of safety risks.

To support continued progress toward its zero-harm objective, KKB Group will maintain a strong focus on strengthening hazard identification and risk assessment processes, enhancing safety leadership and workforce training, and monitoring both leading and lagging safety indicators to identify emerging risks. These actions are underpinned by ongoing efforts to reinforce a consistent, Group-wide safety culture aligned with ISSB disclosure expectations and recognised good practice in occupational health and safety management.

Group's Employees Trained on Health and Safety Standards

Employee	FY2023	FY2024	FY2025	Target
Total	87	693	290	200

The Group is committed to providing a safe and healthy working environment for all employees. Health and safety training forms an integral part of the Group's occupational health and safety management system and supports accident prevention, regulatory compliance, and employee well-being.

During the reporting period, the number of employees trained on health and safety standards increased from 87 employees in FY2023 to 693 employees in FY2024, reflecting a comprehensive roll-out of safety training initiatives across the Group. In FY2025, 290 employees received health and safety training, representing a transition towards ongoing, targeted, and refresher-based programmes.

SUSTAINABILITY STATEMENT (CONT'D)

The Group exceeded its annual training target of 200 employees in both FY2024 and FY2025. These efforts demonstrate the Group's continued focus on strengthening safety awareness, embedding a positive safety culture, and maintaining effective occupational health and safety practices. The Group will continue to review and enhance its health and safety training programmes to ensure adequate coverage, relevance, and alignment with operational and regulatory requirements.

The Group will continue to enhance its occupational health and safety management system to ensure sustained compliance with applicable regulatory requirements and industry standards. Going forward, the Group will prioritise systematic and risk-based health and safety training, with particular focus on high-risk functions, frontline operations, and new employees.

The Group aims to maintain health and safety training levels above its internal targets and will strengthen monitoring mechanisms to assess training effectiveness and safety performance. These measures support the Group's broader risk management framework, operational resilience, and long-term value creation by reducing workplace incidents, safeguarding employee well-being, and reinforcing a strong safety governance culture.

Labour Practices and Standards

Strategy, Risks, Opportunities and Impacts

KKB Group recognises that its employees are the primary drivers of operational excellence, innovation and long-term value creation. The Group's success is highly dependent on the skills, experience and commitment of its workforce. To support long-term sustainability, KKB Group is committed to adopting and maintaining prevailing labour practices and standards in the jurisdictions in which it operates.

The Group's labour strategy is anchored on respect for human rights, employee well-being, fair employment practices, workforce capability development and regulatory compliance. These principles are embedded within the Group's human capital management framework and integrated into business planning and risk management processes, consistent with ISSB IFRS S1, which requires sustainability-related matters to be linked to enterprise strategy and long-term performance.

KKB Group upholds all fundamental human rights, as reflected in its Human Rights Policy, which is developed with reference to the Universal Declaration of Human Rights (UDHR), International Labour Organization (ILO) core conventions, the United Nations Guiding Principles on Business and Human Rights (UNGPs), and applicable Malaysian laws and regulations.

The Group is exposed to labour-related risks that may have operational, legal and financial implications if not effectively managed:

- Regulatory and compliance risks: Changes in labour laws, employment standards or regulatory requirements may increase compliance costs. Non-compliance could result in litigation, fines, penalties or enforcement actions.
- Workforce stability risks: High employee turnover, particularly following project completion cycles, may affect operational continuity, productivity and institutional knowledge retention.
- Human rights risks: Failure to uphold fair labour practices, including working conditions, employee welfare or contractor management, could expose the Group to reputational and legal risks.
- Talent availability risks: Inability to attract or retain skilled employees could constrain growth and affect service quality.

These risks may result in increased operating costs, reduced productivity or reputational damage, potentially affecting the Group's financial performance, in line with IFRS S1 risk disclosure requirements.

Effective labour practices present strategic opportunities for KKB Group to strengthen competitiveness and long-term resilience:

- Attraction and retention of talent: Competitive employment practices, employee development programmes and a positive work environment enhance the Group's employer value proposition.
- Improved workforce productivity and efficiency: A skilled, motivated and healthy workforce contributes to higher productivity, quality and operational efficiency.
- Stronger organisational culture: Investment in training, well-being and employee engagement fosters loyalty and alignment with corporate values.
- Enhanced competitiveness and profitability: Improved workforce capability and stability support consistent delivery of projects and customer satisfaction, contributing to sustainable profitability.

These opportunities align with IFRS S1, which emphasize on the relationship between human capital management and long-term value creation.

SUSTAINABILITY STATEMENT (CONT'D)

The Group's labour practices generate positive social and organisational impacts, including:

- Enhanced employee well-being through health screening, benefits and wellness initiatives.
- Improved skills, competencies and career development opportunities across employee categories.
- Greater workforce engagement, morale and retention.
- Responsible employment practices that support local economic development and social stability.

By fostering a safe, fair and inclusive working environment, the Group contributes to broader societal outcomes while strengthening its internal capabilities.

In alignment with UN SDG 3 – Good Health and Well-being, KKB Group prioritises employee health through annual health screening programmes, particularly for employees exposed to occupational hazards. Screenings include audiometry, ECG, hearing tests, blood and urine tests, physical examinations and chest X-rays.

Recognising that well-being extends beyond physical health, the Group promotes mental, emotional and social well-being by encouraging participation in outdoor and community-based activities, including charity run e.g., Kuching Marathon 2025, World Heart Day – Walk-A-Mile 2025 and Christmas Gift Exchange Party 2025. Additional employee benefits include travel allowances, insurance coverage, uniforms, personal protective equipment, various leave entitlements, festive gifts and employee engagement events.

Metrics and Targets

It is our objective to shape a sustainable workforce that has the ability to continue in delivering value to the Group and also the public at large. Four (4) indicators have been adopted by the Group in measuring our performance towards the objective of sustainable workforce:

- total hours of training by employee category;
- percentage of employees that are contractors or temporary staff;
- total number of employee turnover by employee category; and
- number of substantiated complaints concerning human rights violations.

Continuous learning and development remain a core pillar of the Group's human capital strategy, aimed at strengthening workforce capability, leadership readiness and operational excellence. During the financial year under review, the Human Resources Department organised a total of 76 training programmes, comprising 12 in-house workplace trainings, 35 online trainings, and 29 public training courses. These programmes were structured to support employees across all departments and employee categories, ensuring inclusive access to skills development opportunities.

Group's Total Hours of Training by Employee Category

Employee Category	Total Hours Training of Employees			
	FY2023	FY2024	FY2025	Target
Management	1,370	1,675	1,721.2	560
Executive	917	881	934.1	560
Non-Executive/Technical Staff	301	249	529.2	560
General Workers	144	539	147.0	560
Total Hours	2,732	3,344	3,331.5	2,240

The Group recorded total training hours of 3,331.5 hours in FY2025, representing a sustained commitment to employee development despite a marginal decrease compared to FY2024. Overall training hours remained well above the Group's annual target of 2,240 hours, demonstrating the Group's proactive investment in human capital.

Management employees accounted for the highest proportion of training hours at 1,721.2 hours in FY2025, reflecting the Group's emphasis on leadership development, governance, and strategic capabilities. This represents a steady increase compared to FY2023 and FY2024 and significantly exceeded the annual target.

Training hours for Executive employees increased to 934.1 hours in FY2025, reversing the slight decline observed in FY2024. This improvement reflects targeted upskilling initiatives to enhance functional competencies and support operational effectiveness.

SUSTAINABILITY STATEMENT (CONT'D)

For Non-Executive and Technical Staff, training hours rose substantially to 529.2 hours in FY2025, more than doubling compared to FY2024. This increase underscores the Group's focus on technical skills enhancement, safety awareness and job-specific competencies critical to operational continuity.

Training hours for General Workers decreased to 147.0 hours in FY2025 following a significant increase in FY2024. The higher training hours in FY2024 were largely attributable to one-off or mandatory programmes, while FY2025 training focused on essential operational and compliance-related training.

Across all employee categories, the Group consistently exceeded its annual training hour targets, reflecting a strong and sustained commitment to continuous learning and employee development. The balanced mix of in-house, online and public training programmes enabled flexibility in delivery while ensuring relevance to business and operational needs.

Going forward, the Group will continue to refine its training framework by aligning learning initiatives with evolving business strategies, technological advancements and workforce development priorities.

Group Temporary/Contract Employees

Percentage of Temporary/Contract Employees			
FY2023	FY2024	FY2025	Target
76.30%	68.53%	52.45%	70%

The Group monitors the proportion of temporary and contract employees as part of its commitment to responsible workforce management and social sustainability. Temporary and contract employment provides operational flexibility; however, the Group also recognises the importance of stable employment in supporting employee well-being, engagement, and long-term organisational resilience.

Over the reporting period, the percentage of temporary/contract employees declined from 76.30% in FY2023 to 68.53% in FY2024, and further to 52.45% in FY2025. While the FY2023 level exceeded the Group's internal target of 70%, subsequent reductions reflect a strategic rebalancing of the workforce.

The decrease in FY2025 indicates a shift towards greater workforce stability, including the conversion of certain roles to permanent positions and increased investment in long-term human capital. This approach supports improved job security, skills development, and employee retention, in line with the Group's social sustainability objectives.

The Group will continue to review its workforce composition to ensure an appropriate balance between flexibility and employment stability, while aligning with business needs and sustainability priorities.

Group's Employee Turnover

Employee Category	Employees Turnover			
	FY2023	FY2024	FY2025	Target
Management	11	8	11	5
Executive	23	70	98	5
Non-Executive	86	532	251	10
General Workers	85	96	95	20
Total	205	706	455	40

The Group monitors employee turnover as a key indicator of workforce stability, employee engagement, and long-term organisational sustainability. Managing turnover effectively enables the Group to retain critical skills, maintain operational continuity, and support employee well-being.

During the reporting period, total employee turnover increased from 205 employees in FY2023 to 706 employees in FY2024, before declining to 455 employees in FY2025. The spike in FY2024 was primarily driven by higher turnover among executive and non-executive employees, reflecting a period of organisational transition and workforce restructuring. The subsequent reduction in FY2025 indicates early progress towards workforce stabilisation.

SUSTAINABILITY STATEMENT (CONT'D)

Turnover among management employees remained relatively stable across the three years, while executive and non-executive categories continued to record turnover levels above internal targets. Turnover among general workers remained consistently high, reflecting the inherent challenges associated with operational and labour-intensive roles.

In response, the Group has strengthened its focus on employee engagement, talent development, and retention initiatives, including enhanced career progression pathways, leadership development programmes, and workforce planning. These measures aim to reduce voluntary turnover, improve employee satisfaction, and support the Group's long-term social sustainability objectives.

The Group will continue to monitor turnover trends and implement targeted interventions to balance operational flexibility with a stable and engaged workforce.

KKB Group is committed to upholding and respecting human rights across its operations and value chain, in line with its Human Rights Policy, the Universal Declaration of Human Rights (UDHR), International Labour Organization (ILO) standards, and the United Nations Guiding Principles on Business and Human Rights (UNGPs). Human rights considerations are integrated into the Group's governance, labour practices and contractor management processes.

The Group has established the following human rights performance targets, which are reviewed periodically in line with evolving regulatory expectations and business operations:

- Zero substantiated human rights complaints across the Group.
- 100% compliance with applicable labour and human rights laws and regulations.
- 100% employee coverage under the Group's Human Rights Policy.
- Ongoing human rights awareness training, with targeted training provided to new hires, supervisors and high-risk operational roles.
- Continuous improvement of contractor and supplier oversight, including alignment with the Group's human rights and labour standards.

KKB Group will continue to strengthen its human rights monitoring and reporting mechanisms, including improving data collection, training coverage and grievance handling processes. These efforts support transparency, risk management and long-term value creation, in line with ISSB IFRS S1 disclosure principles and UN SDG 8 (Decent Work and Economic Growth) and UN SDG 10 (Reduced Inequalities).

GOVERNANCE

Anti-Corruption

Strategy, Risks, Opportunities and Impacts

KKB Group adopts a zero-tolerance approach to corruption, recognising that ethical conduct, transparency and integrity are fundamental to long-term value creation and stakeholder trust. Corruption risks—including bribery, facilitation payments, fraud, extortion, collusion, conflicts of interest and money laundering—are managed through a comprehensive governance framework embedded across the Group's operations and value chain.

The Group's anti-corruption strategy is aligned with the Malaysian Anti-Corruption Commission Act 2009 (MACC Act) and international best practices. Oversight is provided by the Board and senior management, with accountability cascaded throughout the organisation. This approach is consistent with ISSB IFRS S1, which requires entities to disclose governance processes and controls used to manage sustainability-related risks that may affect financial performance.

KKB Group has established a comprehensive framework of governance and compliance policies, including the Anti-Bribery and Corruption Policy, Code of Business Conduct and Ethics, Conflict of Interest Policy, Anti-Money Laundering and Anti-Terrorism Financing Policy, Anti-Competition Policy, and Human Resource Policies and Procedures. These policies are actively communicated to employees through regular briefings and targeted training programs, ensuring awareness and understanding across all levels of the organisation. The policies are periodically reviewed to maintain their relevance and effectiveness in evolving business and regulatory environments. Any breach of these policies is considered serious misconduct and is addressed promptly through appropriate disciplinary measures, reinforcing the Group's commitment to ethical conduct and corporate integrity.

To further strengthen prevention, the Group requires all gifts, hospitality and entertainment offered or received by employees to be declared and approved by management. This reduces the risk of undue influence or perceived conflicts of interest.

SUSTAINABILITY STATEMENT (CONT'D)

As part of its governance framework, the Group conducts regular corruption-related risk assessments to identify, evaluate and mitigate risks across operational, financial and third-party activities. The assessment covers procurement, finance, human resources, operations, sales and external partnerships.

Key elements of the risk assessment process include:

- identification of corruption-prone activities.
- evaluation of risks based on likelihood and potential impact.
- assessment of existing controls and approval mechanisms.
- gap analysis to identify areas requiring enhancement.
- development of mitigation plans to strengthen controls and oversight.

Key risk areas identified include procurement and vendor selection, segregation of duties, payment approvals, personnel decisions and third-party engagements. To address these risks, the Group has implemented measures such as enhanced vendor due diligence, segregation of duties, conflict-of-interest declarations, contractual anti-corruption clauses and regular internal audits.

An effective whistleblowing mechanism is a critical component of the Group's strategy. The Whistle Blowing Policy and Procedures provide a secure and confidential reporting channel for employees and external parties to raise concerns without fear of retaliation, reinforcing a culture of accountability and ethical behaviour.

Corruption-related risks may have direct financial and operational consequences for the Group if not properly managed. These include:

- Regulatory and legal risks: Non-compliance with anti-corruption laws may result in fines, penalties, litigation or enforcement actions.
- Operational risks: Investigations or enforcement actions may disrupt operations and management focus.
- Reputational risks: Allegations or incidents of corruption may undermine stakeholder confidence, adversely affecting customer relationships, market access and the Group's social licence to operate.
- Financial risks: Increased compliance costs, legal liabilities or loss of business opportunities may negatively impact profitability.

These risks are considered material under IFRS S1, as they may affect the Group's financial position, performance and long-term prospects.

Strong anti-corruption practices create strategic and commercial opportunities for KKB Group:

- Enhanced reputation and trust: Demonstrated ethical conduct strengthens confidence among customers, investors, regulators and business partners.
- Improved competitiveness: Robust governance supports participation in tenders and contracts that require high ethical and compliance standards.
- Sustainable growth: Transparent and ethical operations reduce long-term risks and support stable, predictable business performance.
- Stronger stakeholder relationships: Ethical conduct reinforces long-term partnerships and access to capital.

These opportunities contribute positively to value creation and align with IFRS S1's emphasis on sustainability-related opportunities.

The Group's anti-corruption framework delivers positive governance and societal impacts, including:

- reduced exposure to legal and regulatory sanctions.
- improved organisational culture and ethical awareness among employees.
- strengthened internal controls and decision-making processes.
- enhanced stakeholder confidence and long-term business resilience.

By promoting integrity and transparency, the Group supports responsible business conduct and contributes to broader societal efforts to combat corruption.

Metrics and Targets

The Group is fully aware that any act of corruption is both morally and legally unacceptable, with severe social and legal repercussions risking the survivability of the Group. Therefore, it is our objective to prevent, and to mitigate the risks of occurrence of any act of corruption involving the Group, be it directly or otherwise. We are committed to implementing and enforcing systems that ensure bribery and corruption is prevented.

SUSTAINABILITY STATEMENT (CONT'D)

The Group is committed to upholding high standards of integrity, transparency, and ethical conduct in all business activities. As part of its governance framework, the Group implements mandatory anti-bribery and corruption ("ABC") training for all employees.

The training is conducted annually by the Human Resources and Business Services Department through an online platform and is accessible to employees remotely. The programme is delivered in video format, allowing employees to revisit the content as needed. Upon completion of the video, employees are required to undertake a mandatory assessment in the form of multiple-choice questions. Employees who do not complete the assessment are deemed not to have attended the training.



Employee Category	Anti-Bribery & Corruption Training Attended								
	FY2023			FY2024			FY2025		
	No.	Attendance Record	%	No.	Attendance Record	%	No.	Attendance Record	%
Management	87	84	96.6	80	80	100	76	76	100
Executive	232	230	99.1	209	209	100	120	120	100
Non-Executive/Technical Staff	635	628	98.9	406	406	100	190	190	100
General Workers	216	161	74.5	201	201	100	207	207	100
Total	1,170	1,103	94.3	896	896	100	593	593	100

The Group continues to place strong emphasis on ethical conduct and compliance through mandatory anti-bribery and corruption training for all employees. In FY2023, a total of 1,103 out of 1,170 employees completed the training, representing an overall attendance rate of 94.3%. While attendance rates among management, executive, and non-executive/technical staff were already high, participation among general workers was comparatively lower at 74.5%.

In FY2024 and FY2025, the Group strengthened its training governance and enforcement mechanisms, resulting in full compliance across all employee categories. Anti-bribery and corruption training attendance reached 100% in both years, with all employees completing the required training. This improvement was evident across management, executive, non-executive/technical staff, and general workers, demonstrating enhanced accessibility, monitoring, and accountability.

SUSTAINABILITY STATEMENT (CONT'D)

The achievement of 100% training participation reflects a mature and well-embedded compliance framework that supports the Group's commitment to integrity, transparency, and ethical business practices. By ensuring comprehensive and consistent training coverage, the Group strengthens its ability to mitigate corruption-related risks and reinforces a strong ethical culture across all levels of the organisation.

Corruption-Related Risk Assessment

Indicator	Performance		
	FY2024	FY2025	Target
Vendors screened for corruption risk	21	42	100%
Confirmed corruption case	0	0	0
Conflict-of-interest declarations submitted	100%	100%	100%
Anti-corruption policy and Whistleblowing policy review	Completed	Completed	Annually

The corruption-related risk assessment is an integral part of our Governance pillar, reinforcing the organisation's commitment to integrity, accountability, and transparency. Through continuous monitoring, strengthened controls, and a culture of ethical behaviour, we aim to:

- Reduce exposure to bribery and unethical practices.
- Enhance stakeholder confidence.
- Demonstrate responsible business conduct.
- Align with ESG reporting standards (e.g., ISSB, UN SDGs-aligned governance disclosures).
- The organisation remains committed to ongoing improvement and will conduct annual reviews of its governance structure and anti-corruption controls.

To uphold ethical conduct across the organisation, we maintain zero tolerance for corruption and ensure 100% of employees across all levels are trained in anti-corruption practices.

- 100% of employees across all categories (management, executive, non-executive, and general workers) to receive anti-corruption training annually.
- All business operations to be assessed for corruption-related risks.
- Zero confirmed incidents of corruption.

Data Privacy and Cybersecurity

Strategy, Risks, Opportunities and Impacts

KKB Group maintains a comprehensive data governance and cybersecurity framework to safeguard personal, operational, and commercially sensitive information. The Group recognises that effective data protection and cyber resilience are critical to business continuity, regulatory compliance, and the maintenance of stakeholder trust especially in the era where data has been increasingly digitalized. The Group's approach is strictly aligned with the Personal Data Protection Act (PDPA) Amendment 2024, relevant cybersecurity regulations and evolving digital risk expectations.

To strengthen accountability, oversight and operational resilience, the Group has formally appointed both a Data Protection Officer (DPO) and a Cyber Security Officer (CSO). The DPO, who is registered with the PDPA Commissioner's Office, is responsible for overseeing the implementation of data governance policies, monitoring compliance with regulatory requirements and ensuring the integrity, confidentiality and availability of personal data across all business units. The CSO is responsible for the Group's cybersecurity strategy, including threat monitoring, incident response preparedness, security architecture and the implementation of technical and organisational safeguards to mitigate cyber risks.

Oversight is further reinforced through the establishment of a Data Protection & Cyber Security (DPCS) Committee, which provides governance direction, risk oversight and cross-functional coordination to ensure consistent implementation of data protection and cybersecurity measures across the Group.

The Group's data privacy and cybersecurity strategy is anchored on a lifecycle approach encompassing prevention, detection, response and continuous improvement. This strategy is implemented through a robust combination of governance controls, secure system architecture, advanced encryption protocols, role-based access management and ongoing employee awareness and training programmes.

SUSTAINABILITY STATEMENT (CONT'D)

These measures enable secure and resilient digital operations across the Group's manufacturing, fabrication and construction activities, particularly as the Group accelerates its digitalisation and automation initiatives in support of Industry 4.0. As digital technologies such as Artificial Intelligence (AI), Internet of Things (IoT), cloud computing and big data analytics become increasingly embedded in operational processes, the Group places strong emphasis on safeguarding data integrity, system availability and cyber resilience.

By proactively integrating cybersecurity considerations into its digital transformation initiatives, the Group mitigates emerging cyber risks while unlocking operational efficiencies, enhancing decision-making capabilities and strengthening stakeholder confidence in its digital ecosystem.

The Group's Privacy Policy, which outlines the collection, use and protection of personal data, is publicly available on the Group's website and is communicated internally to all employees to foster accountability and responsible data handling.

KKB Group recognises that data privacy and cybersecurity risks may have material operational, legal and financial implications if not effectively managed. Key risks include:

- Cybersecurity threats, such as malware, phishing, ransomware and unauthorised system access.
- Data privacy risks, including unauthorised access, data leakage or misuse of personal data.
- Regulatory and compliance risks, arising from non-compliance with PDPA 2024 and other applicable laws.
- Operational disruption, including system downtime, data loss or compromised digital platforms.
- Reputational risks, resulting from loss of stakeholder confidence following data incidents.

To mitigate these risks, the Group has implemented comprehensive preventive and monitoring controls, including:

- a Cyber Risks Policy and Procedures, with internet access rights defined based on job function and seniority.
- enterprise-level firewalls, anti-spam and antivirus systems, supported by regular patching and system updates.
- continuous monitoring of endpoint security and email threats, including enhanced enterprise email protection.
- regular data backups of business and operational systems on daily, monthly and annual cycles.
- periodic cybersecurity audits and vulnerability assessments to evaluate control effectiveness.
- an established Incident Response Plan aligned with statutory and regulatory requirements.

Cybersecurity awareness training is conducted for employees to strengthen vigilance against phishing, scams and social engineering threats, reinforcing the human element of cyber risk management.

A strong data privacy and cybersecurity framework creates strategic and operational opportunities for the Group:

- Enhanced operational resilience: Secure and reliable systems support uninterrupted manufacturing, fabrication and construction activities.
- Enablement of digital transformation: Strong cybersecurity controls provide a foundation for adopting digital platforms, automation and data-driven technologies.
- Increased stakeholder confidence: Demonstrating compliance with PDPA 2024 enhances trust among customers, employees, business partners and regulators.
- Competitive advantage: Robust data governance strengthens the Group's credibility in tenders and partnerships, particularly with clients that prioritise data security and regulatory compliance.

Looking ahead, the Group continues to explore further enhancements, including upgrades to email hosting, server and network infrastructure, workstation modernisation, website improvements and partnerships with qualified cybersecurity service providers to strengthen its overall cyber resilience.

The effectiveness of the Group's data privacy and cybersecurity practices is reflected in improved system reliability, strengthened business continuity and the absence of material data breaches during the reporting period. These outcomes support operational stability, protect stakeholder information and reinforce the Group's reputation as a responsible and resilient organisation.

By embedding strong data governance into its operations, the Group mitigates digital risks, supports sustainable growth and enhances long-term value creation, consistent with ISSB IFRS S1 requirements on governance, risk management and resilience.

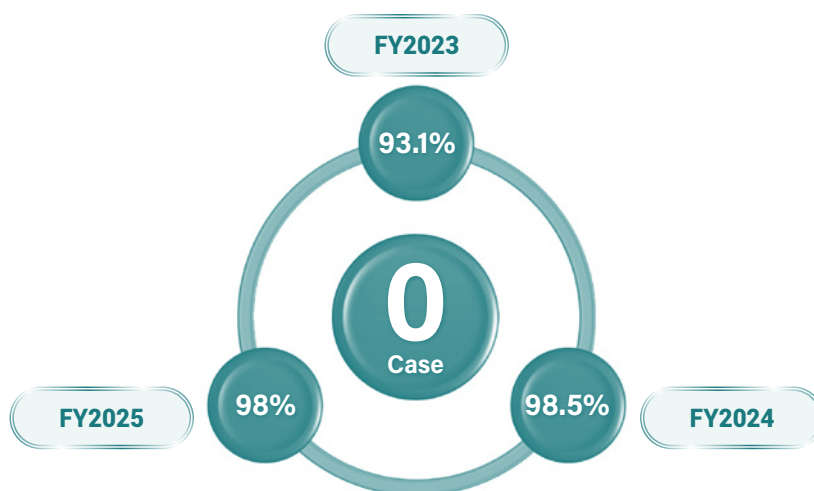
SUSTAINABILITY STATEMENT (CONT'D)

Metrics and Targets

KKB Group is committed to preventing and minimising incidents related to data privacy and cybersecurity breaches, recognising that the protection of customer, employee and business information is critical to operational integrity and stakeholder trust. Performance against this objective is monitored through clearly defined metrics and key performance indicators, enabling consistent oversight and continuous improvement.

The primary metric used to assess data privacy performance is the number of substantiated complaints relating to breaches of customer privacy or loss of customer data. The Group adopts a zero-tolerance approach towards data breaches and continuously monitors its systems and controls to prevent unauthorised access or data loss.

In addition, the Group tracks the reliability of its backup processes as an indicator for operational resilience and data recovery readiness. The indicators cover the backup of its JDE business systems and operational data. Backup processes are conducted on a daily, monthly and annual basis, with outcomes systematically recorded and reviewed to ensure that the Group can maintain continuity even in the event of a system disruption.



Backup Frequency and Success Rate/Completeness

The current backup success rate stands at 98%, exceeding the minimum internal benchmark of 90%. Backup performance is monitored on an ongoing basis to ensure consistency and completeness and reliability. Any deviation or shortfall against the indicators triggers a review by the IT Department, followed by corrective and improvement actions to strengthen system resilience and data recovery capabilities.

Key Indicators and Targets

Indicator	Target
Substantiated data privacy or cybersecurity breaches	Zero
Backup success rate for business and operational data	≥90%

- Zero substantiated complaints relating to data breaches or loss of customer information.
- Maintain a backup success rate of at least 90%, with continuous monitoring and improvement actions as required.

The Group remains firmly committed to conducting its business in a responsible and sustainable manner, guided by strong environmental stewardship, sound governance practices, high standards of safety, product quality and social responsibility. The Group recognises that the achievement of its sustainability and climate-related targets is fundamental to strengthening long-term operational resilience, creating sustainable value for stakeholders and supporting Malaysia's national aspiration to transition towards a greener, low-carbon steel and engineering sector by 2050.

SUSTAINABILITY STATEMENT (CONT'D)

As part of its sustainability governance framework, the Group will continue to monitor performance against established targets, identify and assess sustainability-related risks and opportunities, and refine its strategies in response to evolving regulatory requirements, technological advancements and stakeholder expectations. Sustainability performance and progress will be reported transparently and consistently to promote accountability, informed decision-making and continuous improvement.

Looking ahead, the Group will progressively review and refine its ESG metrics, targets and management approaches in line with regulatory developments, operational priorities and market expectations. The Group is progressively aligning its sustainability disclosures with the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) and is strengthening data quality and integrity through enhanced internal controls and, where appropriate, independent external assurance.

These sustainability metrics, targets and commitments reflect the Group's short-, medium- and long-term priorities, support effective risk management and respond to stakeholder expectations, while reinforcing the Group's transition towards comprehensive, decision-useful and internationally aligned sustainability reporting.

SUSTAINABILITY STATEMENT OF ASSURANCE

Pursuant to Section 9 of the Capital Markets and Service Act 2007 (CMSA), Bursa Malaysia Securities Berhad has amended the Main LR to enhance the Sustainability reporting framework. This Statement has been prepared to meet the Enhanced Sustainability Disclosure requirements and to provide transparency to our shareholders.

While this report has not been subjected to independent external assurance for the current period, the Group relies on robust internal reporting mechanisms which is in accordance with recognized standards and may contain opinions, external referenced information, and unaudited non-financial data deemed reasonable at the time of disclosure.

The contents of this Sustainability Statement have been reviewed by the Board, Audit Committee, MANCO and RSC to ensure strategic alignment. Their review however does not constitute formal assurance for investors or investment decisions. Whilst efforts were made to ensure these are reasonable at the time extracted, the actual or future outcomes may differ from the projections or intentions expressed herein.

Conclusion

This Statement captures how KKB Group strives to be more socially and environmentally responsible in our industrial operations. As we continue this sustainable journey, we remain committed to keeping abreast of global developments – specifically the IFRS S1 & S2 to further embed sustainable practices within our businesses. Our goal remains to improve our overall sustainability performance while delivering long-term, resilient value to our shareholders.

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KKB Engineering Berhad

BMLR Transition Period

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance
Anti-corruption	(a.i) Percentage of employees training on anti-corruption by Management category	Percentage	100	100	No assurance
Anti-corruption	(a.ii) Percentage of employees training on anti-corruption by Executive category	Percentage	100	100	No assurance
Anti-corruption	(a.iii) Percentage of employees training on anti-corruption by Non-Executive / Technical Staff category	Percentage	100	100	No assurance
Anti-corruption	(a.iv) Percentage of employees training on anti-corruption by General Workers category	Percentage	100	100	No assurance
Anti-corruption	(b) Percentage of operations assessed for corruption-related risks	Percentage	100	100	No assurance
Anti-corruption	(c) Confirmed incidents of corruption and action taken	Number	0	Zero	No assurance
Community / Society	(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	228,390,000	≥100,000,000	No assurance
Community / Society	(b) Total number of beneficiaries of the investment in communities	Number	15	≥5	No assurance
Diversity	(a.i) Percentage of Male employee for Management category	Percentage	76.32	60	No assurance
Diversity	(a.i) Percentage of Female employee for Management category	Percentage	23.68	40	No assurance
Diversity	(a.i) Percentage of Male employee for Executive category	Percentage	78.33	60	No assurance

KKB Engineering Berhad

BMLR Transition Period

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Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance
Diversity	(a.i) Percentage of Female employee for Executive category	Percentage	21.67	40	No assurance
Diversity	(a.i) Percentage of Male employee for Non-Executive / Technical Staff category	Percentage	91.58	70	No assurance
Diversity	(a.i) Percentage of Female employee for Non-Executive / Technical Staff category	Percentage	8.42	30	No assurance
Diversity	(a.i) Percentage of Male employee for General Workers category	Percentage	95.17	90	No assurance
Diversity	(a.i) Percentage of Female employee for General Workers category	Percentage	4.83	10	No assurance
Diversity	(a.ii) Percentage of employee under 30 years old for Management category	Percentage	0	10	No assurance
Diversity	* (a.ii) Percentage of employee between 30 to 50 years old for Management category	Percentage	53.95	70	No assurance
Footnote Metric	Description of age group has been changed				
Diversity	* (a.ii) Percentage of employee above 50 years old for Management category	Percentage	* 46.05	20	No assurance
Footnote Metric	Description of age group has been changed				
Footnote 2025	Percentage of employee above 50 years old for Management category has been changed				
Diversity	(a.ii) Percentage of employee under 30 years old for Executive category	Percentage	1750	10	No assurance
Diversity	* (a.ii) Percentage of employee between 30 to 50 years old for Executive category	Percentage	5917	80	No assurance

KKB Engineering Berhad

BMLR Transition Period

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Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance
Footnote Metric	Description of age group has been changed				
Diversity	* (a.ii) Percentage of employee above 50 years old for Executive category	Percentage	23.33	10	No assurance
Footnote Metric	Description of age group has been changed				
Diversity	(a.ii) Percentage of employee under 30 years old for Non-Executive / Technical Staff category	Percentage	18.42	20	No assurance
Diversity	* (a.ii) Percentage of employee between 30 to 50 years old for Non-Executive / Technical Staff category	Percentage	59.47	70	No assurance
Footnote Metric	Description of age group has been changed				
Diversity	* (a.ii) Percentage of employee above 50 years old for Non-Executive / Technical Staff category	Percentage	22.11	10	No assurance
Footnote Metric	Description of age group has been changed				
Diversity	(a.ii) Percentage of employee under 30 years old for General Workers category	Percentage	38.65	30	No assurance
Diversity	* (a.ii) Percentage of employee between 30 to 50 years old for General Workers category	Percentage	50.24	50	No assurance
Footnote Metric	Description of age group has been changed				
Diversity	* (a.ii) Percentage of employee above 50 years old for General Workers category	Percentage	11.11	20	No assurance
Footnote Metric	Description of age group has been changed				

KKB Engineering Berhad

BMLR Transition Period

Date & Time: 2026-04-17 09:40:53
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Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance
Diversity	(b.i) Percentage of Male directors	Percentage	75	50	No assurance
Diversity	(b.i) Percentage of Female directors	Percentage	25	50	No assurance
Diversity	(b.ii) Percentage of directors under 30 years old group	Percentage	0	-	No assurance
Diversity	* (b.ii) Percentage of directors between 30 to 50 years old group	Percentage	0	* 20	No assurance
Footnote Metric	Description of age group has been changed				
Footnote Target	Target of directors between 30 to 50 years old group has been changed				
Diversity	* (b.ii) Percentage of directors above 50 years old group	Percentage	100	* 80	No assurance
Footnote Metric	Description of age group has been changed				
Footnote Target	Target of directors above 50 years old group has been changed				
Energy management	(a) Total energy consumption	MWh	* 9,173.79	Reduce \geq 2% volume of consumption	No assurance
Footnote 2025	Total energy consumption has been changed				
Health and safety	(a) Number of work-related fatalities	Number	0	Zero	No assurance
Health and safety	(b) Lost time incident rate	Rate	0.56	Zero	No assurance
Health and safety	(c) Number of employees trained on health and safety standards	Number	290	200	No assurance
Labour practices and standards	(a.i) Total hours of employee training by Management category	Hours	1,721.2	\geq 560	No assurance
Labour practices and standards	(a.ii) Total hours of employee training by Executive category	Hours	934.1	\geq 560	No assurance

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KKB Engineering Berhad

BMLR Transition Period

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance
Labour practices and standards	(a.iii) Total hours of employee training by Non-Executive / Technical Staff category	Hours	529.2	≥560	No assurance
Labour practices and standards	(a.iv) Total hours of employee training by General Workers category	Hours	147	≥560	No assurance
Labour practices and standards	(b) Percentage of employees that are contractors or temporary staff	Percentage	52.45	70	No assurance
Labour practices and standards	(c.i) Total number of employee turnover by Management category	Number	11	5	No assurance
Labour practices and standards	(c.ii) Total number of employee turnover by Executive category	Number	98	5	No assurance
Labour practices and standards	(c.iii) Total number of employee turnover by Non-Executive - Technical Staff category	Number	251	10	No assurance
Labour practices and standards	(c.iv) Total number of employee turnover by General Workers category	Number	95	20	No assurance
Labour practices and standards	(d) Number of substantiated complaints concerning human rights violations	Number	0	Zero	No assurance
Supply chain management	(a) Proportion of spending on local suppliers	Percentage	79.76	70	No assurance
Data privacy and security	(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	Zero	No assurance
Water	(a) Total volume of water used	Megaliters	* 9415	Reduce ≥2% volume of consumption	No assurance
Footnote 2025	Total volume of water used has been changed				

KKB Engineering Berhad

IFRS S2

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FYE 31/12/2025

Sustainability Matter	Metric	Measurement Unit	2025	Target	Assurance
GHG emissions	Scope 1	Metric tonnes of carbon dioxide equivalents (tCO2e)	921.48	≤1,600	No assurance
GHG emissions	Scope 2 Location-based	Metric tonnes of carbon dioxide equivalents (tCO2e)	706.89	≤500	No assurance
GHG emissions	Scope 3 Cat.1: Purchased goods and services	Metric tonnes of carbon dioxide equivalents (tCO2e)	* 12,575.00	-	No assurance
Footnote 2025	Data of purchased goods and services has been changed				
GHG emissions	Scope 3 Cat.5: Waste generated in operations	Metric tonnes of carbon dioxide equivalents (tCO2e)	* 151.77	-	No assurance
Footnote 2025	Data of total waste generated in operations changed to data of total waste directed to disposal by third-party				
GHG emissions	Scope 3 Cat.6: Business travel	Metric tonnes of carbon dioxide equivalents (tCO2e)	29.47	-	No assurance
GHG emissions	Scope 3 Cat.7: Employee commuting	Metric tonnes of carbon dioxide equivalents (tCO2e)	* 828.27	-	No assurance
Footnote 2025	Data of employee commuting has been changed				

SUSTAINABILITY STATEMENT (CONT'D)

ESG PERFORMANCE DATA TABLE

The table below contains the common and sector-specific sustainability indicators as required by Bursa Malaysia. This reflects our unwavering commitment to providing our stakeholders with the most reliable and up-to-date information, ensuring our sustainability performance are best reported to our knowledge.

Performance Indicator	Unit	2023	2024	2025
Anti-corruption				
Percentage of employees who have received training on anti-corruption by employee category				
Management	Percentage	96.60	100	100
Executive	Percentage	99.10	100	100
Non-Executive/Technical Staff	Percentage	98.89	100	100
General Workers	Percentage	74.50	100	100
Percentage of operations assessed for corruption-related risks	Percentage	0	0	100
Confirmed incidents of corruption and action taken	Number	0	0	0
Community / Society				
Total amount invested in the community where the targets beneficiaries are external to the listed issuer	MYR	92,000.00	287,362.50	228,390.00
Total number of beneficiaries of the investment in communities	Number	21	23	15
Diversity				
Percentage of employees by gender and age group by employee category				
Gender group by employee category: -				
Management – Male	Percentage	78.16	77.50	76.32
Management – Female	Percentage	21.84	22.50	23.68
Executive – Male	Percentage	79.31	80.38	78.33
Executive – Female	Percentage	20.69	19.62	21.67
Non-Executive/Technical Staff – Male	Percentage	86.88	91.87	91.58
Non-Executive/Technical Staff – Female	Percentage	13.12	8.13	8.42
General Workers – Male	Percentage	94.44	94.03	95.17
General Workers – Female	Percentage	5.56	5.97	4.83
Age group by employee category: -				
Management – Under 30	Percentage	2.30	1.25	0
Management – Between 30-50	Percentage	49.42	55.00	53.95
Management – Above 50	Percentage	48.28	43.75	46.05
Executive – Under 30	Percentage	21.98	27.27	17.50
Executive – Between 30-50	Percentage	58.62	51.20	59.17
Executive – Above 50	Percentage	19.40	21.53	23.33

SUSTAINABILITY STATEMENT (CONT'D)

ESG PERFORMANCE DATA TABLE (cont'd)

Performance Indicator	Unit	2023	2024	2025
Non-Executive/Technical Staff – Under 30	Percentage	43.77	34.98	18.42
Non-Executive/Technical Staff – Between 30-50	Percentage	44.86	51.23	59.47
Non-Executive/Technical Staff – Above 50	Percentage	11.37	13.79	22.11
General Workers – Under 30	Percentage	31.02	40.80	38.65
General Workers – Between 30-50	Percentage	57.87	49.25	50.24
General Workers – Above 50	Percentage	11.11	9.95	11.11
Percentage of Directors by gender and age group: -				
Male	Percentage	77.78	77.78	75
Female	Percentage	22.22	22.22	25
Under 30	Percentage	0	0	0
Between 30-50	Percentage	0	0	0
Above 50	Percentage	100	100	100
Energy Management				
Total energy consumption	Megawatt	6,624.62	11,838.62	9,173.79
Health & Safety				
Number of work-related fatalities	Number	0	0	0
Lost Time Incident Rate ("LTIR")	Rate	1.19	1.13	0.56
Number of employees trained on health and safety standards	Number	87	693	290
Labour practices and standards				
Total hours of training by employee category: -				
Management	Hours	1,370	1,675	1,721.2
Executive	Hours	917	881	934.1
Non-Executive/Technical Staff	Hours	301	249	529.2
General Workers	Hours	144	539	147
Percentage of employees that are contractors or temporary staff	Percentage	76.30	68.53	52.45
Total number of employee turnover by employee category: -				
Management	Number	11	8	11
Executive	Number	23	70	98
Non-Executive/Technical Staff	Number	86	532	251
General Workers	Number	85	96	95
Number of substantiated complaints concerning human rights violations	Number	0	0	0

SUSTAINABILITY STATEMENT (CONT'D)

ESG PERFORMANCE DATA TABLE (cont'd)

Performance Indicator	Unit	2023	2024	2025
Supply Chain Management				
Proportion of spending on local suppliers	Percentage	86.66	99.17	79.76
Data privacy and security				
Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0
Water				
Total volume of water used	Megalitres	62.06	88.20	94.15
Waste Management				
Total waste generated	Metric Tonne	177.19	136.77	166.25
Total waste diverted from disposal	Metric Tonne	0	0	0
Total waste directed to disposal	Metric Tonne	187.15	118.38	151.77
Emissions Management				
Scope 1 emissions in tonnes of CO ₂ e	tCO ₂ e	-	1,839.91	921.48
Scope 2 emissions in tonnes of CO ₂ e	tCO ₂ e	-	847.47	706.89
Scope 3 emissions in tonnes of CO ₂ e: -				
Purchased goods and services (Suppliers)	tCO ₂ e	-	10,456.69	12,575.00
Business travel	tCO ₂ e	-	-	29.47
Employee commuting	tCO ₂ e	-	-	828.27
Economic Performance				
Economic value generated (i.e., revenue and other income)	MYR	483,520,737	647,194,297	188,773,012
Economic value distributed (i.e., operating costs, employee wages and benefits, payments to providers of capital, payments to government and community investments)	MYR	452,664,273	627,728,401	192,427,974

BOARD OF DIRECTORS' PROFILE

DATO SRI KHO KAK BENG

Executive Chairman

Gender: Male	Age: 82	Nationality: Malaysian
Date of Appointment: Joined on 20 February 1976		

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

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

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

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

During the financial year ended 31 December 2025, he attended 3 out of 4 Board meetings.

As at 25 March 2026, his shareholdings in the Company are as follows:

Direct Shareholding	Indirect Shareholding
5,182,680	112,880,700*
1.80%	39.10%

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

BOARD OF DIRECTORS' PROFILE (CONT'D)

KHO POK TONG

Group Managing Director

Gender: Male	Age: 57	Nationality: Malaysian
Date of Appointment: Joined on 14 January 1994		

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

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

On 1 March 2023, having served the Group for over 31 years, Kho Pok Tong was promoted to and appointed as Group Managing Director.

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

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

Recently, he has been appointed as Vice Chairman of the Sarawak Foundry and Engineering Industries Association (2026 - 2028) SWKFEIA. He is a member of the Federation of Malaysian Manufacturers Working Committee (Sarawak) since 30 August 2001. He is also a member of the Establishment Committee, member of the Marketing and Employability Committee and Industries Relation & Membership Committee of i-CATS University College, Sarawak. As Committees' member, he sits in the Management Council of Sarawak Skills.

He also sits on the Board of subsidiary and associate companies of KKB Engineering Berhad as well as various other private companies.

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

During the financial year ended 31 December 2025, he attended 4 out of 4 Board meetings and 4 out of 4 Audit Committee meetings.

As at 25 March 2026, his shareholdings in the Company are as follows:

Direct Shareholding	Indirect Shareholding
895,900	112,392,620*
0.31%	38.93%

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

BOARD OF DIRECTORS' PROFILE (CONT'D)

KHO POH LIN

Executive Director

Gender: Female	Age: 59	Nationality: Malaysian
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Date of Appointment: Joined on 14 January 1994

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

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

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

During the financial year ended 31 December 2025, she attended 4 out of 4 Board meetings and 4 out of 4 Audit Committee meetings.

As at 25 March 2026, her shareholdings in the Company are as follows:

Direct Shareholding	Indirect Shareholding
629,500	112,992,620*
0.22%	39.13%

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

BOARD OF DIRECTORS' PROFILE (CONT'D)

YONG VOON KAR

Independent Non-Executive Director

Gender: Male	Age: 67	Nationality: Malaysian
Date of Appointment: Joined on 1 March 2020		

Yong Voon Kar is the Chairman for both Audit Committee and Nomination & Remuneration Committee of KKB Engineering Berhad.

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

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

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

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

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

During the financial year ended 31 December 2025 he attended 4 out of 4 Board meetings and 4 out of 4 Audit Committee meetings.

He has no shareholdings in the Company.

IR. HAJI OTHMAN BIN ABDUL KADIR

Independent Non-Executive Director

Gender: Male	Age: 70	Nationality: Malaysian
Date of Appointment: Joined on 1 June 2023		

Ir. Haji Othman was appointed as member of the Audit Committee and the Nomination & Remuneration Committee of the Company on 1 September 2024.

He graduated from the University of Southampton with a Bachelor Science in Ship Science and is a Professional Engineer with a Practising Certificate (Naval Architecture) registered with the Board of Engineers, Malaysia. As a member of the Institute of Engineers Malaysia and Chartered Engineer UK, he is also an active fellow of Royal Institution of Naval Architects and fellow of Institute of Marine Engineers, Science and Technology.

He has over 40 years of combined experience in the Marine, Oil & Gas and general industries in the field of Classification, Inspection, Quality control, Auditing and Consultancy Services. He has served in the Royal Malaysian Navy and left as a Lieutenant Commander, lecturer in UTM, Marine Executive in Petronas, Surveyor

and Country Manager in Lloyd's Register and Regional Chief Executive for Bureau Veritas Malaysia and Brunei.

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

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

During the financial year ended 31 December 2025 he attended 4 out of 4 Board meetings and 4 out of 4 Audit Committee meeting.

He has no shareholdings in the Company.

BOARD OF DIRECTORS' PROFILE (CONT'D)

NORLIZA BINTI MOHAMAD NAWI

Independent Non-Executive Director

Gender: Female **Age: 59** **Nationality: Malaysian**

Date of Appointment: Joined on 1 September 2024

Norliza binti Mohamad Nawi holds a Master of Business Administration degree from California State University Fresno, USA and Bachelor of Science in Business Administration degree with major in Finance and a second major in Economics from the California State University, Chico, USA. She has 30 years of professional experiences in PETRONAS and was a director for few of its operating companies.

Her wide experience in oil and gas industry includes policy development and stewardship in the field of Risk Management, Procurement, Governance & Supply

Chain, Vendors Licensing, Education & Human Capital Investment Development. In addition, she was also involved in planning, marketing, contracting, distribution and logistics of petrochemicals and oil products during her early foundation years in PETRONAS.

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

During the financial year ended 31 December 2025 she attended 4 out of 4 Board meeting.

She has no shareholdings in the Company.

CHAI WOON CHEW

Non-Independent Non-Executive Director

Gender: Male **Age: 68** **Nationality: Malaysian**

Date of Appointment: Joined on 5 September 1994

Chai Woon Chew is a member of the Nomination & Remuneration Committee of the Company.

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

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

He does not hold any directorship in other public listed companies. He does not have any personal pecuniary interests or potential conflict of interest, including interest in any competing business which are in conflict with the Company or its subsidiaries. He is not related to any of the directors and substantial shareholders and

has no previous convictions for any offences within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

During the financial year ended 31 December 2025, he attended 4 out of 4 Board meetings.

As at 25 March 2026, his shareholdings in the Company are as follows:

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

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

BOARD OF DIRECTORS' PROFILE (CONT'D)

LAU NAI PEK

Non-Independent Non-Executive Director

Gender: Male	Age: 73	Nationality: Malaysian
Date of Appointment: Joined on 22 July 2011		

Lau Nai Pek is a member of the Audit Committee of the Company.

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

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

Independent Board member of Axiata Group Berhad and over 11 years as a member of EPF Investment Panel.

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

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

During the financial year ended 31 December 2025 he attended 4 out of 4 Board meetings and 4 out of 4 Audit Committee meetings.

He has no shareholdings in the Company.



KEY SENIOR MANAGEMENT'S PROFILE

DATO SRI KHO KAK BENG

Executive Chairman

Gender: Male

Age: 82

Nationality: Malaysian

Date Joined: 20 February 1976

Refer to details on page 78 of the Directors' Profile of this Annual Report.

KHO POK TONG

Group Managing Director

Gender: Male

Age: 57

Nationality: Malaysian

Date Joined: 14 January 1994

Refer to details on page 79 of the Directors' Profile of this Annual Report.

KHO POH LIN

Executive Director

Gender: Female

Age: 59

Nationality: Malaysian

Date Joined: 14 January 1994

Refer to details on page 80 of the Directors' Profile of this Annual Report.

DIWEK ANAK DAYUS

Group Chief Financial Officer

Gender: Female

Age: 59

Nationality: Malaysian

Date of Appointment: Joined on 1 September 1997

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

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

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

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

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

Currently, she sits on the Board of KKB Industries (Sabah) Sdn. Bhd., Harum Bidang Sdn. Bhd., and KKB Energy Sdn. Bhd., subsidiaries companies of KKB and is a Director

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

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

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

As at 25 March 2026, her shareholdings in the Company are as follows:

Direct Shareholding

53,700

0.02%

KEY SENIOR MANAGEMENT'S PROFILE (CONT'D)

LIEW HUP KUI

Chief Operating Officer

Gender: Male	Age: 57	Nationality: Malaysian
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Date of Appointment: **Joined on 6 May 1995**

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

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

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

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

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

He has no shareholdings in the Company.

DOMINIC A/L LAAH

Senior General Manager (Group Commercial & Project)

Gender: Male	Age: 58	Nationality: Malaysian
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Date of Appointment: **Joined on 4 April 1995**

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

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

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

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

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

He has no shareholdings in the Company.

KEY SENIOR MANAGEMENT'S PROFILE (CONT'D)

KHO POH JOO

Senior General Manager (Group HR & Business Services)

Gender: Female	Age: 60	Nationality: Malaysian
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Date of Appointment: **Joined on 1 May 1985**

Kho Poh Joo joined the Company as Administrator in 1985. She has been promoted to several key positions since and on 1 March 2024, she was promoted to the position of Senior General Manager (Group HR & Business Services).

She holds a Bachelor Degree in Human Resource Management from Wilmington Metropolitan University, California USA. She has more than 39 years of experience on human resource management. She also oversees other departments and sections on matters of Insurance, Procurement, Security and Shipping.

Kho Poh Joo was awarded Pegawai Bintang Kenyalang (P.B.K) and Ahli Bintang Kenyalang (A.B.K) by the State of Sarawak in year 2017 and 2010 respectively.

As a senior and key member of the Company, she sits on the Risk & Sustainability Committee and Information Technology Committee.

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

As at 25 March 2026, her shareholdings in the Company are as follows:

Direct Shareholding	Indirect Shareholding
192,080	112,392,620
0.07%	38.93%

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

THAN YIEW LING

Senior General Manager (Group Finance)

Gender: Male	Age: 50	Nationality: Malaysian
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Date of Appointment: **Joined on 1 April 2000**

Than Yiew Ling joined the Company as Senior Account Executive. Since then, he was promoted to several positions before assuming his present position as Senior General Manager (Group Finance) since 1 March 2024.

He holds the Association of Chartered Certified Accountants (ACCA) qualification and Diploma in Information Technology from Informatics College. He is fellow member of ACCA and Malaysian Institute of Accountants (MIA).

Than Yiew Ling has 31 years working experience in accounts and finance matters. As a senior and key member of the Company, he sits on the Risk & Sustainability Committee. He contributes to the goals setting for the Group.

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

He has no shareholdings in the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of KKB Engineering Berhad ("KKB" or "the Company") is pleased to present this Corporate Governance Overview Statement ("Statement"), which outlines the application of corporate governance principles and practices by the Company and its subsidiaries ("the Group") for the financial year ended 31 December 2025 ("FYE2025").

This Statement is prepared in accordance with Paragraph 15.25 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the principles and practices of the Malaysian Code on Corporate Governance 2021 ("MCCG"). It provides an overview of how the Board has applied the intended outcomes of the MCCG during the financial year under review.

This Statement should be read together with the Corporate Governance Report 2025, which provides detailed disclosures on the application of each MCCG practice and any departures therefrom. The Corporate Governance Report 2025 is available on the Company's website and via the Company's announcements to Bursa Malaysia. This Statement should also be read in conjunction with other governance-related disclosures in this Annual Report, including the Statement on Risk Management and Internal Control and the Sustainability Statement.

CORPORATE GOVERNANCE FRAMEWORK

The Board recognises that sound corporate governance is fundamental to sustainable long-term value creation, effective risk management, and the protection of shareholders' interests. The Board remains committed to maintaining a high standard of governance by embedding accountability, transparency, integrity and ethical conduct across the Group's operations.

The Group's corporate governance framework is designed to support the Board in fulfilling its stewardship and oversight responsibilities, while ensuring effective delegation to Management for the execution of the Group's strategies and day-to-day operations.

The Board's governance framework is underpinned by, among others:

- The Malaysian Code on Corporate Governance (MCCG);
- The MMLR of Bursa Securities;
- Clearly defined roles, responsibilities and authority limits for the Board, Board Committees and Management;
- A strong ethical culture guided by the Code of Business Conduct and Ethics, Anti-Bribery & Corruption Policy, and Whistleblowing Policy;
- An integrated risk management and internal control framework; and
- A commitment to continuous improvement in governance practices in response to evolving regulatory requirements, business complexity, emerging technologies and stakeholder expectations.

The Board views corporate governance not merely as a regulatory obligation, but as a strategic enabler that supports the Group's vision to be a successful and diversified steel-related international business enterprise. A robust governance framework enhances decision-making, promotes responsible leadership, ensures effective oversight and strengthens stakeholder confidence.

APPLICATION OF THE MCCG

The Board has applied the three (3) Principles of the MCCG during FYE2025, namely:

- Principle A: Board Leadership and Effectiveness
- Principle B: Effective Audit and Risk Management
- Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The Board is satisfied that it has substantially applied the intended outcomes of the MCCG during the financial year. Where there are departures from specific MCCG practices or step-up practices, the reasons for such departures and the alternative practices adopted are explained in the Corporate Governance Report 2025, in line with the "apply or explain an alternative" approach advocated by the MCCG.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

KKB GROUP'S INTEGRATED CORPORATE GOVERNANCE FRAMEWORK



Board Roles and Responsibilities

The Board is committed to discharge its responsibilities responsibly to meet the goals and objectives of the Company, as well as to protect and enhance shareholders value and performance of the Group. The Board sets strategic goals and directions, with a framework where the specific powers are delegated to the Board Committees and the Management.

The Board Charter sets out the Board's clear functions and outlines the powers that the Board specifically reserves for itself, and those which it delegates to the Management and in so doing, also sets the tone of various Board Committees in order to attain efficiency in Board performance.

Board Charter

In recognising that robust and well-designed corporate governance practices are fundamental to safeguarding the interests of the Group's stakeholders, the Board of Directors of KKB is guided by a Board Charter that clearly defines the Board's roles, powers, duties and responsibilities.

The Board Charter reflects current best practices in corporate governance as well as compliance with applicable laws, regulations and guidelines, including the MCGG and the MMLR of Bursa Securities. In addition, the Charter outlines the processes and procedures that support the effective and efficient functioning of the Board and its Committees, thereby promoting accountability, transparency and sound decision-making.

The Board Charter is a dynamic and living document, which is reviewed annually and updated as and when necessary to reflect changes in the Group's policies, procedures and operational requirements, as well as amendments to relevant regulatory and governance frameworks. The Charter comprises, among others, clearly defined terms of reference, authority limits for the Board and its Committees, and key internal governance policies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Further details on the Board's roles and responsibilities are set out in the Board Charter, which is available on the Company's website at <https://kkbeb.com.my/about-us/corporate-governance/>.

A formal and clear division of responsibilities is maintained between the Board and Management to ensure effective oversight, accountability and balanced authority, with the Board focusing on strategic leadership and governance, while Management is responsible for the execution of the Group's strategies and day-to-day operations.

Non-Executive Directors

- **Senior Independent Director (SID)** – Supports the Executive Chairman in governance and Board performance, while serving as an independent liaison to ensure transparent, balanced communication with directors and shareholders.
- **Independent Non-Executive Directors (INEDs)** – Provide impartial judgment, constructive challenge, and independent perspectives on Board deliberations to safeguard stakeholder interests.
- **Non-Independent Non-Executive Directors (NINEDs)** – Contribute specialized knowledge, sector insight, and expertise to support informed decision-making at Board level.

Executive Directors

- **Executive Chairman** – Provides leadership and strategic direction to the Board, facilitates effective Board operations and deliberations, and drives the development and implementation of high-level strategic initiatives and growth opportunities.
- **Group Managing Director (GMD)** – Leads the execution of business strategies and transformational initiatives to deliver operational performance and revenue growth. Oversees all Group operations, strengthens the Leadership Team, and ensures the effective implementation of the Group's Vision, Mission, and long-term objectives.
- **Executive Director** – Supports the Executive Chairman and GMD in day-to-day operational management and strategy implementation. Oversees Corporate and Legal Affairs, human resources, statutory compliance, licensing, and company secretarial practices across the Group.

Key Senior Management

- **Group Chief Financial Officer (GCFO)** – Provides financial leadership, ensuring sound financial management, reporting, and controls. Supports the execution of the Group's strategies by advising on financial planning, risk management, and resource allocation.
- **Chief Operating Officer (COO)** – Drives operational excellence across the Group's business units by executing strategies and operational initiatives. Responsible for the Group Manufacturing-Business Department, including production of new LP Gas Cylinders for Malaysia, reconditioning and requalification of used cylinders for the East Malaysia market, and related business development activities.
- **Senior General Manager (Group Commercial & Project)** – Oversees the Group Commercial Department, managing departmental functions, pre- and post-tendering activities, contract administration, and project management. Ensures successful delivery of projects across Steel Fabrication, Hot-Dip Galvanising, and Civil Construction businesses.
- **Senior General Manager (Group HR & Business Services)** – Leads human resource management and provides oversight for Insurance, Procurement, Security, and Shipping functions. Ensures operational efficiency, alignment with Group objectives, and support for the performance of all business units.
- **Senior General Manager (Group Finance)** – Oversees the Group's accounts and finance functions. Ensures financial integrity and alignment of finance operations with strategic objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Individual Director

Each Director is expected to perform his or her duties professionally, honestly, and ethically at all times, while avoiding any actual or potential conflicts between personal interests and the interests of the Group. Directors are required to declare any conflicts of interest, including interests in businesses that compete with the Company or its subsidiaries, twice a year or immediately upon the occurrence of such a situation.

The Board recognises the critical importance of independence and objectivity in its decision-making process. In line with this principle, the tenure of independent directors is limited to a maximum of twelve (12) years, as stipulated in the Board Charter. The Board Charter sets out this limitation to ensure that independent directors maintain their impartiality and continue to provide objective oversight.

The Senior Independent Director of the Group is Mr. Yong Voon Kar. His key responsibilities include:

- (a) acting as a sounding board and anchor for the Executive Chairman;
- (b) serving as an intermediary for other directors when necessary; and
- (c) acting as a primary point of contact for shareholders and other stakeholders.

Executive Chairman

The Executive Chairman reports directly to the Board, providing leadership, strategic direction, and guidance to ensure the Board fulfils its oversight responsibilities effectively. He also drives strategic initiatives and business development, while not serving on any Board Committees, including the Audit Committee and Nomination & Remuneration Committee, in line with good corporate governance practices.

Dato Sri Kho Kak Beng, the Executive Chairman of the Group, brings extensive experience in steel works, engineering, and construction, coupled with strong technical and managerial expertise. He guides the Group Managing Director in implementing the Group's strategies and ensures the smooth operation of daily business activities, while maintaining independence from Board Committees to uphold governance standards.

Group Managing Director

Mr. Kho Pok Tong serves as the Group Managing Director of the Group, having been promoted from Group Executive Director on 1 March 2023. He is responsible for planning and implementing business strategies, driving business transformation, and fostering revenue growth.

In his role, Mr. Kho oversees all Group operations, provides strategic guidance to the Board, and strengthens the Leadership Team by developing and guiding new talent. He ensures that the Group remains focused on achieving its Vision, Mission, and long-term objectives, while managing the overall operations across the Group of Companies. He reports directly to the Executive Chairman and the Board and is supported by the Key Senior Management team in executing his responsibilities.

Company Secretary

The Company Secretary, Ms. Voon Jan Moi, is duly qualified to act as a Company Secretary under Section 235(2) of the Companies Act 2016 ("the Act"). She possesses the necessary qualifications, experience, and expertise to effectively discharge the duties of her role. Prior to Board meetings, the Company Secretary circulates the meeting notice and agenda to all Directors, providing sufficient time for preparation and ensuring the proceedings are conducted efficiently.

The key responsibilities of the Company Secretary include:

- Advising the Board on all corporate governance matters;
- Ensuring that Board proceedings are conducted in accordance with established procedures; and
- Reviewing and providing guidance to the Board on Directors' duties and obligations under applicable rules and regulations, including the MCGG and the MMLR.

To promote consistency in Board conduct and effective boardroom practices across the Group, the Company Secretary oversees the Group's corporate secretarial functions. The appointment and removal of the Company Secretary is determined by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Meetings

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

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

During the financial year ended 2025, four (4) Board meetings were held. All four (4) meetings dated 24 February 2025, 21 May 2025, 14 August 2025 and 20 November 2025 were held physically. The Board recorded its deliberations on matters discussed and all proceedings at the Board meetings are minuted and confirmed by the Chairman of the meeting. At least one month prior to the release of the quarterly financial announcement, Directors are also informed of the restriction period in dealing with the securities of the Company. Twice a year, Non-Executive Directors meet separately with the External Auditors and the Internal Auditors without the presence of any Executive Directors during the Board's meetings

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

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

Record of attendance of the Directors who held office during the financial year ended 31 December 2025 is as follows:

Name of Directors	Board Meeting	Board Committees Meeting		49 th AGM
		AC	NRC	
Executive Chairman Dato Sri Kho Kak Beng	3/4	N/A	N/A	✓
Group Managing Director Kho Pok Tong	4/4	4/4	N/A	✓
Executive Director Kho Poh Lin	4/4	4/4	N/A	✓
Independent Non-Executive Directors				
Yong Voon Kar	4/4	4/4	1/1	✓
Ir. Haji Othman bin Abdul Kadir	4/4	4/4	1/1	✓
Norliza binti Mohamad Nawi	4/4	N/A	N/A	✓
Non-Independent Non-Executive Directors				
Dr Arjunan Subramaniam @	2/2	N/A	N/A	✓
Lau Nai Pek	4/4	4/4	N/A	✓
Chai Woon Chew	4/4	N/A	1/1	✓

@ Resigned as Non-Independent Non-Executive Director with effect from 22 May 2025

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Activities

Key highlights of the Board activities and priorities during the financial year under review are as follows:

Key Focus Areas	Outcome
Climate-Change Related	<ul style="list-style-type: none"> • KKB Group's Roadmap on Sustainability Reporting guidelines/manual according to International Financial Reporting Standards (IFRS) S1 and S2. • Reviewed and improved "Enhanced Sustainability Reporting Requirements Manual". • Enhancement of Bursa Malaysia Securities Berhad's Centralized Sustainability Intelligence ("CSI") Platform.
Corporate Governance	<ul style="list-style-type: none"> • Resignation of Non-Independent Director, Dr Arjunan Subramaniam. • Enhancement and establishment of relevant Policies. • Artificial Intelligence (AI) Governance awareness. • Anti-Bribery Corruption awareness and training on all employees. • Establishment of Data Protection & Cyber Security Committee (DPCS). • Appointment and registration of Data Protection Officers (DPO) with Personal Data Protection Commissioner (PPDP). • Appointment of Cyber Security Officer. • PDPA, Cyber Security and Stamp Duty awareness and training on employees.
Technology and Artificial Intelligence (AI)	<ul style="list-style-type: none"> • Implementation of Drone Technology into our ISO 45001 AI Management System for safety site inspection and safety management.
Integrated Risk Management Framework	<ul style="list-style-type: none"> • Implementation of the <i>Guidelines on Sustainability Risk Management System</i> to guide KKB Group in establishing a risk management system that integrates sustainability principles. • Reviewed on identified major Risk Management for 2025.

Board Composition

An appropriate Board composition is fundamental to the Board's ability to effectively discharge its oversight and fiduciary responsibilities. An effective Board comprises individuals with a balanced mix of skills, knowledge, experience, independence, and diversity that aligns with the Company's objectives and strategic direction.

The current Board consists of eight (8) Directors, structured as follows:

Category	No. of Directors
Executive Director ("ED")	3
Independent Non-Executive Director ("INED")	3
Non-Independent Non-Executive Director ("NINED")	2
Total	8

During the financial year under review, the Board's composition remained in full compliance with the MMLR and the MCGG. The restructuring and realignment of the Board undertaken in the preceding year have resulted in a well-balanced Board, progressively aligned with the Company's three-year Succession Plan for 2025 to 2027. Dr. Arjunan Subramaniam, Non-Independent Non-Executive Director, resigned on 22 May 2025 after serving the Company for more than 20 years, contributing significantly to the Group's growth. His resignation reflects the Board's commitment to Board renewal as part of good corporate governance practices.

All Independent Non-Executive Directors have served less than twelve (12) years and collectively comprise one-third (1/3) of the Board, in accordance with Paragraph 15.02 of the Listing Requirements.

The Board, through the NRC, continues to prioritise diversity, including gender diversity, in its recruitment and succession planning processes. As at the end of the financial year, two (2) of the eight (8) Directors are female.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Board reviews its Succession Plan annually to ensure the continued effectiveness, suitability, and balance of its composition. The Board is satisfied that the current structure provides an appropriate mix of Executive Directors, Independent Non-Executive Directors, and Non-Independent Non-Executive Directors, enabling objective and independent decision-making that supports the Group's sustainable growth and good corporate governance.

Board Diversity

Diversity requirements of the Board with regards to gender, age, ethnicity, skills and experience are assessed annually through its Assessment and Succession Plan.

Directors by Gender

Gender	FY2023		FY2024		FY2025	
	Number	%	Number	%	Number	%
Male	7	77.8	7	77.8	6	75
Female	2	22.2	2	22.2	2	25
Total	9	100	9	100	8	100

Over the three-year period, the Board maintained a consistent level of gender diversity, with two female directors serving each year. While the total number of directors decreased from nine in FY2023–FY2024 to eight in FY2025, the representation of women increased proportionally from 22.2% to 25.0%. Male representation remained dominant but declined slightly from 77.8% to 75.0% in line with the change in board size.

This trend reflects the Company's commitment to sustaining gender diversity while managing Board renewal. The improvement in proportionate female representation is aligned with corporate governance expectations and demonstrates progress toward gender balance. Continued efforts in succession planning and director development will further enhance the Board's overall diversity and effectiveness.

Directors by Age Group

Age Group	FY2023		FY2024		FY2025	
	Number	%	Number	%	Number	%
50 - 59	2	22.2	3	33.3	3	37.5
60 - 69	4	44.4	3	33.3	2	25
70 - 79	1	11.1	1	11.1	2	25
80 and above	2	22.2	2	22.1	1	12.5
Total	9	100	9	100	8	100

Over the three-year period, the Board's age composition demonstrates a balanced approach to renewal and experience. The Board size remained stable with nine directors in FY2023 and FY2024 before adjusting to eight directors in FY2025 as part of natural succession planning.

Representation within the 50–59 age group increased steadily, rising from 22.2% in FY2023 to 37.5% in FY2025, reflecting the Company's intention to strengthen the Board with directors who bring both experience and long-term continuity. Conversely, the 60–69 age group decreased from 44.4% to 25.0% over the same period, indicating planned transitions and reduced concentration of directors within a single age bracket.

The 70–79 age group increased to 25.0% in FY2025, signalling the continued importance of retaining directors with deep institutional and industry expertise. Meanwhile, representation of directors aged 80 and above declined from 22.2% to 12.5%, consistent with ongoing refreshment initiatives and evolving governance expectations.

Overall, the Board's age distribution reflects a well-managed balance between renewal and continuity, ensuring the retention of critical experience while introducing directors capable of supporting long-term strategic growth. This generational diversity enhances Board effectiveness, improves resilience, and aligns with good corporate governance practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Directors Ethnic, Skills and Experience

The Board comprises Directors with diverse professional backgrounds, competencies, and ethnic representation, enabling robust deliberation and effective oversight of the Group's operations and strategic direction. The Board collectively possesses expertise across key functional areas relevant to the Group's business, including audit and accounting, construction and engineering, energy and oil & gas, taxation, legal, and finance and banking.

The composition of the Board by skills, experience and ethnicity is summarised below:

Directors	Experience & Skills						Ethnic	
	Audit/Accounting	Construction/Engineering	Energy/Oil & Gas	Tax	Laws/Legal	Finance/Banking	Bumiputera	Non-Bumiputera
Dato Sri Kho Kak Beng		✓	✓			✓		✓
Mr. Kho Pok Tong		✓	✓		✓	✓		✓
Ms. Kho Poh Lin					✓			✓
Mr. Lau Nai Pek	✓		✓	✓		✓		✓
Mr. Yong Voon Kar	✓			✓		✓		✓
Mr. Chai Woon Chew					✓			✓
Ir. Haji Othman bin Abdul Kadir		✓	✓				✓	
Mdm. Norliza binti Mohamad Nawi	✓		✓			✓	✓	

This diversity of skills, experience and ethnic background strengthens the Board's ability to provide balanced perspectives, informed decision-making, and effective governance in the best interests of the Group and its stakeholders.

The establishment of the Gender Diversity Policy underscores the Company's commitment to advancing its gender diversity agenda and strengthening diversity at the Board level. The Policy reflects the Board's recognition that diversity enhances decision-making, promotes balanced perspectives, and contributes to sustainable long-term value creation for the Group.

Gender Diversity Policy

1. Introduction

KKB Group is committed to and recognizes the benefit of gender diversity. To the extent practicable, the Group is in compliance with Listing Requirements of Bursa Malaysia Securities Berhad ("BURSA") and address the recommendations and commentary provided in the Malaysian Code on Corporate Governance ("MCCG") which was issued in 2021.

2. Objective

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

3. Responsibilities

(i) The Board's commitment

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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

(ii) Strategies

The Group's diversity strategies include:

- (a) recruiting from a diverse pool of candidates for female positions;
- (b) reviewing succession plans to ensure an appropriate focus on gender diversity;
- (c) identifying specific factors to take into account the recruitment and selection processes to encourage gender diversity; and
- (d) any other strategies the Board develops from time to time.

4. Evaluation

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

5. Reporting

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

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

Through this Policy, the Company affirms its commitment to providing equal opportunities and fostering an inclusive leadership culture. The Board, supported by Management and the NRC, integrates gender diversity considerations into Board appointment, succession planning, and leadership development processes. This ensures that suitably qualified female candidates are given due consideration, in line with regulatory expectations and best practices under the MCCG.

The Gender Diversity Policy provides a structured framework to guide the Company's efforts in promoting female participation at the Board and Senior Management levels, while maintaining merit-based selection and alignment with the Group's strategic objectives. The Board remains committed to monitoring the effectiveness of the Policy and to transparent disclosure of its progress to stakeholders through the Company's Annual Report and corporate governance disclosures.

Board Remuneration

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

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

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

Remuneration details of each Directors are disclosed in accordance with Practice 8.1 of MCCG. The remuneration of the Non-Executive Directors will be tabled to the shareholders for approval at the forthcoming 50th Annual General Meeting of the Company to be held on Friday, 22 May 2026.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Committees

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

There are two (2) Board Committees established to assist the Board in the discharge of its duties namely AC and NRC. The External Auditors, the Internal Auditors and the MANCO reporting to the AC.

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



Audit Committee

The composition of AC, details of AC meetings, summary of work of the AC, how it has met its responsibilities, summary of work of the internal audit function and together with its report are presented from pages 104 to 108 in the AC Report.

External Auditors

The External Auditors for KKB Group is Ernst & Young PLT. Refer to pages 4 and 107 of this Annual Report for more information.

Internal Auditors

The Internal Auditors and its Internal Audit Function are outsourced to Crowe Corporate Services Sdn. Bhd., an independent outside party to assist the AC in the discharge of its duty. Refer to pages 107, 108 and 119 of this Annual Report for more information.

Nomination & Remuneration Committee

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

Name	Position	Category
Yong Voon Kar	Chairman	Independent Non-Executive Director
Ir. Haji Othman bin Abdul Kadir	Member	Independent Non-Executive Director
Chai Woon Chew	Member	Non-Independent Non-Executive Director

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

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

Statement of NRC Activities

During the financial year under review, NRC members met on 24 February 2025. The meeting was attended by all the members to deliberate, inter alia, on the followings:

- 1) The tenure of existing Independent Directors and candidate as a new Independent Director of the Company pursuant to Paragraph 1.01 MMLR to the Board for approval.
- 2) Appointment and resignation of Independent Director.
- 3) Appointment and resignation of Board Committees members.
- 4) Deliberated on Directors' retirement by rotation at the Annual General Meeting, assessed the performance, contribution and effectiveness of the retiring Directors in line with the fit and proper criteria of the Directors' Fit & Proper Policy, performance of the Board including Directors' commitment and contributions at meetings and Committees' performance, independence of independent directors and Group Chief Financial Officer's character, experience, integrity, competence and time to discharge her role and make recommendation as appropriate.
- 5) Reviewed remuneration packages and bonuses for Executive Chairman, Group Managing Director, Executive Director and Group Chief Financial Officer including Senior Management Staff.
- 6) The NRC also reviewed the Terms of Reference, Remuneration Policy and Procedures, Gender Diversity Policy, Directors' Fit and Proper Policy, Succession Planning Policy, Company's Succession Plan, term of office and performance of the AC and existing criteria for recruitment.
- 7) Mandatory Accreditation Programme ("MAP") and MAP II.
- 8) Deliberated on the assessment and evaluation with reference to and in accordance with its terms of reference as laid down on the Board's required mix of skills and experience in age and mix of skill, knowledge, experience, size and structure, adequate training developments opportunities and boardroom diversity.
- 9) Assessment and evaluation of all directors and re-election of directors.

Assessment and Evaluation

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

The step-by-step assessment and evaluation process of the Board, Board Committees, Individual Director and Group Chief Financial Officer for the year ended 31 December 2025 are as follows:

- i) The Evaluation Form of the Board, Individual Director, Group Chief Financial Officer and Self Evaluation, AC and NRC are sent to all NRC members for their action.
- ii) Members of NRC will evaluate, recommend and complete all the evaluation forms and thereafter return to Management office for compiling.
- iii) Thereafter, the NRC members will discuss during the meeting and make recommendation to the Board at the Board of Directors' Meeting.
- iv) Chairman of NRC is required to report outcome of assessment and tabled to the Board during the Board of Directors' Meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Protocols for New Directorships

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

Retirement and Re-election of Directors

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

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

The NRC is entrusted to review the retirement of Directors.

Directorships in other companies

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

Directors Training

Directors are committed to devote sufficient time to carry out and to regularly update their responsibilities, develop their knowledge and enhance their skills through appropriate continuing education and life-long learning to sustain their active participation in board deliberations and effectively execute their duties for years to come.

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

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

Directors' list of trainings/courses attended for year 2025 are as follows:

Name of Directors	Description of Training
Dato Sri Kho Kak Beng	<ul style="list-style-type: none"> Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
Kho Pok Tong	<ul style="list-style-type: none"> Mandatory Accreditation Programme Part II: Leading for Impact (LIP) MPRC National OGSE Blueprint Forum 2025 – Safeguarding OGSE of the Future
Kho Poh Lin	<ul style="list-style-type: none"> Mandatory Accreditation Programme Part II: Leading for Impact (LIP) SSM National Conference 2025: Leading Governance for Sustainable Growth
Chai Woon Chew	<ul style="list-style-type: none"> Mandatory Accreditation Programme Part II: Leading for Impact (LIP)
Lau Nai Pek	<ul style="list-style-type: none"> FIDE Core Banking Module B Training FIDE Core Banking Module A Training Khazanah Megatrends Forum 2025 Cybersecurity Security Awareness Training (Supporting Sustainable & Secure Digital Bank Growth) Anti-Money Laundering, Counter Terrorism Financing and Counter Proliferation Financing (AML/CTF/CPF) Anti-Bribery and Corruption Training – The Next Frontier

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Name of Directors	Description of Training
Yong Voon Kar	<ul style="list-style-type: none"> • Reserved Matters for Shareholders • Greenwashing: Can Your Green Claims Stand-Up to Scrutiny? • EY ASEAN Tax Forum 2025: New Trade and Tax Realities • Climate Reporting: TCFD & IFRS S2 • AI Development Briefing • AI Briefing – Huawei • Boardroom Blindspots – How Our Perceptions of Risk Influence Boardroom Effectiveness • Climate Resilience & Financial Modelling • 2026 Budget and Tax Conference • MPRC National OGSE Blueprint Forum 2025 – Safeguarding OGSE of the Future
Ir. Haji Othman bin Abdul Kadir	<ul style="list-style-type: none"> • MPRC National OGSE Blueprint Forum 2025 – Safeguarding OGSE of the Future
Norliza binti Mohamad Nawi	<ul style="list-style-type: none"> • Mandatory Accreditation Programme Part II: Leading for Impact (LIP)

Key Senior Management Remuneration

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

- Confidentiality and sensitivity of personal information of Senior Management;
- Breach of personal data protection;
- Security concerns of the staff including their family members;
- Potential friction among the Senior Management staff;
- Staff pinching or poaching of executives in the industry; and
- Detriment of continuous effort to attract and retain its scarce human assets/talents.

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

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

Management Committees



Management Committees Reporting Structure

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Management Executive Committee ("MANCO")

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

The MANCO is comprised of the followings:

Name	Position	
Kho Pok Tong	Group Managing Director	(Chairman)
Kho Poh Lin	Executive Director	(Member)
Diwek Anak Dayus	Group Chief Financial Officer	(Member)
Liew Hup Kui	Chief Operating Officer	(Member)
Dominic A/L Laah	Senior General Manager, Group Commercial and Projects	(Member)
Lau Han Kiang	General Manager, Commercial & Projects	(Member)

Duties and responsibilities of MANCO are listed as below:

- Implementing decisions and policies made by the Board including all sustainability initiatives and risk management.
- Overseeing and ensuring the smooth running of daily operations and the conduct of the Company's business.
- Reviewing quarterly results and cash flow prior to approval by the Board.
- Reviewing RRPT in ensuring they are transacted in arm's length and properly documented.
- Deciding on all matters relating to banking facilities as may be required for the conduct of the Group's operations.
- Undertaking all such other responsibilities as may be required and necessary and as directed by the Board.
- Reporting to the Audit Committee at least once a year.

Risk & Sustainability Committee ("RSC")

In light of the increasing regulatory focus and enhanced disclosure requirements on sustainability matters under the MMLR of Bursa Securities, the Securities Commission Malaysia and other relevant regulatory authorities, the Board recognises the importance of having a dedicated governance structure to oversee sustainability-related matters. Accordingly, the RSC was established to provide focused oversight on sustainability and risk management matters across the Group.

The RSC supports the Board in fulfilling its oversight responsibilities in relation to the Group's sustainability strategies, initiatives and performance, encompassing Environmental, Social and Governance ("ESG") considerations. The RSC plays a key role in ensuring that sustainability-related policies, practices and risk considerations are effectively integrated into the Group's business strategies, operations and decision-making processes.

The RSC submits an annual report on the overall effectiveness of the Group's risk management and sustainability processes to the AC through the MANCO. The RSC takes its instructions from, and reports to, MANCO, which in turn reports to the AC and the Board, thereby ensuring clear reporting lines, accountability and effective oversight.

The RSC comprises members of Management who are directly involved in the day-to-day operations of the Group and are well-positioned to identify, assess and manage sustainability and risk-related matters. The Committee is made up of the Group Managing Director, Executive Director, Group Chief Financial Officer, Chief Operating Officer, Senior Managers and Management personnel from various departments and sections within the Group.

The composition of the RSC reflects a cross-functional approach, enabling effective coordination, implementation and monitoring of sustainability and risk management initiatives across the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The members of the RSC are as follows:

Name	Position	
Kho Poh Lin	Executive Director	(Chairman)
Kho Pok Tong	Group Managing Director	(Member)
Diwek Anak Dayus	Group Chief Financial Officer	(Member)
Liew Hup Kui	Chief Operating Officer	(Member)
Dominic A/L Laah	Senior General Manager, Group Commercial and Project	(Member)
Kho Poh Joo	Senior General Manager, Group HR and Business Services	(Member)
Than Yiew Ling	Senior General Manager, Group Finance	(Member)
Teh Kiang Meng	General Manager, Harum Bidang Sdn. Bhd.	(Member)
Roslan bin Othman	Project Director, OceanMight Sdn. Bhd.	(Member)
Mazlan bin Botok	General Manager, QA/QC - Operations	(Member)

The RSC was established to enhance the effectiveness of the Group's internal risk management framework and to initiate, implement and oversee the Group's sustainability strategies, policies, frameworks, priorities, targets and practices, as approved by the Board.

The RSC meets at least three (3) times a year, and convenes on a more frequent basis as and when required. During the financial year ended 31 December 2025, the RSC held four (4) meetings on 14 January 2025, 14 April 2025, 24 June 2025 and 28 August 2025.

Roles and Responsibilities of the RSC

The roles and responsibilities of the RSC include, but are not limited to, the followings:

- Establishing and maintaining the Group's Risk Management Framework based on an internationally recognised Enterprise Risk Management ("ERM") framework.
- Reviewing and monitoring the implementation and effectiveness of the Group's risk management framework, which addresses key business risks including strategic, financial, operational, legal and compliance, ESG-related, as well as technology and cyber security risks.
- Reviewing annually and recommending changes, where necessary, to the Group's Risk Management and Internal Control Policy.
- Establishing and reviewing the risk profiles of the Company and its subsidiaries, identifying key risk indicators, and evaluating the adequacy and effectiveness of risk mitigation measures.
- Reviewing and recommending the Statement on Risk Management and Internal Control ("SORMIC") to the MANCO for onward recommendation to the AC and the Board for disclosure in the Group's Annual Integrated Report.
- Overseeing the risk identification and assessment processes to ensure consistency with the Group's overall strategy, business plans and operational objectives.
- Initiating and implementing the Group's ESG sustainability strategies, policies, frameworks, priorities, targets and practices, as proposed by MANCO, to ensure alignment with the interests of key stakeholders, including customers, employees, shareholders and the communities in which the Group operates. This includes:
 - Developing and implementing relevant sustainability-related initiatives, activities and programmes to embed sustainability across the Group;
 - Organising and promoting activities that support the Group's role as a responsible corporate citizen;
 - Identifying and assessing sustainability initiatives with potential business impacts on the economy, environment, society and governance; and
 - Strengthening the Sustainability Statement in the Annual Report to ensure meaningful, transparent and, where applicable, assurance-ready disclosures in line with recognised standards.

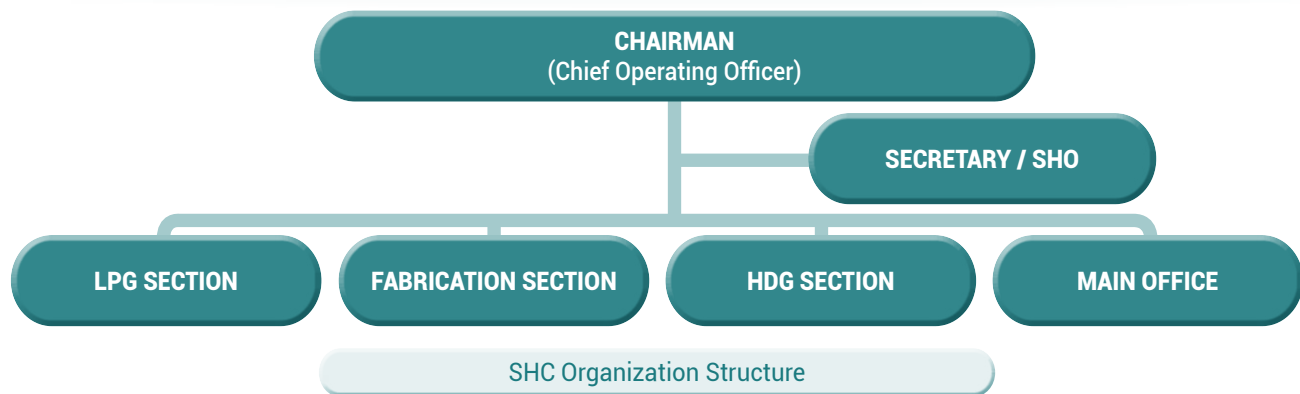
CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Safety & Health Committee ("SHC")

The Group is committed to being a "Supplier of First Choice" to its customers on an international scale by ensuring a safe, healthy and conducive working environment for all employees, contractors and visitors. In support of this commitment, the Group has implemented an Occupational Health and Safety ("OH&S") Management System aimed at meeting customer expectations and delivering quality products and services in a safe and responsible manner at all times.

The SHC is responsible for the planning, implementation and monitoring of the Group's OH&S initiatives. The Committee oversees the development and execution of OH&S implementation plans, ensures compliance with applicable safety and health regulations, and promotes a strong safety culture across the Group. In addition, the SHC is tasked with identifying training needs and establishing appropriate training programmes relating to OH&S and workplace activities to enhance safety awareness and competency among employees.

The SHC comprises members of Management and staff with operational responsibilities, including the Chief Operating Officer, Secretary / Safety & Health Officer, Managers, and representatives from various operating departments and sections. The composition of the SHC enables effective coordination and implementation of OH&S practices across the Group's operations.



Responsibilities of the SHC

The responsibilities of the SHC include, among others, the followings:

- Providing guidance and support to working parties in relation to occupational health and safety matters.
- Assisting in the development, implementation and maintenance of the Group's Occupational Health and Safety Management System documentation.
- Communicating and promoting awareness of the Group's OH&S Policy, OH&S objectives and applicable statutory and regulatory requirements to the workforce.
- Initiating, monitoring and following up on corrective and preventive actions arising from safety incidents, audits and inspections.
- Supporting the Company in the planning, implementation, monitoring and measurement of the effectiveness of the OH&S Management System.
- Providing technical guidance and support, and ensuring that adequate resources, facilities and assistance are made available to support OH&S initiatives.
- Reporting to and being accountable for the implementation of the OH&S Management System, under the guidance and oversight of the Management Representative.

In addition, the Group has established supporting sub-committees, including the Quality, Health, Safety & Environment ("QHSE") Management Review Committee and the OH&S Steering Committee, to further strengthen operational oversight.

These sub-committees assist in the identification, assessment, monitoring and mitigation of day-to-day operational risks, and support the effective implementation of quality, health, safety and environmental management practices across the Group's operations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Information Technology Committee ("ITC")

The ITC was established to support Management in overseeing the Group's information technology ("IT") strategy, systems and controls, with particular focus on the management of technology and cybersecurity risks, data security and data privacy, as disclosed in the Statement on Risk Management and Internal Control.

The ITC assists Management in ensuring that the Group's IT initiatives are aligned with business objectives and operational requirements, while maintaining the confidentiality, integrity and availability of information assets. In line with the Group's risk governance structure, the ITC operates as part of Management's first and second lines of defence, providing oversight and monitoring of technology-related risks prior to escalation to the MANCO, RSC, AC and the Board, where appropriate.

The ITC meets at least three (3) times a year, or more frequently as required, to discharge its responsibilities effectively.

Roles and Responsibilities

The duties and responsibilities of the ITC include, but are not limited to, the followings:

- (a) To monitor and assess the adequacy, quality and effectiveness of the Group's technology and cybersecurity controls, including protection against cybercrime, unauthorised access, data breaches, intrusion, ransomware and malware threats.
- (b) To oversee controls relating to data access, authentication, user identification, password management, network security, data privacy and confidentiality, in line with the Group's IT policies and applicable regulatory requirements.
- (c) To review the adequacy and effectiveness of the Group's IT security framework, including business continuity management, disaster recovery planning and data backup processes, to minimise potential disruption to business operations.
- (d) To ensure compliance with the Group's IT policies, procedures and standards, and to promote consistent implementation of technology controls across the Group.
- (e) To ensure the use of licensed, genuine and legally compliant hardware and software, in accordance with relevant laws, regulations and intellectual property requirements.
- (f) To oversee regular data backup activities and ensure the reliability and integrity of data recovery processes.
- (g) To ensure that the Company's website contains accurate, timely and relevant corporate information.
- (h) To review and recommend updates to the IT policy and the ITC's terms of reference on an annual basis, taking into consideration emerging technology and cybersecurity risks.

Key Technology and Cybersecurity Initiatives

In support of operational efficiency, internal controls and technology risk mitigation, the Group implemented IPAYROLL by HR2000, a fully web-based cloud human resource management system. The system was initially implemented in 2023 and officially went live in January 2025.

The IPAYROLL system provides an integrated HR platform covering payroll, leave management, time management system, claims and performance appraisal, enabling end-to-end automation of HR processes across the Group.

As a cloud-based solution, IPAYROLL enhances accessibility through secure web and mobile platforms, allowing employees, including onsite and field personnel, to access real-time information such as leave balances, attendance records and payroll details. From a technology risk perspective, the system supports centralised data management, improved access control, enhanced data security, automatic system updates and improved compliance and reporting accuracy, thereby reducing operational and data integrity risks.

The implementation of IPAYROLL has also reduced reliance on manual processes, minimised processing errors and lowered infrastructure and maintenance costs, contributing to more efficient and controlled HR operations.

The system has been successfully implemented across six (6) Group companies, namely KKB Engineering Berhad, Oceanmight Sdn Bhd, Harum Bidang Sdn Bhd, KKB Industries Sdn Bhd, KKB Builders Sdn Bhd and Edisi Optima Sdn Bhd, demonstrating its scalability and effectiveness in supporting the Group's technology and cybersecurity risk management objectives.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Data Protection & Cybersecurity Committee ("DPCS")

The Board recognises the increasing importance of robust data protection and cyber security governance in safeguarding the Group's information assets, ensuring regulatory compliance, and maintaining stakeholders' trust. In this regard, the Board has established the DPCS to provide structured oversight and strategic direction on matters relating to personal data protection and cyber security across the Group.

The DPCS supports the Board in overseeing the Group's compliance with applicable legislative and regulatory requirements, including the Personal Data Protection Act 2010 as amended by the Personal Data Protection (Amendment) Act 2024, the Cyber Security Act 2024, and other relevant guidelines and standards. The Committee also oversees the implementation and effectiveness of the Group's data protection and cyber security frameworks, policies, and controls, ensuring alignment with recognised industry best practices.

Key responsibilities of the DPCS include, among others, providing oversight on the Group's data protection and cyber security strategies, monitoring emerging regulatory and cyber security risks, reviewing the adequacy of internal controls and incident response mechanisms, and ensuring appropriate escalation and reporting to the Board on significant data protection or cyber security matters.

The DPCS works closely with Management, including the appointed Data Protection Officer and Cyber Security Officer, to promote a strong culture of data protection and cyber security awareness throughout the Group. Through this governance structure, the Board aims to strengthen the Group's resilience against data protection and cyber security risks while supporting sustainable and responsible business operations.

Corporate Culture

The Board and Key Senior Management are committed to act professionally, fairly and with integrity in all of the Group's business dealings and relationships in whichever country KKB Group operates.

KKB Group is committed to carry out its business dealings in an ethical and honest manner, and is committed to implement and enforce systems that ensure bribery and corruption are prevented. Therefore, incorporation of Anti-Bribery & Corruption Policy, Guidelines and Procedures on Adequate Procedures for Anti-Bribery and Corruption Programmes and Code of Business Conduct and Ethics are necessary.

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

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE REPORT

Pursuant to Paragraph 15.15 of the MMLR of Bursa Securities, the Board is required to prepare an Audit Committee Report for inclusion in this Annual Report.

The AC, established by the Board, is entrusted with the responsibility of assisting the Board in fulfilling its oversight duties in relation to the integrity of the Company's financial reporting, the effectiveness of the Group's risk management and internal control systems, and the performance, independence and objectivity of both the Internal and External Auditors.

In carrying out its responsibilities, the AC is authorised by the Board to obtain any information it requires from Management or any employee of the Group, and all employees are directed to cooperate fully with any request made by the AC. The AC works closely with the RSC to ensure that significant risks, including financial, operational, sustainability and emerging risks, are appropriately identified, assessed, managed and reported.

The AC has unrestricted access to the Internal Auditors (or persons carrying out the internal audit function) and the External Auditors. The AC is also empowered by the Board to seek independent professional advice, including legal or other specialist advice, at the Company's expense, where it considers such advice necessary to discharge its duties effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Audit Committee Members

The AC comprises the followings:

Audit Committee Member	Designation	Directorship
Yong Voon Kar	Chairman	Independent Non-Executive Director
Ir. Haji Othman bin Abdul Kadir	Member	Independent Non-Executive Director
Lau Nai Pek	Member	Non-Independent Non-Executive Director

The AC comprises entirely Non-Executive Directors, with a majority being Independent Directors, in compliance with Paragraph 15.09(1)(a) and (b) of the MMLR of Bursa Securities.

Mr. Yong Voon Kar, an Independent Non-Executive Director, serves as the Chairman of the Audit Committee and is not the Chairman of the Board, in compliance with Paragraph 15.10 of the MMLR and Practice 1.4 of the MCCG. As Chairman of the AC, he is responsible for ensuring the overall effectiveness, independence and proper functioning of the Committee.

Duties and Responsibilities of AC

The AC carries out its duties and responsibilities in accordance with its Terms of Reference ("TOR"), which outline, among others, the Committee's authority, scope of responsibilities and procedures. The TOR of the AC is available on the Company's website at: <https://www.kkbeb.com.my/system/assets/1561/TORs%20AC.pdf>

Activities of the AC

During the FYE2025, the AC held four (4) meetings and discharged its duties in accordance with its TOR. The AC meetings were held on 24 February 2025, 21 May 2025, 14 August 2025 and 20 November 2025.

The Group Managing Director, Executive Director and Group Chief Financial Officer were invited to attend all AC meetings to assist with any clarifications or questions the AC might have. The Internal Auditors attended all scheduled AC meetings, while the External Auditors attended the meetings held in February and November 2025.

Details of the members and their attendance are as follows:

Name	AC Meeting Attendance				Frequency
	24.02.2025	21.05.2025	14.08.2025	20.11.2025	
Yong Voon Kar	√	√	√	√	4/4
Lau Nai Pek	√	√	√	√	4/4
Ir. Haji Othman bin Abdul Kadir	√	√	√	√	4/4

Summary of Activities Undertaken by the AC

The key activities and responsibilities undertaken by the AC during FYE2025 included the followings:

- Reviewed the unaudited quarterly financial statements and the audited annual financial statements of the Company and the Group prior to recommending them to the Board for approval, upon satisfying itself that the applicable financial reporting and disclosure requirements had been complied with before announcement to Bursa Malaysia.
- Reviewed and discussed the audit plan for FYE2025 with the External Auditors.
- Met twice with the External Auditors, without the presence of Management and other Directors, on 24 February 2025 and 20 November 2025 to discuss audit findings, significant issues and the level of cooperation extended by Management.
- Reviewed and approved the internal audit plan for 2025, as well as the quarterly internal audit reports and findings presented by the Internal Auditors.
- Met once with the Internal Auditors, without the presence of Management and other Directors, on 24 February 2025.
- Reviewed Quarterly Related Party Transactions to ensure that such transactions were conducted at arm's length and were not detrimental to the interests of minority shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

- g) Reviewed the AC's Terms of Reference and the Conflict-of-Interest Policy and Procedures, pursuant to Paragraph 15.12(1)(h) of the MMLR.
- h) Reviewed declarations of actual or potential conflicts of interest disclosed annually by the Directors, Key Senior Management and Legal Representative.
- i) Considered and recommended to the Board the re-appointment of the External Auditors and the approval of their audit fees.
- j) Reviewed the Statement on Risk Management and Internal Control prior to Board approval.
- k) Reviewed the Audit Committee Report for inclusion in the Annual Report.
- l) Reviewed reports presented by the MANCO.
- m) Reviewed and approved updates to the Internal Audit Charter.
- n) Assessed the suitability, objectivity and independence of both the External and Internal Auditors.
- o) Obtained written confirmation from the External Auditors on their independence throughout the audit engagement, in accordance with relevant professional and regulatory requirements.
- p) Ensured that all members of the AC undertook continuous professional development to keep themselves abreast of developments in accounting standards, auditing practices and regulatory requirements.

Audit Committee Member	Professional Development
Yong Voon Kar	<ul style="list-style-type: none"> • Reserved Matters for Shareholders • Greenwashing: Can Your Green Claims Stand-Up to Scrutiny? • EY ASEAN Tax Forum 2025: New Trade and Tax Realities • Climate Reporting: TCFD & IFRS S2 • AI Development Briefing • AI Briefing – Huawei • Boardroom Blindspots – How Our Perceptions of Risk Influence Boardroom Effectiveness • Climate Resilience & Financial Modelling • 2026 Budget and Tax Conference • MPRC National OGSE Blueprint Forum 2025 – Safeguarding OGSE of the Future
Ir. Haji Othman bin Abdul Kadir	<ul style="list-style-type: none"> • MPRC National OGSE Blueprint Forum 2025 – Safeguarding OGSE of the Future
Lau Nai Pek	<ul style="list-style-type: none"> • FIDE Core Banking Module B Training • FIDE Core Banking Module A Training • Khazanah Megatrends Forum 2025 • Cybersecurity Security Awareness Training (Supporting Sustainable & Secure Digital Bank Growth) • Anti-Money Laundering, Counter Terrorism Financing and Counter Proliferation Financing (AML/CTF/CPF) • Anti-Bribery and Corruption Training – The Next Frontier

Financial Reporting

The Board is responsible for ensuring that proper accounting records are maintained and that the financial statements of the Company and the Group are prepared in accordance with the MFRS Accounting Standards ("MFRS"), IFRS Accounting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia ("the Act"), so as to present a true and fair view of the financial position, performance and cash flows of the Group and the Company.

In discharging this responsibility, the Board is assisted by the AC, which oversees the Group's financial reporting processes to ensure that the financial statements and related announcements are accurate, adequate and fairly presented, and that relevant disclosure requirements are complied with.

The AC also serves as a platform for regular and constructive dialogue between the Independent Directors and the External Auditors, and reviews the Company's financial reporting processes, including the effectiveness of internal controls and communications with the Internal Auditors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Sustainability Risk Management and Internal Control

The Board and Management recognise the strong interrelationship between sustainability and risk management, encompassing economic, environmental and social considerations. Against this backdrop, the Group has developed a Sustainability Risk Management System, which integrates sustainability considerations into the Group's overall risk management framework.

The Group ensures that its business objectives are sustainability-oriented, and that its risk management system supports and guides the achievement of sustainability-aligned business objectives. During the financial year, the AC received and reviewed the Guidelines on Sustainability Risk Management System presented by the MANCO.

Sustainability risk management is regarded as a business strategy that aligns the Group's profitability objectives with its ESG priorities. This approach enables the Group to better identify, manage and mitigate sustainability-related risks, while capitalising on opportunities arising from sustainable business practices.

In addition, the Board is responsible for establishing a sound system of internal control to safeguard shareholders' investments and the Group's assets. Information on the Group's risk management and internal control framework is set out in the Statement on Risk Management and Internal Control included in this Annual Report.

The AC assists the Board in fulfilling this responsibility by independently reviewing and evaluating the adequacy and effectiveness of the Group's internal control systems, with the support of the Internal Auditors. In parallel, the RSC oversees the implementation of the Integrated Risk Management Framework across the Group's operations and business activities.

Relationship with External Auditors

The Group maintains a formal, transparent and professional relationship with its External Auditors to facilitate the provision of independent assurance and professional advice, and to ensure compliance with applicable approved accounting standards, MFRS, IFRS and the Act.

The External Auditors play an important role in providing assurance to shareholders on the reliability and integrity of the Group's financial statements. The External Auditors meet with the Board as and when necessary and hold separate meetings with the AC, without the presence of other Directors and Management, twice a year during the February and November AC meetings.

Internal Auditors

The Group's internal audit function is outsourced to an independent professional firm, which assists the AC in the discharge of its duties and responsibilities. During the financial year under review, all internal audit activities were carried out by Crowe Corporate Services Sdn. Bhd.

The Internal Auditors provide independent and objective assurance on the adequacy and effectiveness of the Group's governance, risk management and internal control systems, and report directly to the AC. Their findings and recommendations are communicated to the Board through the AC.

The AC meets at least once annually with the Internal Auditors, without the presence of Management and other Directors, to ensure the effectiveness and independence of the internal audit function. During FYE2025, such a meeting was held on 24 February 2025.

The total cost incurred for the internal audit function during FYE2025 amounted to approximately RM36,500 (FYE2024: RM32,000).

Summary of work of Internal Audit

The internal audit function of the Group is outsourced to ensure objectivity, independence and professional competence, and to add value by improving the effectiveness of the Group's operations. For impartiality and independence, the Internal Auditors report directly to the AC on a quarterly basis. Any corrective actions arising from audit findings are monitored by Management and reported to the AC.

The Internal Auditors carried out audit assignments in accordance with the annual internal audit plan approved by the AC, with audit areas selected based on a risk assessment exercise reviewed by the AC. The AC reviewed the internal audit reports highlighting audit observations, recommendations and Management's responses, and directed appropriate follow-up actions to strengthen the Group's risk management and internal control framework.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

During FYE2025, the Internal Auditors executed the approved audit plan and conducted quarterly internal audit reviews for the Company and its subsidiaries, which included the following areas:

- (i) Audit on the KKB Group's Readiness on its Compliance with Sustainability Reporting Requirements;
- (ii) Audit of Safety and Health Hazards and Preventive Maintenance for OceanMight Sdn. Bhd.;
- (iii) Audit of Quality Assurance and Quality Control Documentation and Customer Complaint for KKB Engineering Berhad; and
- (iv) Audit on Licensing and Registration Requirements for the KKB Group.

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

The Board places strong emphasis on the integrity, transparency and timeliness of the Company's corporate reporting and disclosures.

The Board ensures that:

- Financial statements are prepared in accordance with applicable accounting standards and provide a fair and balanced view of the Group's financial position and performance;
- Non-financial disclosures, including sustainability and governance disclosures, are meaningful, relevant and aligned with regulatory expectations;
- Shareholders are provided with timely and accurate information to facilitate informed decision-making; and
- Effective engagement is maintained with shareholders and other stakeholders through various communication channels.

Engagement with Stakeholders

The Board recognises the importance of maintaining transparency, accountability and open communication with the Company's stakeholders, particularly its shareholders and investors. Ongoing engagement with stakeholders fosters trust and mutual understanding, and enables stakeholders to better appreciate the Company's objectives, performance and the quality of its Management.

The Company adopts a two-way communication approach and engages with stakeholders through various platforms and channels, as outlined below:

- **Annual General Meeting ("AGM")**

The AGM serves as a key platform for shareholder engagement, providing shareholders with the opportunity to participate in discussions and to raise questions or seek clarification from the Board of Directors, Senior Management, External Auditors and Internal Auditors. The Notice of AGM, together with the Notice of Dividend Entitlement and Payment (where applicable), specifying the venue, date and time of the meeting as well as the dividend payment date, is issued to shareholders at least twenty-eight (28) days prior to the AGM.

- **Annual Report**

The Company's Annual Report is an important communication tool that provides shareholders and stakeholders with comprehensive information on the Group's financial and operational performance, risk management, corporate governance, sustainability, strategies and business objectives. In response to increasing stakeholder expectations, the Company continues to enhance the quality and depth of its disclosures, particularly in relation to sustainability and the Group's impact on the economy, environment and society.

- **Company's Website**

The Company's website serves as a primary and readily accessible platform for disseminating information to stakeholders. Information available on the website includes, among others, the Company's corporate profile, core activities, investor relations information, corporate governance disclosures, achievements and announcements of significant events.

- **Networking and Dialogues**

The Company maintains ongoing dialogue and networking engagements with its customers and suppliers through structured meetings, performance reviews, industry events and engagement sessions. These engagements enable the Company to better understand stakeholder expectations, business needs and emerging risks within the value chain. Feedback and key matters arising from such engagements are reviewed by Management and, where material, are escalated to the Board for consideration in strategic, operational and sustainability-related decisions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

- **Electronic Communication (Email)**

The Company encourages stakeholders to communicate via email as it facilitates timely responses, enhances efficiency, reduces administrative costs and supports the Group's environmental sustainability efforts by minimising paper usage.

- **Written Correspondence (Mail)**

Recognising that not all stakeholders have ready access to information technology facilities, the Group continues to accept communication through written correspondence. Stakeholders may write to the Company with their queries or concerns, and Management will respond accordingly. This includes correspondence from shareholder advocacy groups such as the Minority Shareholders Watch Group.

- **Telephone and Facsimile**

Stakeholders may also contact the Company via telephone or facsimile to raise enquiries or seek clarification on matters relating to the Company.

- **Corporate Collaterals**

Upon request, stakeholders may obtain printed copies of the Company's corporate profile, brochures or flyers to gain a better understanding of the Group's businesses, products and services.

Conduct of General Meetings

The Company's Forty-Ninth (49th) AGM in respect of the financial year ended 31 December 2024 was held on 22 May 2025 at the Grand Margherita Hotel, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak. The AGM was conducted as a physical meeting.

The Notice of the AGM was issued to all shareholders and published in The Star newspaper on 22 April 2025, in accordance with the Company's Constitution. The Notice was also made available to shareholders within the prescribed notice period via electronic means through the Company's website.

Shareholders received written notification containing the link to <https://kkbeb.listedcompany.com/agm.html>, which provided access to the Company's Annual Report, Circular to Shareholders, Notice of AGM, Minutes of AGM, Summary of Key Matters, Notification to Shareholders, Proxy Form and AGM Archive.

During the AGM, shareholders were accorded the opportunity to inspect the minutes of previous general meetings, register of members and the Company's Constitution. A dedicated Questions and Answers session was conducted, during which shareholders and proxies were able to exercise their rights to raise questions or seek clarification on matters relating to the agenda of the AGM. Questions raised were addressed by the Chairman, Directors, External Auditors, Group Chief Financial Officer and/or the Company Secretary, as appropriate.

The Minority Shareholders Watch Group ("MSWG"), one of the Company's shareholders, had submitted questions and queries relating to the Company's strategy, financial performance and corporate governance matters. The Company provided a written response to MSWG on 20 May 2025, and a copy of the response was made available to shareholders upon registration at the AGM.

Voting and Polling Procedures

Pursuant to Paragraph 8.29A(1) of the MMLR of Bursa Securities, all resolutions tabled at the AGM were voted on by way of poll.

In this regard, Tengis Corporate Services Sdn. Bhd. was appointed as the Poll Administrator to conduct the polling process, while Commercial Quest Sdn. Bhd. was appointed as the Independent Scrutineer to validate and verify the votes cast at the AGM.

Prior to the commencement of the meeting, the Poll Administrator briefed shareholders, proxies and corporate representatives on the polling procedures. The key polling process included the followings:

1. Polling slips were distributed to all shareholders, proxies and corporate representatives upon registration.
2. Shareholders indicated their votes on each resolution by marking an "X" in the appropriate "For" or "Against" column.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

3. Polling slips for proxies were completed by the Poll Administrator based on the voting instructions provided in the proxy forms. Where no voting instructions were specified, proxies were entitled to vote or abstain at their discretion.
4. Shareholders who attended the AGM in multiple capacities (as shareholder, proxy or corporate representative) were required to complete separate polling slips.
5. Shareholders were required to sign the polling slips before depositing them into the designated ballot boxes.
6. Polling slips were treated as spoilt where they were unsigned, improperly marked, altered without initials, or materially damaged.
7. The Poll Administrator conducted the polling process under the supervision of the Independent Scrutineer.
8. Upon completion of voting, the ballot boxes were sealed and taken to the counting room for verification and scrutiny.
9. The Independent Scrutineer validated the results and handed the poll results to the Chairman for declaration.

Based on the polling results verified and confirmed by the Independent Scrutineer, all resolutions set out in the Notice of the 49th AGM dated 22 April 2025 were duly carried. The key matters discussed and the minutes of the 49th AGM have been announced via Bursa Malaysia's website and are also available on the Company's website for shareholders' reference.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required under the Companies Act 2016 ("the Act") to prepare financial statements for the financial year ended 31 December 2025 in accordance with the MFRS Accounting Standards ("MFRS"), IFRS Accounting Standards ("IFRS"), and the requirements of the Act, so as to give a true and fair view of the financial position, financial performance and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements of the Group and of the Company, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent; and
- ensured that all applicable accounting standards have been complied with.

The Directors have also ensured that all financial results required to be announced to Bursa Malaysia Securities Berhad are released within the stipulated timeframes.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board dated **12 February 2026**.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("the Board") of KKB Engineering Berhad ("KKB" or "the Group") is committed to maintaining a sound system of risk management and internal control and recognizes the importance of embedding a risk-aware culture across the Group. The Board is pleased to present this Statement on Risk Management and Internal Control ("SORMIC") for the financial year ended 31 December 2025.

This Statement is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and Part II of Principle B of the Malaysian Code on Corporate Governance 2021 ("MCCG"), and is guided by the Statement on Risk Management and Internal Control (SORMIC): Guidelines for Directors of Listed Companies.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for establishing, maintaining, and reviewing a sound and effective system of risk management and internal control to safeguard shareholders' investments, protect the Group's assets, and support the achievement of the Group's strategic objectives.

The Board recognizes that any system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, loss, or fraud.

The Board is assisted by the Audit Committee ("AC") and Nomination & Remuneration Committee ("NRC"), as well as the Management Executive Committee ("MANCO"). The MANCO is assisted by the Risk & Sustainability Committee ("RSC"), Safety & Health Committee ("SHC"), Information Technology Committee ("ITC") and Data Protection & Cyber Security Committee ("DPCS"), all of which operate within clearly defined terms of reference.

The AC assists the Board in reviewing the adequacy and effectiveness of the Group's system of risk management and internal control. The AC has unrestricted access to Management, Internal Auditors and External Auditors, and may obtain independent professional advice where necessary.

RISK MANAGEMENT FRAMEWORK

The Board recognises that sound risk management and internal control are integral to good corporate governance and the achievement of the Group's strategic and sustainability-aligned objectives. Accordingly, the Board has established a structured Risk Management Framework to identify, evaluate, manage, monitor and report the principal risks faced by the Group.

The Group's Risk Management Framework is aligned with ISO 31000: Risk Management, the COSO Enterprise Risk Management Framework (2018) and the Malaysian Code on Corporate Governance ("MCCG"), and incorporates sustainability considerations through the Group's Sustainability Risk Management System.

Integration of Sustainability into Risk Management

The Group recognises that sustainability risks are integral to enterprise risk management and long-term value creation. Sustainability risks are therefore embedded into the Group's overall risk management processes and assessed alongside strategic, financial, operational, legal and compliance risks.

Sustainability risks encompass economic, environmental, social and governance ("EESG")-related risks, including climate-related risks, regulatory changes, supply chain dependencies and stakeholder expectations. These risks are assessed across short, medium and long-term time horizons, taking into account both internal and external operating contexts.

Risk Appetite and Risk Evaluation

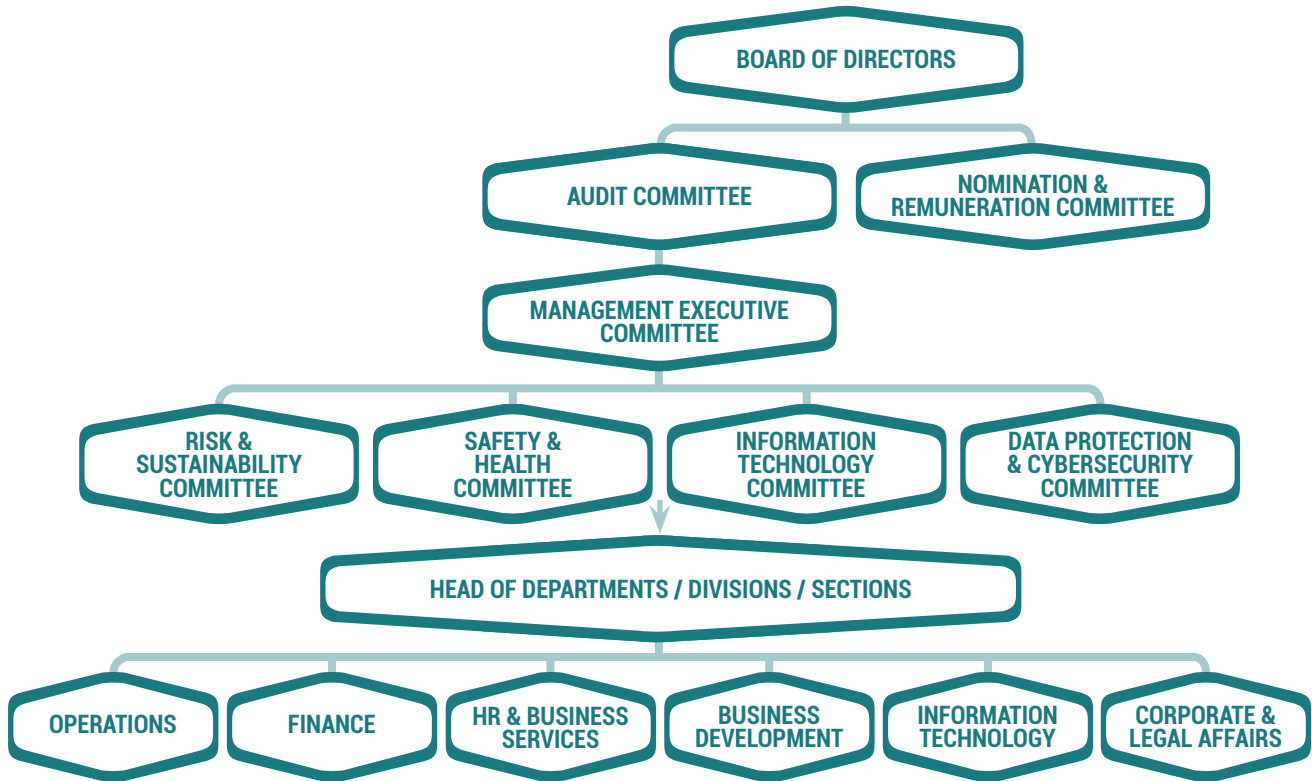
The Board has approved a Risk Appetite Statement, including sustainability risk considerations, which defines the nature and extent of risks that the Group is willing to accept in pursuit of its objectives.

Identified risks are assessed using a structured Risk Materiality Matrix, evaluating both the likelihood of occurrence and the potential impact on the Group's strategic, operational, financial and sustainability objectives. Risks assessed to be outside the approved risk appetite are escalated to Management, the AC and the Board, together with appropriate mitigation strategies and action plans.

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

Risk Governance Structure

The Group has established a clear governance structure to support effective risk management. The Group's Integrated Risk Management Framework is illustrated in the following diagram: -



This structure promotes accountability, consistency and a strong risk-aware culture throughout the Group.

- **Board of Directors and Audit Committee**
The Board, assisted by the AC, is responsible for overseeing the adequacy and effectiveness of the Group's risk management and internal control systems, including sustainability-related risks.
- **Management Executive Committee (MANCO)**
MANCO is responsible for implementing the Risk Management Framework, ensuring that significant risks are identified, assessed and managed, and that relevant risk information is escalated to the Board on a timely basis.
- **Risk & Sustainability Committee (RSC)**
The RSC supports Management by coordinating risk identification, assessment, monitoring and reporting activities across the Group, including sustainability risks.
- **Safety & Health Committee (SHC)**
The Group is committed to being a "Supplier of First Choice" by maintaining a safe, healthy and conducive working environment for all employees, contractors and visitors. In support of this commitment, the Group has implemented an Occupational Health and Safety ("OH&S") Management System as part of its overall operational risk management and internal control framework, as disclosed in the Statement on Risk Management and Internal Control.

The OH&S Management System is designed to support the achievement of the Group's business and sustainability objectives by identifying, assessing, monitoring and mitigating occupational health and safety risks, while ensuring compliance with applicable safety and health laws, regulations and industry standards.
- **Information Technology Committee (ITC)**
The ITC was established to assist Management in overseeing the Group's information technology ("IT") strategy, systems and internal controls, with particular focus on the identification, assessment, monitoring and mitigation of technology and cybersecurity risks, data security and data privacy, as disclosed in the Statement on Risk Management and Internal Control.

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

The ITC supports Management in ensuring that the Group's IT initiatives are aligned with business objectives and operational requirements, while safeguarding the confidentiality, integrity and availability of the Group's information assets. In line with the Group's risk governance framework and the Three Lines of Defence model, the ITC operates as part of Management's control environment, supporting the first line of defence through operational controls and contributing to the second line of defence through monitoring and reporting of technology-related risks.

Significant technology and cybersecurity risk matters are escalated, where appropriate, to the MANCO and the RSC, and thereafter to the AC and the Board.

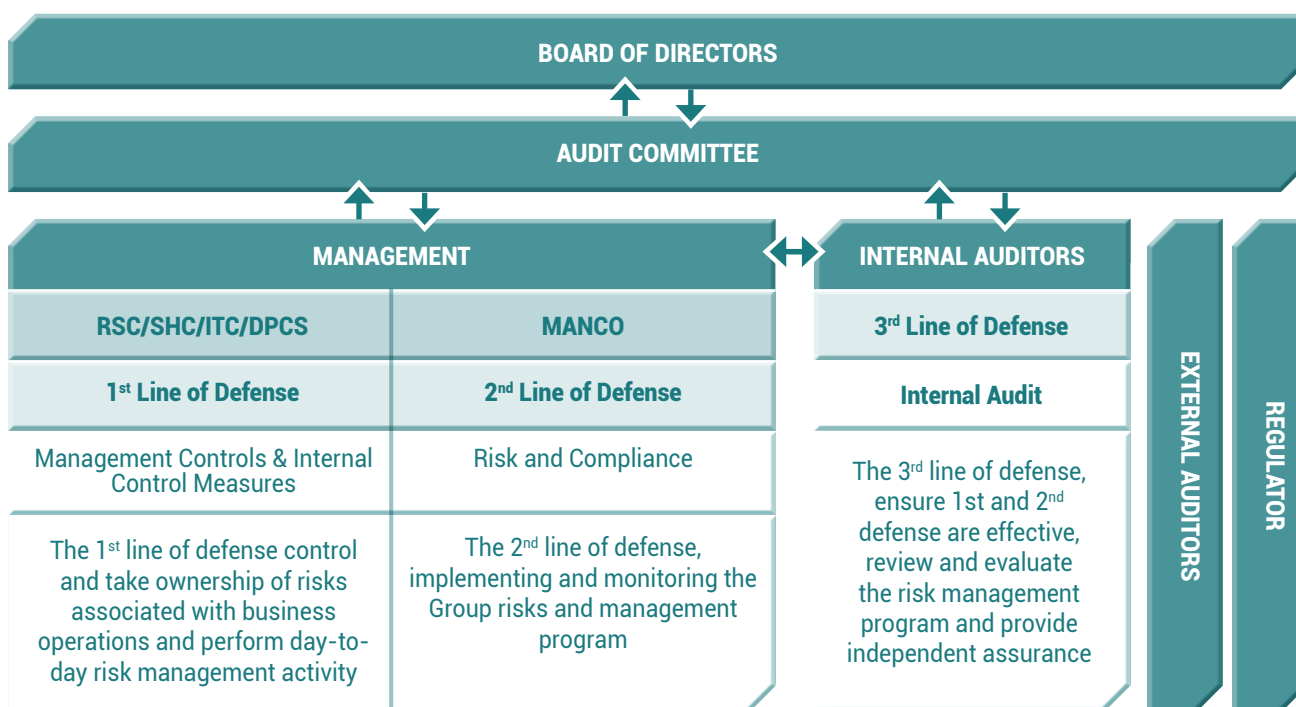
➤ **Data Protection & Cybersecurity Committee (DPCS)**

The Board recognises the increasing importance of effective data protection and cyber security governance in safeguarding the Group's information assets, ensuring compliance with applicable laws and regulations, and maintaining the confidence of stakeholders. In this regard, the Board has established the DPCS to provide structured oversight on the management of data protection and cyber security risks, as disclosed in the SORMIC.

The DPCS assists the MANCO in overseeing the identification, assessment, monitoring and mitigation of data protection and cyber security risks across the Group, and in ensuring that appropriate policies, frameworks, controls and response mechanisms are in place and operating effectively. The Committee's oversight forms part of the Group's overall risk governance framework and complements the roles of Management, the Information Technology Committee and Internal Audit.

Three Lines of Defence

The Group adopts the Three Lines of Defence Model to provide effective risk assurance. The "Three Lines of Defense Model" defines the relationship between established and clear functional responsibilities and accountabilities for the management of risk. The three lines of defense model helps the Group to proactively manage and address risks with enhanced governance and resilience. This model helps the Group establish a foundation for growth and success as per the following diagram: -



KEY: ↑ Accountability, reporting

↓ Delegation, direction, resources, oversight

↔ Alignment, communication, coordination, collaboration

Source: The COSO Three Lines of Defense

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

The Board and the AC are responsible to monitor stakeholder interests, goal accomplishments, foster a culture of inclusivity and accountability, establish the Group's risk appetite and supervise risk management including internal controls, monitor ethical, statutory and legal requirements, create and manage an independent internal audit process.

➤ **First Line of Defence**

The first line of risk defense consists of the all Heads of departments, sections and members of RSC/SHC/ITC/DPCS and are accountable for all risks assigned under their respective areas of responsibility.

➤ **Second Line of Defence**

The MANCO provide oversight, guidance and monitoring to ensure risks are managed in accordance with the Group's policies, frameworks and risk appetite.

➤ **Third Line of Defence**

Internal Audit provides independent and objective assurance on the adequacy and effectiveness of the Group's risk management and internal control systems.

External Auditors provide additional assistance to protect the interests of the shareholders in accordance with relevant regulatory requirements. Their responsibilities include reviewing statutory and financial records and staying up-to-date on rules and regulations that affects the Group's reporting under the purview.

Key Risk Categories

The Group's principal risks are managed under the following categories:-

- **Strategic Risk** - The risks arising from strategic administration or business decisions in the Group that could result in an impairment of business objectives, decline in revenues, increase in expenses or losses charged against capital.
- **Financial Risk** - The Group has in place procedures for managing and mitigating financial risks such as credit risk, liquidity risk, interest rate risk and market price risk.
- **Operational Risk** - The MANCO meets at least once every quarter to deliberate on business, financial and operational issues which include reviewing and approving all key strategic business measures and policies. Progress reports of any internal control measures recommended to the business units are also reviewed.

Quality Management Systems have been implemented throughout the Group. All documented internal procedures and standard operating procedures have been put in place. Internal quality audits are carried out by qualified management representatives and periodic surveillance audits are conducted by an independent certification body to ensure compliance. Quality, Health, Safety and Environment Management Review Meeting is held annually to share and gauge the improvement achieved in the past 12 months.

- **Legal and Compliance Risk** - The risks or losses to the Group arising from the cost of non-compliance and failure to comply with any regulatory obligations that are imposed upon the Group. Corporate and Legal Affairs Department is responsible to ensure that the Group remains vigilant and keeps abreast with new regulations and the potential implications on its business operations.
- **ESG-related Risk** - Environmental, social, and governance ("ESG") risks refer to the potential adverse impacts arising from the Group's operations and supply chain on the environment, society, and its governance practices. These risks may significantly affect the Group's financial performance, reputation, and long-term sustainability if not properly managed.

To address and mitigate ESG-related risks, the Group has established a Sustainability Reporting Requirements Manual and subscribes to Bursa Malaysia's Centralised Sustainability Intelligence ("CSI") Platform. These initiatives support the systematic measurement, management, and reporting of the Group's carbon emissions and broader sustainability risks. The CSI Platform provides a standardized methodology for data collection and a calculation tool to determine carbon dioxide ("CO₂") equivalent emissions generated by KKB Group and its value chain.

The platform also enhances supplier engagement, which is particularly valuable in capturing and reporting Scope 3 emissions, and enables sustainability disclosures aligned with the latest international reporting frameworks, including the IFRS Sustainability-related Disclosure Standards. In addition, the Group has begun leveraging Artificial Intelligence ("AI") tools, such as ChatESG, to further strengthen ESG data analysis, risk assessment, and reporting capabilities.

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

- **Technology & Cybersecurity Risk** – Refers to the potential for adverse events arising from the use of IT platforms, systems, applications, and infrastructure, including cyberattacks, system failures, and data breaches, which may result in financial loss, operational disruption, regulatory non-compliance, or reputational damage to the Group.

The Group recognises the increasing reliance on digital systems and the evolving cyber threat landscape. To manage and mitigate these risks, KKB has established an ITC responsible for overseeing the implementation, maintenance, and continuous improvement of the Group's IT and cybersecurity controls. The ITC plays a key role in safeguarding the Group against cybercrime, unauthorised access, hacking, ransomware, and malware threats.

Comprehensive IT security policies and procedures are in place, including strong password requirements, access controls, and user authentication measures. These policies are regularly reviewed and updated to ensure alignment with current best practices and emerging cybersecurity risks. The Group also ensures that hardware and software across all operational levels are kept up to date to reduce system vulnerabilities and prevent potential weak or choke points within the IT environment.

In addition, the ITC proactively identifies end-of-life ("EOL") IT assets, such as servers, firewalls, and networking equipment, and replaces them in a phased and cost-effective manner based on risk prioritisation. Ongoing monitoring, system maintenance, and periodic assessments are conducted to enhance system resilience, support business continuity, and protect the confidentiality, integrity, and availability of the Group's information assets. Significant IT and cybersecurity matters are reported to Management and, where appropriate, escalated to the Board for oversight.

- **Data Breach Risk** - Data breach risk refers to the potential unauthorised access, disclosure, loss, alteration, or misuse of the Group's data, including confidential business information and personal data of employees, customers, and business partners. Such incidents may result in financial loss, operational disruption, regulatory sanctions, legal liabilities, or reputational damage to the Group.

The Group recognises its obligations under the Personal Data Protection Act 2010 and is committed to safeguarding personal data in accordance with applicable data protection and privacy requirements. To mitigate data breach risk, KKB has established data protection and information security controls designed to ensure the confidentiality, integrity, and availability of personal and business data across its operations.

Access to data is restricted on a need-to-know basis and supported by strong password controls, user authentication mechanisms, and data handling procedures. These controls are periodically reviewed and updated to address evolving cybersecurity threats and regulatory expectations. The Group also maintains secure IT infrastructure, regularly updates hardware and software, and performs data backups to support data recovery and business continuity in the event of system failure or security incidents.

Oversight of data protection measures is provided by the DPCS, which monitors data security risks and ensures appropriate safeguards are in place. Incident response procedures are established to enable timely identification, containment, investigation, and reporting of data breach incidents in accordance with internal policies and PDPA requirements. These measures support the Group's ongoing efforts to strengthen data governance, enhance regulatory compliance, and maintain stakeholder trust.

These risks are monitored continuously and reviewed periodically to ensure that appropriate mitigation measures remain effective.

INTERNAL CONTROL SYSTEM

The primary purpose of internal controls is to help safeguard the Group and further its objectives. Internal controls function to minimize risks and protect assets, ensure accuracy of records, promote operational efficiency, and encourage adherence to policies, rules, regulations, and laws.

The Group's internal control system comprises the following key components:-

1. Control Environment - Authority and Responsibility

The Group's control environment is underpinned by a clear governance structure that establishes authority, responsibility, and accountability across all levels of the organisation. Certain responsibilities are delegated by the Board to the Board Committees and Management Committees through clearly defined Terms of Reference ("TOR"), which are reviewed annually to ensure they remain relevant and reflect the appropriate authority and approval limits. These TORs govern decision-making in relation to the Group's major business operations, strategic initiatives, and regulatory compliance functions.

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

The following control practices are embedded within the Group's governance framework:-

- A well-defined organisational structure with clearly established reporting lines, roles, and responsibilities, ensuring effective segregation of duties and accountability across the Group.
- Compliance with legal, regulatory, corporate, and listing requirements is continuously monitored and managed through a centralised focal point under the oversight of the Executive Director in charge of Legal and Corporate Affairs, supported by the Legal Counsel and Company Secretary, as and when necessary. This structure facilitates timely identification of regulatory developments and ensures appropriate actions are taken to maintain compliance.
- Comprehensive and timely financial reporting is provided to the AC on a quarterly basis, including reviews of financial performance, key financial risks, and significant accounting matters. The AC, in turn, reports to the Board to enable informed oversight and decision-making.

These governance arrangements support a robust control environment that promotes transparency, effective oversight, regulatory compliance, and prudent management of the Group's affairs.

2. Risk Assessment - Planning, Monitoring and Reporting

The Group adopts a structured and systematic approach to risk assessment, which is embedded into its planning, monitoring, and reporting processes. Scheduled management meetings are conducted at the departmental, divisional, and sectional levels to review operational performance, emerging risks, contingency plans, regulatory and business developments, as well as mitigation measures. These discussions form an integral part of the Group's ongoing risk monitoring framework.

An annual strategic planning and budgetary exercise is undertaken to develop the Group's business plans and financial budgets for the ensuing financial year. The proposed plans and budgets are collectively deliberated by Management and subsequently reviewed and approved by the Board, ensuring alignment with the Group's strategic objectives, risk appetite, and resource allocation.

As part of its enterprise-wide risk management process, the following key risk assessment and mitigation initiatives are implemented across the Group:-

- The Human Resource & Business Services Department continuously facilitates operational skills development, leadership training, and knowledge enhancement programmes to ensure employees' competencies remain aligned with the Group's evolving business requirements, consistent with the Group's mission to be "A Preferred Place of Work."
- The Group utilises an Enterprise Resource Planning ("ERP") system, namely Oracle JD Edwards EnterpriseOne (Release 9.2), to integrate financial and operational processes, strengthen internal controls, improve data accuracy, and enhance overall operational efficiency and capacity utilisation.
- The NRC conducts an annual review of the Group's Succession Plan as part of a strategic and ongoing approach to talent management. This ensures continuity in leadership and the availability of critical skills, knowledge, and competencies for key positions within the Group.
- Adequate insurance coverage is maintained over major assets, operations, and transactions to mitigate exposure to material losses and to reduce potential contingent liabilities.
- Comprehensive cybersecurity policies, procedures, and standard operating procedures ("SOPs") are implemented and overseen by the ITC and the IT Department to address technology-related and cyber risks.
- The Group's Risk Profile is periodically reviewed to monitor the status of identified risks and to assess the effectiveness of mitigation measures implemented during the financial period.
- Risk materiality assessments are conducted to enhance the Group's understanding of key sustainability and business risks, enabling Management to prioritise risks that are most significant in the current operating environment and to support informed decision-making.

Through these processes, the Group ensures that risks are systematically identified, assessed, monitored, and reported, thereby supporting effective governance, strategic execution, and long-term sustainability.

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

3. Control Activities - Policies and Procedures

The Group has established clear, formalised, and documented internal policies, standards, and procedures to ensure compliance with internal controls, corporate governance requirements, and applicable laws and regulations. A comprehensive list of relevant laws and regulations is maintained to facilitate monitoring and compliance. Regular reviews are conducted to ensure that policies and procedures remain current, relevant, and effective.

Key control activities implemented across the Group include:-

- ISO 9001:2015 Quality Management System (QMS) certification, which governs operational control procedures with stringent documentation requirements, ensuring a clear accountability trail and supporting continuous quality improvement initiatives.
- ISO 45001:2018 Occupational Health & Safety Management System (OHSMS) certification, which provides structured procedures for maintaining regulatory compliance, promoting continual improvement, and demonstrating management commitment to the health, safety, and wellbeing of employees.
- Governance policies and procedures covering a wide range of organisational and ethical standards, including but not limited to:
 - Code of Business Conduct and Ethics
 - Whistleblowing Policy and Procedures
 - Corporate Disclosure Policy
 - Dividend Policy
 - Remuneration Policy and Procedures
 - Gender Diversity Policy
 - Anti-Bribery & Corruption Policy
 - Succession Planning Policy
 - Sustainability Policy
 - Directors' Fit and Proper Policy
 - Internal Audit Charter
 - Board Charter
 - Human Rights Policy
 - Privacy Policy
 - Anti-Sexual Harassment Policy
- Employee manuals and publications, including the Employee Handbook and Health & Safety Manual, which provide clear guidance, support regulatory compliance, and maintain a traceable accountability framework across the organisation.
- Annual employee performance appraisals, which are aligned with the Group's Pay and Reward Scheme to incentivise performance, recognise achievements, and support talent development and succession planning.

These control activities collectively ensure a robust internal control environment, reinforce accountability and ethical conduct, and provide assurance that the Group's operations are conducted in accordance with established policies, standards, and regulatory requirements.

4. Information and Communication

The Group has established a structured framework for information and communication to ensure that both internal and external communications comply with legal requirements, ethical standards, and industry best practices. Clear and consistent communication from senior management is essential to reinforce the importance of accountability and control responsibilities throughout the organisation.

Key aspects of the Group's communication practices include:-

- Clarity of employee responsibilities is maintained through up-to-date position descriptions, comprehensive policies and procedures, and effective supervision, ensuring that all employees understand their roles and obligations.
- Internal and external communication channels are used to disseminate information to employees, directors, shareholders, suppliers, and other stakeholders. These include emails, memos, notices, internal bulletins, WhatsApp groups, the annual report, the corporate website, and other appropriate platforms.
- Communication is designed not only to convey operational and strategic directives but also to promote transparency, ethical conduct, and compliance with applicable regulations and corporate governance standards.

By maintaining structured, timely, and accessible communication channels, the Group ensures that critical information flows efficiently across all levels of the organisation and to its stakeholders, supporting informed decision-making, accountability, and effective governance.

5. Monitoring, Review and Reporting Activities - Audits

The Group recognises that risk management is a continuous and dynamic process. To ensure effective monitoring, the Group maintains comprehensive risk registers, including dedicated sustainability risk registers, which are reviewed and updated periodically to reflect changes in the operating environment, regulatory requirements, and business strategy.

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

Key monitoring and reporting practices include:-

- Ongoing oversight of significant risks: Key risks, associated mitigation actions, emerging risks, and any material changes to the Group's risk profile are systematically tracked to ensure timely awareness and proactive management.
- Structured reporting framework: Updates on risk management activities and key findings are reported to the MANCO, the AC, and the Board. This enables senior management and the Board to make informed decisions and take appropriate actions to mitigate risks.
- Audit and assurance activities: Internal and external audits are conducted to assess the adequacy and effectiveness of internal controls, risk management processes, and compliance with regulatory requirements. Audit findings are formally reported, and management is required to implement corrective actions within agreed timelines.

Through these monitoring, review, and reporting processes, the Group ensures that risks are identified, assessed, and managed in a timely manner, supporting operational resilience, regulatory compliance, and robust corporate governance.

ROLE OF MANAGEMENT

Management is responsible for the implementation and day-to-day operation of the Group's risk management and internal control system and is accountable to the AC and the Board for ensuring that the system operates effectively.

Management is accountable to the AC and thereafter to the Board for implementing and monitoring the system of risk management and internal control and for providing assurance to the Board.

The MANCO is responsible for implementing all policies and procedures approved by the Board in relation to risk management and internal control. The MANCO comprises senior management personnel such as the Group Managing Director, Executive Director, Group Chief Financial Officer, Chief Operating Officer and Senior Managers and its responsibilities include the following: -

- Implementing decisions and policies made by the Board including all sustainability initiatives and risk management;
- Ensuring the smooth running of daily operations and the conduct of the Company's business;
- Reviewing quarterly results and cash flow prior to approval by the Board;
- Reviewing recurrent related party transactions (RRPT) i.e., rental, sales, purchases etc. with subsidiaries, associates and shareholders in ensuring they are transacted in arm's length and properly documented;
- Deciding on all matters relating to banking facilities as may be required for the conduct of the Group's operations;
- Undertaking all such other responsibilities as may be required and necessary and as directed by the AC and the Board; and
- Reporting to the AC at least once a year.

The RSC was set up to ensure effectiveness of the Group's internal risk management system and control by identifying, quantifying and mitigating any risk that affects the Group's business and business strategy to an acceptable level. The RSC consists of Group Managing Director, Executive Director, Group Chief Financial Officer, Chief Operating Officer and Senior Managers from various departments and sections who are responsible for the day-to-day operations of the Group's businesses. The RSC is also responsible to initiate and implement the Group's sustainability strategies, policies, related framework, priorities, targets and practices as approved by the Board so as to ensure they align with the interest of stakeholders including customers, employees, shareholders and communities and its responsibilities include the following: -

- To develop Group Risk Management and Internal Control Policy and Procedures;
- To develop a framework and policies for risk governance and overall risk management, covering all major risks such as credit risk, market risk, operational risk and compliance risk, IT, Cybersecurity, strategic and reputational risks and etc.;
- To conduct risk identification and evaluation, monitor and formulate mitigation strategies and/or action plans;
- To implement the agreed mitigation strategies and/or action plans;
- To periodically review overall risk management processes and policies to ensure they remain relevant and effective;
- To develop Group Sustainability Policy;
- To conduct materiality assessment by identifying and assessing the material sustainability matters which are relevant and important to the Group;
- To develop relevant activities and programs as part of embedding sustainability within the Group;

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

- To organize activities to be socially responsible as a Corporate Citizen;
- To identify sustainability initiatives that will have business impact on economy, environment, society and governance; and
- To strengthen and disclose Sustainability Statement in the Annual Report to be performed in accordance with recognized assurance standards where applicable.

The Group also established management sub-committees such as SHC, ITC and DPCS to assist in identifying, assessing, monitoring and mitigating day-to-day business operational risks in their respective areas.

All heads of departments, sections and representative of operations hold a Quality, Health, Safety & Environment Management Review Meeting ("MRM") annually. During the year under review, a management review meeting was held on 14 November 2025 to share, gauge and review the Group's performance on Quality, Occupational, Safety and Health, and improvements achieved in the past 12 months. This is essential to bring continual improvement to Group's business operations.

RISK APPETITE STATEMENT

The Board of KKB Group recognises that taking calculated risks is necessary to achieve the Group's strategic objectives. The Group adopts a balanced risk appetite, seeking sustainable growth while ensuring the preservation of financial stability, regulatory compliance, and stakeholder trust.

The Group maintains a moderate appetite for business expansion and operational innovation, provided that risks are properly assessed, mitigated, and aligned with strategic priorities. Conversely, the Group maintains a low appetite for financial loss, regulatory breaches, reputational damage, and non-compliance with ESG standards.

This risk appetite framework guides management in decision-making, supports the identification and mitigation of risks, and ensures that the Group's risk-taking activities remain within acceptable boundaries. The Board periodically reviews the Risk Appetite Statement to reflect changes in the operating environment, regulatory requirements, and business strategy.

INTERNAL AUDIT FUNCTION

The adequacy and effectiveness of the risk management and internal control system are further assured by the outsourcing and engagement of an independent firm, Crowe Corporate Services Sdn. Bhd. which possesses the necessary expertise to perform its duties. The independent firm is adequately resourced to ensure the audit activities are carried out professionally with independence, objectivity and impartiality without interference.

The Internal Auditors' role is separate (although may overlap) from the RSC and MANCO as it regularly evaluates on an independent basis the effectiveness and appropriateness of the entire risk management and internal control structure as directed by the AC. In addition, the Internal Auditors may also provide such assurance and advice covering specialized areas.

The Internal Auditors carry out detailed risk audits on identified areas as directed and approved by the AC. Audit issues and action taken by RSC and MANCO to address the issues tabled by the Internal Auditors were deliberated on during the AC meetings. The AC considers the report from the internal auditors and responses from Management and thereafter reports to the Board with its conclusion.

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

- (i) Audit on the KKB Group's Readiness on its Compliance with Sustainability Reporting Requirements;
- (ii) Audit of Safety and Health Hazards and Preventive Maintenance for OceanMight Sdn. Bhd.;
- (iii) Audit of Quality Assurance and Quality Control Documentation and Customer Complaint for KKB Engineering Berhad; and
- (iv) Audit on Licensing and Registration Requirements for the KKB Group.

At the conclusion of each audit, the Internal Auditors submit their findings and recommendations to the AC during the scheduled AC meeting.

The total costs incurred for the Internal Audit Function in respect of the financial year ended 31 December 2025 was in the region of RM36,500 (FYE 2024: RM32,000).

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

REVIEW OF ADEQUACY AND EFFECTIVENESS

The Board is dedicated to operating a sound system of risk management and internal controls and recognizes that the system must continuously evolve to support the progressive business growth of the Group.

In reviewing the risk management and internal control of the Group, the Board confirms that the system of risk management and internal control with the key control processes as listed above are in place during the financial year. There is a continuous process for identifying, evaluating and managing significant risks to assess and enhance the effectiveness of the risk management and internal control system. In addition, the Board also received assurance from the Group Managing Director and Group Chief Financial Officer that the Group's risk management and internal control system are operating adequately and effectively in all material aspects.

The Board is not aware of any significant material weaknesses in risk management and internal control resulting in significant losses. Management will continue to review the adequacy and integrity of the Group's risk management and internal control system. Overall, the Board is satisfied that the risk management and internal control system is in place for the year under review and is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Para 15.23 of the MMLR, the external auditors have reviewed this SORMIC pursuant to Audit and Assurance Practice Guide 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2025, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects has not been prepared in accordance with the disclosures required by Section 7 of the Statement on Risk Management and Internal Control (SORMIC): Guidelines for Directors of Listed Companies, or is factually.

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

This Statement was made in accordance with a resolution of the Board dated **18 March 2026**.

EVENTS & ACTIVITIES



