

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Circular as Bursa Securities has prescribed it as an exempt circular.

Bursa Securities takes no responsibility for the contents of this Statement/Circular and makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**KNM GROUP BERHAD**  
(Company No. 521348-H)

**CIRCULAR TO SHAREHOLDERS**

in relation to

**PROPOSED SHAREHOLDERS' MANDATE FOR  
RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The above proposal will be tabled as Special Business at KNM Group Berhad's ("KNM") 19<sup>th</sup> Annual General Meeting ("19<sup>th</sup> AGM") will be held on Tuesday, 29 June 2021 at 10.00 a.m., to be conducted fully virtual via remote participation and electronic voting (RPEV) with the live streaming to be broadcasted from Auditorium, 3A Floor, Menara Symphony, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. Notice of the 19<sup>th</sup> AGM together with the Form of Proxy, which can be viewed and downloaded from the Company's website at [www.knm-group.com](http://www.knm-group.com) ("KNM Website").

The Form of Proxy must be completed and deposited at the registered office of KNM at 15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time fixed for the 19<sup>th</sup> AGM or at any adjournment thereof. Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at <https://boardroomlimited.my> not less than twenty-four (24) hours before the time appointed for holding the meeting. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy from the Administration Notes for the AGM from the Company's website. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 19<sup>th</sup> AGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	28 June 2021 at 10.00 a.m.
Date and time of the 19 <sup>th</sup> AGM	:	29 June 2021 at 10.00 a.m.

This Circular is dated 31 May 2021

---

## DEFINITIONS

---

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

AGM	:	Annual General Meeting.
Board or the Directors	:	Board of Directors of KNM.
Bursa Securities	:	Bursa Malaysia Securities Berhad.
Director	:	Has the meaning given in Section 2 of the Act and Section 2(1) of the CMSA. For the purposes of the Proposed Recurrent RPT Mandate, includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director or a chief executive of KNM or its subsidiary.
Interested Related Parties	:	Related Parties who are interested in the Proposed Recurrent RPT Mandate.
KNM or the Company	:	KNM Group Berhad.
KNM Group or the Group	:	KNM and its subsidiaries.
KNM Shares or Shares	:	Ordinary shares in KNM.
Listing Requirements	:	Bursa Securities Main Market Listing Requirements, including any amendment that may be made from time to time.
Major Shareholder	:	<p>Includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of KNM or any other corporation which is KNM's subsidiary as defined under paragraph 1.01 of the Listing Requirements and reproduced hereinunder:</p> <p>A major shareholder means a person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:</p> <p>(a) 10% or more of the total number of voting shares in the corporation; or</p> <p>(b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.</p> <p>For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in Section 8 of the Act.</p>
Market Day	:	Any day between Mondays and Fridays (both inclusive) which Bursa Securities is open for the trading of securities.
NA	:	Net Assets.
Person Connected	:	Shall be as defined in Chapter 1 of the Listing Requirements
Proposed Recurrent RPT Mandate or Proposed 2019 RRPT Mandate	:	Proposed shareholders' mandate for Recurrent RPTs as disclosed in this Statement/Circular.
Related Party or Related Parties	:	Director(s), Major Shareholder(s) or Person(s) Connected.
Related Party Transaction(s) or RPT(s)	:	Transaction(s) entered into by the Group which involves the interest, direct or indirect, of Related Party(ies).
Recurrent RPT(s)	:	A Related Party Transaction(s) which is/are recurrent, of a revenue or trading nature and which is/are necessary for day-to-day operations of KNM Group.
RM and sen	:	Ringgit Malaysia and sen respectively.

---

---

**DEFINITIONS (CONT'D)**

---

---

- Rules of the Bursa Securities : Rules of Bursa Malaysia Securities Berhad, including any amendment that may be made from time to time.
- Substantial Shareholder(s) : A person who has an interest or interests in one or more voting Shares and the nominal amount of that Shares, or the aggregate of the nominal amounts of those Shares, is not less than 5% of the aggregate of the nominal amounts of all voting Shares as defined under Section 136(1)(a) of the Act. "Interest in Shares" shall have the meaning given in Section 8 of the Act.
- Treasury Shares : Purchased Shares which are or will be retained as treasury shares.
- 2020 Recurrent RPT Mandate : The shareholders' mandate obtained at the Company's 18<sup>th</sup> AGM on 13 August 2020 for KNM Group to enter into recurrent related party transactions as disclosed in the preceding year's circular to shareholders dated 30 June 2020 from even date, and shall expire at the conclusion of the forthcoming 19<sup>th</sup> AGM to be held on 29 June 2021.

The remaining of this page is purposely left blank

---

## CONTENTS

---

<b>CIRCULAR TO SHAREHOLDERS IN RELATION TO PROPOSED RECURRENT RPT MANDATE:</b>		<u>Page</u>
1.	INTRODUCTION	1
2.	DETAILS OF PROPOSED RECURRENT RPT MANDATE	
2.1	LISTING REQUIREMENTS	1
2.2	VALIDITY PERIOD	2
2.3	PRINCIPAL ACTIVITIES OF KNM GROUP	2
2.4	NATURE OF RECURRENT RPTs AND CLASS OF RELATED PARTIES	3
2.5	OUTSTANDING AMOUNT DUE AND OWING UNDER THE RECURRENT RPTs	6
3.	RATIONALE FOR PROPOSED RECURRENT RPT MANDATE	6
4.	EFFECTS OF PROPOSED RECURRENT RPT MANDATE	7
5.	THRESHOLD FOR APPROVAL OF RECURRENT RPTs	7
6.	REVIEW PROCEDURES FOR RECURRENT RPTs	7
7.	STATEMENT FROM THE AUDIT COMMITTEE	7
8.	APPROVAL REQUIRED	8
9.	INTERESTS OF INTERESTED RELATED PARTIES	8
10.	DIRECTORS' RECOMMENDATION	8
11.	AGM	9
12.	FURTHER INFORMATION	9
<b>APPENDICES</b>		
APPENDIX I – EXTRACT OF RESOLUTION		10
APPENDIX II – FURTHER INFORMATION		11

The remaining of this page is purposely left blank



**KNM GROUP BERHAD**  
(Company No. 521348-H)

**Registered Office:**  
15 Jalan Dagang SB 4/1  
Taman Sungai Besi Indah  
43300 Seri Kembangan  
Selangor Darul Ehsan  
Malaysia

31 May 2021

**Directors:**

Dato' Ab Halim Bin Mohyiddin, *Non-Independent Non-Executive Chairman*  
Madam Gan Siew Liat, *Executive Vice Chairman*  
Mr Tan Koon Ping, *Group Chief Executive Officer/Executive Director*  
Dato' Dr Khalid bin Ngah, *Senior Independent Non-Executive Director*  
Madam Soh Yoke Yan, *Independent Non-Executive Director*

**To the Shareholders of KNM Group Berhad**

Dear Sir/Madam,

**PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

---

**1. INTRODUCTION**

At the 18<sup>th</sup> AGM of the Company held on 13 August 2020, the Company had obtained a mandate from its shareholders for Recurrent RPTs pursuant to the Listing Requirements. The authority granted pursuant to the shareholders' mandate obtained at the 18<sup>th</sup> AGM shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming 19<sup>th</sup> AGM of the Company.

On 30 April 2021, the Board announced the Company's intention to seek shareholders' approval for the Proposed Recurrent RPT Mandate at the 19<sup>th</sup> AGM.

The purpose of this Circular is to provide you with details of the Proposed Recurrent RPT Mandate and to seek your approval for the relevant Ordinary Resolution to be tabled at the forthcoming 19<sup>th</sup> AGM of the Company as set out in Appendix I of this Circular.

**2. DETAILS OF PROPOSED RECURRENT RPT MANDATE**

**2.1 LISTING REQUIREMENTS**

Paragraph 10.08 of the Listing Requirements stipulates the obligations of a listed issuer to comply in relation to related party transactions. However, pursuant to paragraph 10.09 of the Listing Requirements and Practice Note 12, a listed issuer may seek a shareholders' mandate in respect of recurrent related party transactions of a revenue or trading nature which are necessary for its day-to-day operations subject to the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

- (b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal or more than the threshold prescribed below:
  - (i) the consideration, value of assets, capital outlay or costs of the recurrent related party transaction is RM1 million or more; or
  - (ii) any one of the percentage ratios of such recurrent related party transaction is 1% or more, whichever is the higher;
- (c) the listed issuer will issue circular to shareholders in relation to the shareholders' mandate including the information as may be prescribed by Bursa Securities; the circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain shareholders' mandate, the interested directors, interested major shareholders and/or interested person connected with a director or major shareholder; and where it involves the interest of a person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution to approve the transactions; and an interested director or interested major shareholder must ensure that the persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) an immediate announcement is made to Bursa Securities when the actual value of a recurrent related party transaction entered into by the listed issuer, exceeds the estimated value of the recurrent related party transaction disclosed in the circular to shareholders by 10% or more, and the announcement must include the information as prescribed by Bursa Securities.

Where a listed issuer has procured a shareholders' mandate pursuant to paragraph 10.09 of the Listing Requirements and Practice Note 12, the provisions of paragraph 10.08 will not apply.

## 2.2 VALIDITY PERIOD

The Proposed Recurrent RPT Mandate, if approved at the forthcoming 19<sup>th</sup> AGM of the Company, will take effect from the passing of the relevant Ordinary Resolution at the 19<sup>th</sup> AGM and the authority conferred by the Proposed Recurrent RPT Mandate will continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the forthcoming 19<sup>th</sup> AGM at which the Proposed Recurrent RPT Mandate is obtained unless by an ordinary resolution passed at the next AGM of the Company, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by ordinary resolution passed by the shareholders of KNM in a general meeting, whichever is the earlier.

## 2.3 PRINCIPAL ACTIVITIES OF KNM GROUP

KNM is principally engaged in investment holding activities and provision of management services whilst its subsidiaries are principally involved in the follow

- (a) provision of design, engineering, procurement, mechanical assembly & erection, commissioning, manufacturing, fabrication, technical & project management, technical advisory & consultancy, business development, non-destructive testing, project manpower, thermal & mechanical design, sales & marketing, distribution, construction management, electrical and instrumentation works, maintenance and other support services of process equipment, systems and facilities, including but not limited to pressure vessels, jacketed pressure vessels, reactors, columns & towers, drums, heat exchangers, air finned coolers, process gas waste heat boilers, high capacity industrial boilers, specialty shell & tube heat exchangers, plate heat exchangers, welded plate type heat exchangers, plate bundle for exchangers, air-cooled heat exchangers, heat exchange systems, condensers, spheres, process tanks, mounded bullets, process skid packages, skid mounted assemblies specialised structural assemblies, module assemblies, process pipe systems, storage tanks, heat recovery steam generators, feed water heaters, turnkey storage facilities, plant facilities, piping & ducting and general facilities for oil, gas, petrochemicals, minerals processing, power, energy, biofuels, desalination, textile, pharmaceutical, food, aerospace & research industries and/or plants worldwide
- (b) provision of process technology, operation & maintenance and turnkey services for biofuels and seeds extraction plants, and related investment in renewable energy industry;

- (c) provision of qualifying services under overseas headquarters status include management, treasury, financial advisory, technical support, marketing, business development, procurement and other related functions;
- (d) provision of sulphur removal & recovery technology related selces;
- (e) provision of process, planning, fabrication, distribution, trading, installation, maintenance and other related industrial services of machines, assets, apparatuses and miscellaneous components;
- (f) provision of system engineering, industrial fabrication, assembly and sales services of machines, and construction of compressors, containers, silos and systems for conveyor technique;
- (g) planning for construction, delivery and installation of generating plants, and provision of related maintenance and other support services;
- (h) develop, process and distribute membranes, membrane modules and components;
- (i) production of platforms, towers, column pressure pipes, large barrels, boilers, thermal transformers, large tanks and cooling fans;
- (j) provision of management and technical advisory, license and trademark services;
- (k) provision of funding & treasury and other related services;
- (l) property investment;
- (m) investment holding;
- (n) provision of jacking of tanks, catalyst change-out and chemical cleaning works;
- (o) provision of design, engineering, procurement, construction and commissioning and other related services for oil, gas, petrochemical, minerals processing, biofuels, energy, pharmaceutical, food industry and oleochemical industries; and
- (p) provision of engineering, procurement, construction, service fabrication and maintenance works for mechanical, electrical and erection related to oil and gas, power, petrochemical and renewable energy projects.

#### 2.4 NATURE OF RECURRENT RPTs AND CLASS OF RELATED PARTIES

The nature of the Recurrent RPTs and the class of Related Parties having interest in the Recurrent RPTs to be entered by KNM Group, for which the Proposed 2021 Recurrent RPT Mandate or Proposed Recurrent RPT Mandate is sought, are as follows:

	Nature of Recurrent RPTs	Proposed 2021 RRPT Mandate or Proposed Recurrent RPT Mandate			2020 RRPT Mandate		
		Transacting companies		Interested Related Parties	Estimated value <sup>&gt;</sup> (RM)	Estimated value <sup>*</sup> (RM)	Actual value <sup>@</sup> (RM)
		Provider	Recipient				
(i)	<ul style="list-style-type: none"> <li>▪ Lease/tenancy of land and/or premises, and related/administrative facilities from/to transacting company <sup>#1</sup></li> <li>▪ Provision of funding, treasury services or financial assistance and other support services</li> </ul>	Inter Merger Sdn Bhd <sup>1</sup>	KNM Process Systems Sdn Bhd <sup>5</sup>	Ir Lee Swee Eng <sup>a</sup> Gan Siew Liat <sup>b</sup> Chew Fook Sin <sup>c</sup> Inter Merger Sdn Bhd <sup>d</sup> Tegas Klasik Sdn Bhd <sup>e</sup>	3,000,000	3,000,000	808,873

	Nature of Recurrent RPTs	Proposed 2021 RRPT Mandate or Proposed Recurrent RPT Mandate			2020 RRPT Mandate		
		Transacting companies		Interested Related Parties	Estimated value <sup>&gt;</sup> (RM)	Estimated value <sup>*</sup> (RM)	Actual value <sup>@</sup> (RM)
		Provider	Recipient				
(ii)	<ul style="list-style-type: none"> <li>▪ Provision/receipt of general construction, civil, mechanical, engineering and other support services</li> <li>▪ Provision/supply of equipment, plants and machinery, maintenance and other general administrative and operational services</li> </ul>	IM Bina Sdn Bhd <sup>2</sup>	KNM Process Systems Sdn Bhd <sup>5</sup>	Ir Lee Swee Eng <sup>a</sup> Gan Siew Liat <sup>b</sup> Inter Merger Sdn Bhd <sup>d</sup> Tegas Klasik Sdn Bhd <sup>e</sup>	500,000	30,000,000	420,627
(iii)	<ul style="list-style-type: none"> <li>▪ Provision/receipt of general construction, civil, mechanical, engineering and other support services</li> <li>▪ Lease/tenancy of land and/or premises, and related/administrative facilities from/to transaction company</li> <li>▪ Provision of treasury services or financial assistance and other support services</li> </ul>	Tofield Realty Development Corporation <sup>3</sup>	KNM Process Equipment Inc <sup>6</sup> KNM Process Equipment Inc <sup>6</sup>	Ir Lee Swee Eng <sup>a</sup> Gan Siew Liat <sup>b</sup> Tegas Klasik Sdn Bhd <sup>e</sup> Asiavertek Sdn Bhd <sup>f</sup>	500,000	2,000,000	-
(iv)	<ul style="list-style-type: none"> <li>▪ Provision/receipt of technical, mechanical equipment and engineering maintenance, general administrative, operational and other support services</li> <li>▪ Provision/receipt of qualifying services under overseas headquarters (OHQ) status and other support services</li> </ul>	KPS Technology & Engineering LLC <sup>4</sup>	KNM Process Systems Sdn Bhd <sup>5</sup>	Ir Lee Swee Eng <sup>a</sup> Gan Siew Liat <sup>b</sup> Inter Merger Sdn Bhd <sup>d</sup> Tegas Klasik Sdn Bhd <sup>e</sup>	500,000	2,000,000	-
(v)	<ul style="list-style-type: none"> <li>▪ Lease/tenancy of land and/or premises, and related/administrative facilities from/to transacting company</li> </ul>	Inter Merger Realty & Development Sdn Bhd <sup>7</sup>	KNM Process Systems Sdn Bhd <sup>5</sup>	Ir Lee Swee Eng <sup>a</sup> Gan Siew Liat <sup>b</sup> Inter Merger Sdn Bhd <sup>d</sup> Tegas Klasik Sdn Bhd <sup>e</sup>	500,000	1,000,000	18,000

Notes:-

- > The estimated aggregate value of Recurrent RPTs under Proposed 2021 RRPT Mandate during the validity period (as disclosed in this Statement/Circular) based on historical and/or current actual transactions and/or management forecast. The actual value may vary from the estimated value.
- \* The estimated aggregate value in relation to 2020 RRPT Mandate (“2020 RRPT Mandate’s Estimated Value”) as disclosed in the preceding year’s circular to shareholders dated 30 June 2020.
- @ The actual value transacted during the validity period of 2020 RRPT Mandate i.e. from 13 August 2020 up to 22 April 2021, being the Latest Practicable Date before printing of this Statement/Circular (“2020 RRPT Mandate’s Actual Value”).
- None of the 2020 RRPT Mandate’s Actual Value has exceeded 2020 RRPT Mandate’s Estimated Value by 10% or more during the validity period of 2019 RRPT Mandate.
- # All tenancy transactions are for a term of not more than three (3) years and no rental payment is made on a lump sum basis, including but not limited to the following transactions, as the case may be:
- #1 Renting of office premises at No. 11, 15, 17 and 19 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor, Malaysia from transacting company with a rental of RM67,424 per month.

**Principal activities of the transacting companies**

	<b>Transacting companies</b>	<b>Principal activity(ies)</b>
1.	Inter Merger Sdn Bhd	Investment holding, provision of management and technical consultancy services.
2.	IM Bina Sdn Bhd	Provision of civil construction and engineering services.
3.	Tofield Realty Development Corporation	Investment holding & property investment.
4.	KPS Technology & Engineering LLC	Provision of sulphur removal and recovery services for oil, gas, energy and power industries.
5.	KNM Process Systems Sdn Bhd	Design, engineering, procurement and manufacturing of process equipment for the oil, gas, petrochemical, energy, power and mineral processing industries.
6.	KNM Process Equipment Inc	Design, engineering, procurement and manufacturing of process equipment for the oil, gas, petrochemical and mineral processing industries.
7.	Inter Merger Realty & Development Sdn Bhd	Property investment and development.

**Nature of relationship of the Interested Related Parties with KNM Group as at 31 March 2021**

- (a) Ir Lee Swee Eng is a director of Inter Merger Sdn Bhd, Tofield Realty Development Corporation, Asiavertek Sdn Bhd. He is a major shareholder of KNM (direct interest:3.34%, indirect interest: 5.18%), a substantial shareholder of Inter Merger Sdn Bhd (indirect interest: 100%), Tegas Klasik Sdn Bhd (direct interest: 76.11%) and Asiavertek Sdn Bhd (direct interest: 50%; indirect interest: 50%), a shareholder of KPS Technology & Engineering LLC (direct interest: 5.56%; indirect interest: 8.05%), Ir Lee Swee Eng is the spouse of Gan Siew Liat and the brother-in-law of Chew Fook Sin.
- (b) Gan Siew Liat is a director of KNM, Inter Merger Sdn Bhd, Tofield Realty Development Corporation and Asiavertek Sdn Bhd. She is a substantial shareholder of KNM (direct interest 1.19, indirect interest:8.52), Inter Merger Sdn Bhd (indirect interest: 100%), Tegas Klasik Sdn Bhd (indirect interest: 76.11%) and Asiavertek Sdn Bhd (direct interest: 50%; indirect interest: 50%), a shareholder of KPS Technology & Engineering LLC (indirect interest: 13.61%), Gan Siew Liat is the spouse of Ir Lee Swee Eng and the sister-in-law of Chew Fook Sin.
- (c) Chew Fook Sin is a director of Tegas Klasik Sdn Bhd and KNM Process Equipment Inc. He is a substantial shareholder of Tegas Klasik Sdn Bhd (direct interest: 23.15%) and a shareholder of KNM (indirect interest: 0.09%). Chew Fook Sin is the brother-in-law of Ir Lee Swee Eng and Gan Siew Liat.
- (d) Inter Merger Sdn Bhd is a substantial shareholder of KNM and the holding company of IM Bina Sdn Bhd (direct interest: 99.6%) and Inter Merger Realty & Development Sdn Bhd (direct interest: 100%). It is a person connected with Ir Lee Swee Eng (indirect interest: 100%) and Gan Siew Liat (indirect interest: 100%) by virtue of their interests in the Company.
- (e) Tegas Klasik Sdn Bhd is a shareholder of KNM. It is a person connected with Ir Lee Swee Eng (direct interest: 76.11%), Gan Siew Liat (indirect interest: 76.11%) and Chew Fook Sin (direct interest: 23.15%) by virtue of their interests in the Company.
- (f) Asiavertek Sdn Bhd is the holding company of Tofield Realty Development Corporation (direct: 100%). It is a person connected with Ir Lee Swee Eng (direct interest: 50%; indirect interest: 50%) and Gan Siew Liat (direct interest: 50%; indirect interest: 50%) by virtue of their interests in the Company.
- (g) KNM Process Systems Sdn Bhd is a wholly-owned subsidiary of KNM and the holding company of KNM Process Equipment Inc. (direct:100%). It is a person connected with Ir Lee Swee Eng (indirect interest: 8.52%) and Gan Siew Liat (indirect interest: 9.71%) by virtue of their interests in the Company.
- (h) KPS Technology & Engineering LLC is a 94.44%-owned subsidiary of KNM.

## **2.5 OUTSTANDING AMOUNT DUE AND OWING UNDER THE RECURRENT RPTs**

There is an outstanding amount between a related party and a subsidiary of the Company for trade transactions over a period of 1 year. This amount is pending on the outcome of the contractual dispute between the said subsidiary of the Company and the end customer.

## **3. RATIONALE FOR PROPOSED RECURRENT RPT MANDATE**

It is envisaged that in the normal course of the Group's businesses, the Recurrent RPTs to be entered with the transacting companies as disclosed in Section 2.4 above are necessary for the Group's day-to-day operations and likely to occur with some degree of frequency. These Recurrent RPTs are in the ordinary course of business of the Group and undertaken at arm's length basis; on normal commercial terms; on terms which are not, in the Company's opinion, more favourable to the Related Parties than those generally available to the public; and not to the detriment of the minority shareholders of the Company.

Some of the key benefits to the Group entering into Recurrent RPTs are as follows:

- (a) The Recurrent RPTs may be time sensitive, hence it will be impractical to seek shareholders' approval on an *ad hoc* basis before entering into such Recurrent RPTs. By obtaining the Proposed Recurrent RPT Mandate and/or renewal of the same on an annual basis, the necessity to convene separate general meetings to seek shareholders' approval as and when such Recurrent RPTs occur will not arise. This will substantially reduce the time, administrative requirements, inconvenience and expenses associated therewith without adversely affecting the business opportunities available to the Group.
- (b) To facilitate transacting in expeditious manner for the provision of products and/or services which are necessary for its day-to-day operations and time sensitive in nature to meet business needs without compromising the corporate objectives of the Group and adversely affecting the business opportunities available to the Group.
- (c) Given some transacting companies are involved in complementary nature of businesses that of the Group and the long-standing and cordial business relationship, the close co-operation between the Group and the transacting companies has reaped mutual benefits by synergizing and tapping the established business and functional expertise within. The transacting companies are reliable business partners and/or products and services providers of the Group who fulfill its business needs and quality expectations even at a short notice.

## **4. EFFECTS OF PROPOSED RECURRENT RPT MANDATE**

The Proposed Recurrent RPT Mandate is not expected to have any material effect on the share capital, NA, earnings of the Group and shareholdings of Directors and Major Shareholders of the Company.

## **5. THRESHOLD FOR APPROVAL OF RECURRENT RPTs**

There are no specific thresholds for approval of Recurrent RPTs within the Group. However, all Recurrent RPTs are subject to the review and/or approval of the appropriate level of authority pursuant to the procedures as disclosed in Section 6 below set by the Executive Directors and/or senior management (such as delegated general managers or department managers, depending on the type of transactions), to ensure the Recurrent RPTs will be carried out on arm's length basis; on transaction price and on terms not more favourable to the Related Parties than those generally available to the public; and are not to the detriment of the minority shareholders.

## **6. REVIEW PROCEDURES FOR RECURRENT RPTs**

KNM has established adequate procedures to ensure that the Recurrent RPTs are conducted at arm's length and on normal commercial terms consistent with the Group's usual business practices and policies; are not more favourable to the Related Parties than those generally available to the public; and are not to the detriment of minority shareholders.

The procedures, *inter alia*, are as follows:

- (a) The management of the Group is kept informed of the procedures applicable to the Recurrent RPTs to ensure that Recurrent RPTs will be entered into after taking into account the exclusivity of the distributorship, pricing, quality, expertise required and other related factors.

- (b) Records of all Recurrent RPTs are maintained and reports thereof are circulated to the Audit Committee on quarterly basis for the Audit Committee's notation, review and monitoring of such Recurrent RPTs.
- (c) Review of the procedures governing Recurrent RPTs entered into by the Group, the approval required, compliance and reporting of such Recurrent RPTs are incorporated in the annual internal audit plan.
- (d) In the event a Recurrent RPT to be entered into by the Group involves the interest, direct or indirect of a member of the Board and/or Audit Committee, the Director concerned shall abstain from deliberation and voting in respect of this Recurrent RPT.

Currently, whenever practicable and/or feasible, at least two other contemporaneous transactions with unrelated third parties for similar products and/or services will be obtained and used as comparison, to determine whether the price and terms offered to or by the related parties are fair and reasonable and comparable to those offered to or by other unrelated third parties for the same or substantially similar type of products or services. In the event that quotation or comparative pricing from unrelated third parties cannot be possibly obtained due to unavailability of unrelated third party vendors or customers for similar products or services, and/or the product or service is a proprietary item, the management will determine the transaction price in the manner as mentioned in Section 6(a) above and ensure that the Recurrent RPT is not detrimental to the Company and the Group, and the minority shareholders of the Company.

## 7. STATEMENT FROM THE AUDIT COMMITTEE

The Audit Committee has seen and reviewed the procedures set forth in Section 6 above and is of the view that:

- (a) the said procedures are sufficient to ensure that the Recurrent RPTs are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders; and
- (b) the Group has in place adequate procedures and processes to monitor, track and identify Recurrent RPTs in a timely manner, and such procedures and processes are being reviewed quarterly or as and when necessary so as to ensure the procedures are in compliance with the relevant guidelines and policies.

## 8. APPROVAL REQUIRED

The Proposed Recurrent RPT Mandate is subject to the approval being obtained from the shareholders of the Company at its forthcoming 19<sup>th</sup> AGM.

## 9. INTERESTS OF INTERESTED RELATED PARTIES

Save as disclosed below, none of the other Directors, Major Shareholders or Persons Connected has any interest, direct or indirect, in the Proposed Recurrent RPT Mandate.

The direct and indirect shareholdings of the Interested Related Parties in the Company as at 31 March 2021 are as set out below:

Interested Related Parties	Direct		Indirect	
	No. of Shares	% <sup>#</sup>	No. of Shares	% <sup>#</sup>
Ir Lee Swee Eng	109,608,838	3.35	169,866,459 <sup>a</sup>	5.20
Gan Siew Liat	39,045,000	1.19	279,475,297 <sup>b</sup>	8.55
Chew Fook Sin	2,100,000	0.06	2,260,708 <sup>c</sup>	0.07
Inter Merger Sdn Bhd	107,024,651	3.27	-	-
Tegas Klasik Sdn Bhd	2,260,708	0.07	-	-
Asiavertek Sdn Bhd	-	-	-	-

Notes:-

- # Percentage interest is based on the total issued share capital of the Company less Treasury Shares held as at 31 March 2021.
- a Deemed interested by virtue of his indirect interests in Inter Merger Sdn Bhd ("IMSB") and Tegas Klasik Sdn Bhd ("TKSB"), and interest of his children in KNM.
- b Deemed interested by virtue of her indirect interest in IMSB, interest of her spouse in TKSB, and interest of her spouse and children in KNM.
- c Deemed interested by virtue of his direct interest in TKSB.

Accordingly, the abovementioned Directors, who being Interested Related Party in the Proposed Recurrent RPT Mandate has abstained and/or will abstain from Board deliberations on the resolution pertaining to the Proposed Recurrent RPT Mandate.

The abovementioned interested Directors and Major Shareholders will abstain and will ensure the Persons Connected also abstain from voting on the resolution pertaining to the Proposed Recurrent RPT Mandate, in respect of their direct and/or indirect shareholdings in the Company.

Further, where the Persons Connected with Directors and/or Major Shareholders have any interest, direct or indirect, in the Proposed Recurrent RPT Mandate, the Directors and/or Major Shareholders concerned will abstain from voting in respect of their direct and/or indirect shareholdings on the resolution approving the Proposed Recurrent RPT Mandate.

Despite the Recurrent RPTs as set out in Section 2.4 of this Circular involving several different Related Parties or classes of Related Parties, the Interested Related Parties have agreed that the Company may table one resolution to obtain the Proposed Recurrent RPT Mandate for all such Recurrent RPTs.

#### **10. DIRECTORS' RECOMMENDATION**

Having considered all aspects of the Proposed Recurrent RPT Mandate, the Director except Madam Gan Siew Liat, is of the opinion that the Proposed Recurrent RPT Mandate is in the best interest of the Group.

With the exception of Madam Gan Siew Liat who is interested in the Proposed Recurrent RPT Mandate in the manner as set out in Sections 2.4 and 9 of this Circular, and has therefore abstained from making any recommendation in respect of the Recurrent RPTs in which her interests are involved, the Board recommends that you vote in favour of the Ordinary Resolution on the Proposed Recurrent RPT Mandate to be tabled at the forthcoming 19<sup>th</sup> AGM of the Company.

#### **11. AGM**

The resolution pertaining to the Proposed Recurrent RPT Mandate is set out in the Notice of the Company's 19<sup>th</sup> AGM, which can be viewed and downloaded from the KNM Website. An extract of the said resolution is enclosed as Appendix I of this Circular.

The 19<sup>th</sup> AGM of the Company will be held on Tuesday, 29 June 2021 at 10.00 a.m., to be conducted fully virtual via remote participation and electronic voting (RPEV) with the live streaming to be broadcasted from Auditorium, 3A Floor, Menara Symphony, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

If you are unable to attend and vote in person at the forthcoming 19<sup>th</sup> AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy that can be downloaded from the KNM Website, in accordance with the instructions contained therein and deposit the Form of Proxy at the registered office of the Company no less than twenty-four (24) hours before the time set for the 19<sup>th</sup> AGM or any adjournment thereof. Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at <https://boardroomlimited.my> not less than twenty-four (24) hours before the time appointed for holding the meeting. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy from the Administration Notes for the AGM from the Company's website. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 19<sup>th</sup> AGM should you subsequently wish to do so.

#### **12. FURTHER INFORMATION**

Shareholders of the Company are advised to refer to Appendix II for further information.

Yours faithfully  
For and on behalf of the Board of  
**KNM GROUP BERHAD**

**Dato' Ab Halim bin Mohyiddin**  
Non-Independent Non-Executive Chairman

**Ordinary Resolution 8****Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature**

**"THAT** approval be and is hereby given to the Company and/or its subsidiaries ("KNM Group") to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of KNM Group ("Related Parties") as specified in section 2.4 of the Circular to Shareholders dated 31 May 2021 provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to Related Parties than those generally available to the public; and
- (iv) are not to the detriment of minority shareholders,  
(hereinafter referred to as the "Proposed Recurrent RPT Mandate");

**AND THAT** such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Recurrent RPT Mandate will continue to be in force until the conclusion of the next Annual General Meeting of the Company, unless by a resolution passed at that meeting, the authority is renewed; or the expiration of the period within which the next Annual General Meeting is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or until the authority is revoked or varied by a resolution passed by the shareholders in a general meeting, whichever is the earlier;

**AND THAT** the Directors of the Company be and are hereby empowered to complete and to do all such acts and things including executing all such documents as may be required as they may consider expedient or necessary to give effect to the Proposed Recurrent RPT Mandate."

**1. Responsibility statement**

This Statement/Circular has been seen and approved by the Directors of the Company who collectively and individually accept full responsibility for the accuracy of the information given therein and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts, the omission of which would make any statement in this Statement/Circular misleading.

**2. Material contracts**

Save for the material contract disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) entered into by the KNM Group within the two (2) years immediately preceding the date of this Statement/Circular:-

On 28 August 2019, the Company's indirect subsidiary Borsig GmbH ("Seller") had entered into a Sale and Purchase Agreement with Borsig ZM Schweiz AG (Purchaser") and Iskra-Neftegaz Compressor Limited Liability for the disposal of its entire shareholdings in its subsidiary, Borsig ZM Compression GmbH ("BZM"), for a cash consideration of EUR28 million (equivalent to approximately RM130.76 million based on the exchange rate of EUR1.00 : RM4.67) ("the Disposal"). The Disposal was terminated by the Seller due to the Purchaser unable to fulfill the payment schedule under the terms of the contract.

**3. Material litigation**

Save for the material litigation as disclosed below, there are neither the Company nor its subsidiaries, as at the date of this Statement/Circular, is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant which may have a material and adverse effect on the business or financial position of the Group and the Directors are not aware of any proceeding, pending or threatened against the Company and/or its subsidiaries or any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Company and/or its subsidiaries.

On 11 March 2019, KNM Group Berhad's wholly-owned subsidiary, KNM Process Systems Sdn Bhd ("Claimant") has issued and submitted a Request for Arbitration (the "Request") against Lukoil Uzbekistan Operating Company LLC ("Respondent") with the Institute of the Stockholm Chamber of Commerce, in Sweden, seeking for claims and damages in excess of USD 96 Million in relation to unpaid invoices for work done, costs arising from breach of the Contract, costs arising from design changes, additional works performed, prolongation of contract and financial losses.

**4. Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours at the Registered Office of the Company from the date of this Statement/Circular up to and including the date of the 18<sup>th</sup> AGM:

- (a) Constitution of the Company; and
- (b) Audited consolidated financial statements of the Company for the past two (2) financial years ended 31 December 2019 and 31 December 2020.