ANNUAL REPORT **2019**

KNM GROUP BERHAD
(521348-H)

WORLD CLASS PROCESS EQUIPMENT MANUFACTURER AND TOTAL SOLUTIONS PROVIDER

BORSIG

fbmhudsonitaliana
Air Coolers · S & T Heat Exchangers · Waste Heat Boilers

VISION

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

MISSION

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Ab Halim Bin Mohyiddin, DPMS
Independent Non-Executive Chairman

Ir Lee Swee Eng
Group Chief Executive Officer/ Executive Director

Dato' Dr Khalid Bin Ngah
Senior Independent Non-Executive Director

Soh Yoke Yan
Independent Non-Executive Director

Gan Siew Liat
Senior Executive Director

BOARD COMMITTEES

AUDIT COMMITTEE MEMBERS

Dato' Ab Halim Bin Mohyiddin
Dato' Dr Khalid Bin Ngah
Soh Yoke Yan

NOMINATION COMMITTEE MEMBERS

Dato' Ab Halim Bin Mohyiddin
Dato' Dr Khalid Bin Ngah
Soh Yoke Yan

REMUNERATION COMMITTEE MEMBERS

Dato' Dr Khalid Bin Ngah
Dato' Ab Halim Bin Mohyiddin
Soh Yoke Yan
Ir Lee Swee Eng

ESOS COMMITTEE MEMBERS

Dato' Dr Khalid Bin Ngah
Soh Yoke Yan
Gan Siew Liat

GROUP COMPANY SECRETARY

Hani Syamira Binti Abdul Hamid
LS 0009872
Email : cosec@knm-group.com

AUDITORS

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

PRINCIPAL FINANCIERS

Industrial & Commercial Bank of China (Malaysia) Berhad
Level 34C, Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia

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

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

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

MBSB Bank Berhad
Wisma MBSB
49, Jalan Dungun
Damansara Heights
50490 Kula Lumpur

REGISTERED OFFICE

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

SHARE REGISTRAR

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

DATE OF INCORPORATION

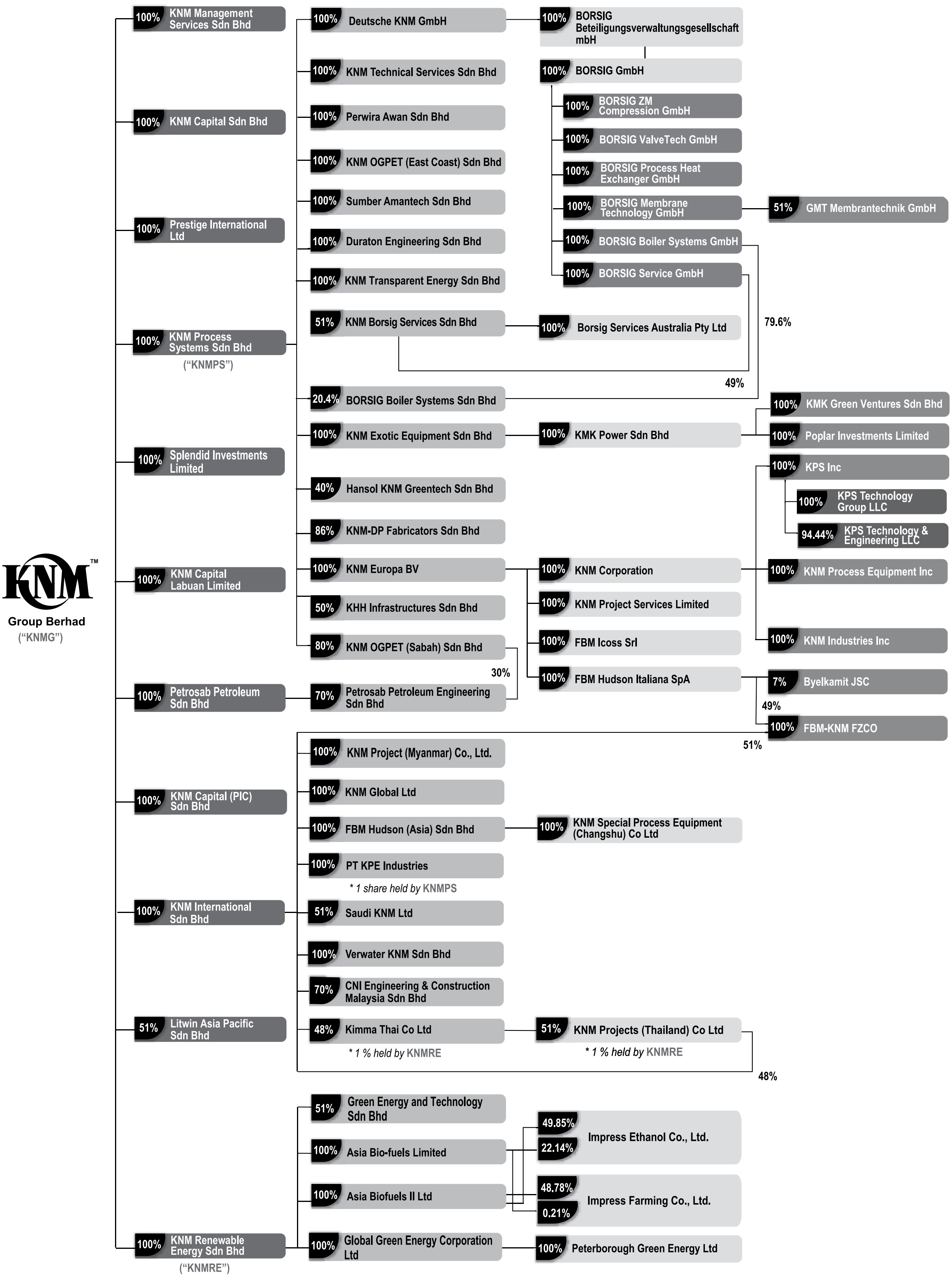
Incorporated on 22 July 2000 as a private company limited by shares. Converted to a public company limited by shares on 12 September 2000.

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE

KNM Group's Corporate Structure as at 21 May 2020



KNM
AT A GLANCE

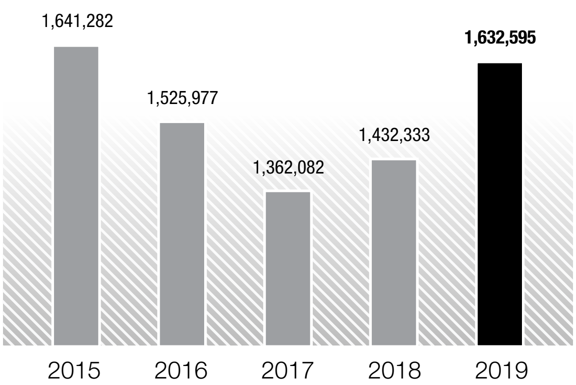
GLOBAL *PRESENCE*

5-YEAR
GROUP FINANCIAL HIGHLIGHTS

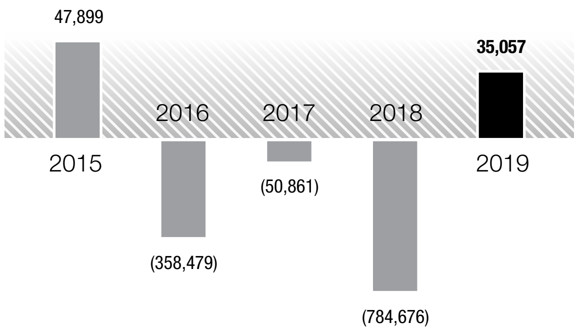
	2019	2018	2017 Restated #	2016 Restated #	2015
Revenue (RM'000)	1,632,595	1,432,333	1,362,082	1,525,977	1,641,282
Profit/(Loss) Before Tax (RM'000)	70,414	(412,352)	(36,600)	(352,867)	124,135
Profit/(Loss) After Tax (RM'000)	35,057	(784,676)	(50,861)	(358,479)	47,899
Earnings/(Loss) Before Interest, Taxes, Depreciation and Amortisation (RM'000)	239,780	(249,475)	109,304	(217,474)	263,144
Shareholders' Equity (RM'000)	1,664,069	1,540,778	2,365,210	2,360,732	2,718,794
Basic Earnings/(Loss) Per Share (Sen)	1.83	(33.03)	(2.26)	(16.81)	2.65
Net Assets Per Share (RM)	0.64	0.66	1.10	1.11	1.26

The comparatives for financial year 2016 and 2017 have been restated pursuant to the adoption of MFRS 15, *Revenue from Contracts with Customers*.

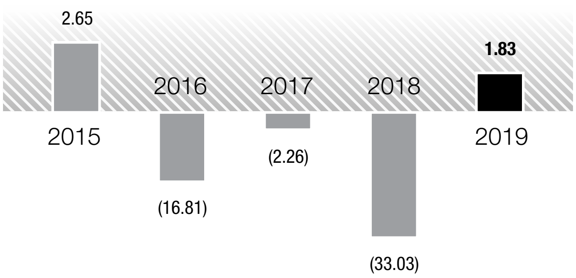
REVENUE
(RM'000)



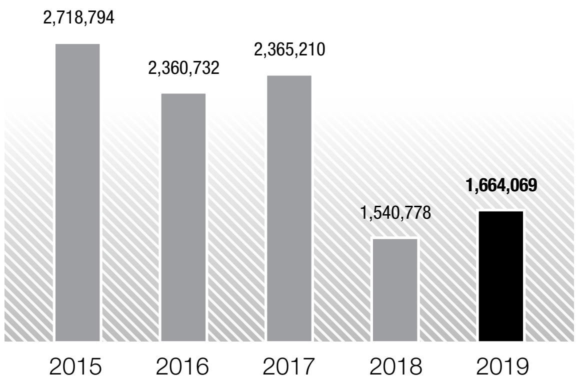
PROFIT/(LOSS) AFTER TAX
(RM'000)



BASIC EARNINGS/(LOSS) PER SHARE
(Sen)



SHAREHOLDERS' EQUITY
(RM'000)



CHAIRMAN'S MESSAGE

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of KNM Group Berhad ("KNM") for the financial year ended 31 December 2019 ("FY2019").

Financial and operation highlights

After implementing the rationalising exercises in year 2018, FY2019 was a watershed year in our transformation, where the Group has recorded an Earnings Before Interest, Taxes, Depreciation, and Amortisation ("EBITDA") of RM239.78 million as compared with a Loss Before Interest, Taxes, Depreciation, and Amortisation ("LBITDA") of RM249.48 million for the financial year ended 31 December 2018 ("FY2018").

Europe segment continued to lead as an one-stop integrated solution provider for the provision of process equipment and process systems with state-of-the-art technology. This segment remained as the cornerstone to the Group in terms of revenue and profit attrition. However, it is noticeable that the performance in Asia and Oceania segment had forged ahead and achieved a remarkable turnaround from a LBITDA of RM344.38 million in FY2018 to an EBITDA of RM61.79 million in FY2019. This was mainly due to the accelerated growths in new orders secured by the Group's Malaysia operations in FY2019 and the rightsizing exercise which contributed to substantial cost savings. Whereas for America segment, the operation was scaled down with minimal operational fixed overhead.

The Group continues to advance its strategy to strengthen and enhance its recurring income businesses. The Thailand bio-ethanol production continues to be optimised. Management has planned to enhance the plant with multi-feedstocks options which molasses can be used as an alternative feedstock in the bio-ethanol production, besides cassava chips. The multi-feedstocks feature will allow the plant to switch between the cheaper feedstocks and therefore lower the cost of production.

Our waste to energy project in Peterborough, United Kingdom (the "WTE Project") has obtained official approval from Peterborough City Council on 10 May 2019 on its plant design. We had completed the preliminary site infrastructure works. However, the project activities was slowed down due to the COVID-19 pandemic and is expected to resume gradually in September 2020.

Prospect

The global economy will be very challenging due to the outbreak of COVID-19 since early 2020. Many countries have restricted the movement of peoples and business activities. Therefore, the magnitude of economic impact will depend on the length of the restrictions. The International Monetary Fund projected the global economy to contract by 3 percent in 2020. This pandemic is also expected to cause a long-term impact on the functioning of economies, supply chains and trade relations.

The Group aims to maintain its profitability during this challenging period by improving its operational efficiency through process improvement and operational savings from leaner outfit. Meanwhile, the Group will continue to uphold its sustainable business initiatives to build the foundation for long term success and as a responsible corporate citizen.

Recognition and Acknowledgement

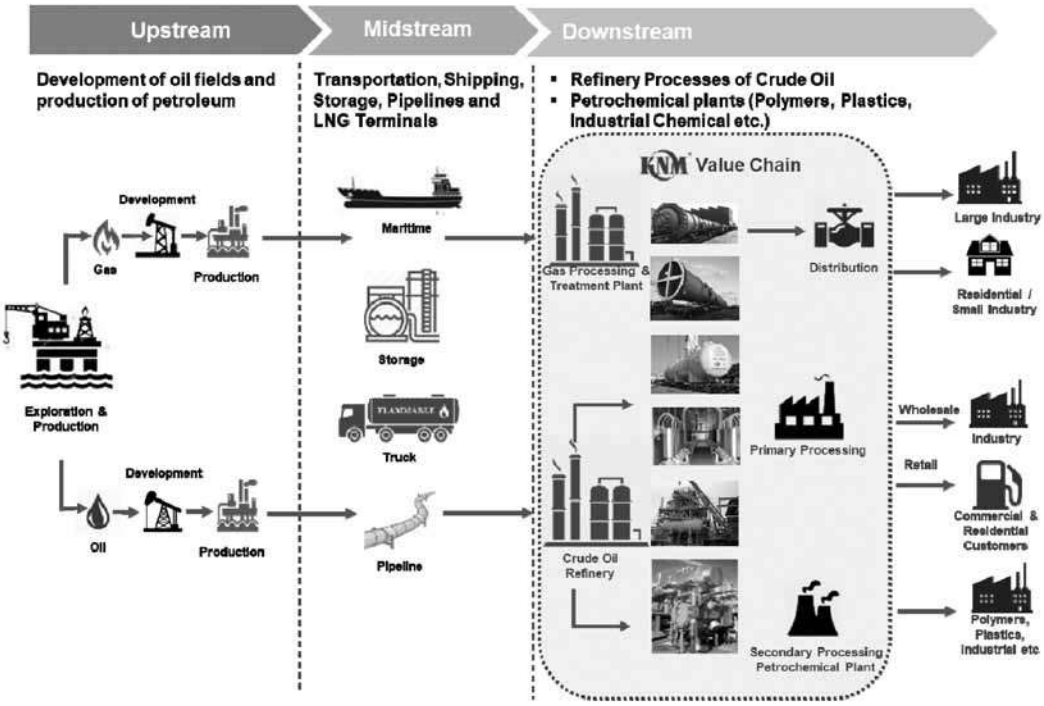
I am proud to note that our efforts have been recognised and I would like to congratulate our enthusiastic employees and management for their efforts which enable the Group to receive two prestige awards i.e. The BrandLaureate - World Bestbrands Awards 2019 and The BrandLaureate Iconic Brands of the Decade Awards for Manufacturing - Process Equipment, and our Group CEO, Ir Lee Swee Eng for receiving The BrandLaureate – Brandpreneur Leadership of the Year Awards 2019. The encouraging performance this year is by no means cause for complacency. We will continue to strive our best to navigate the challenges in the coming years and maintain our growth momentum.

Last but not least, on behalf of the Board, I would like to express our heartfelt gratitude to our shareholders, clients, affiliates, financiers and business partners, for your continued support, invaluable trust and unwavering confidence in our Group. Our appreciation also extends to my fellow Board members, management team and employees for their enduring commitment, dedication and contribution towards the growth of the Group.

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS OPERATION OVERVIEW

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

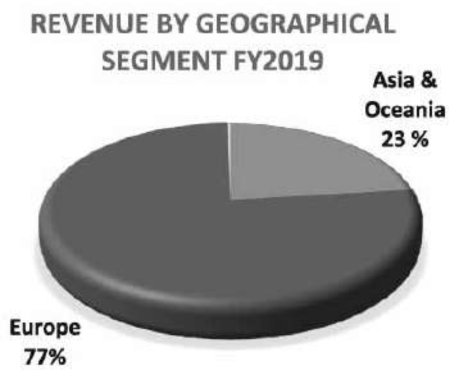


FINANCIAL PERFORMANCE OVERVIEW

FY2019 was a remarkable year for the Group as the Group achieved higher revenue by approximately 14.0% from RM1.43 billion in FY2018 to RM1.63 billion in FY2019. This increment was mainly due to higher revenues contributed from our Malaysia and Europe operations. The gross profit margin had also improved from 8.2% in FY2018 to 18.0% in FY2019 attributed to better profit margins from new orders secured and rigorous cost controls. Consequently, the Group has attained a profit before tax of RM70.41 million in FY2019 as compared to a loss before tax in FY2018 of RM412.35 million.

SEGMENTAL PERFORMANCE

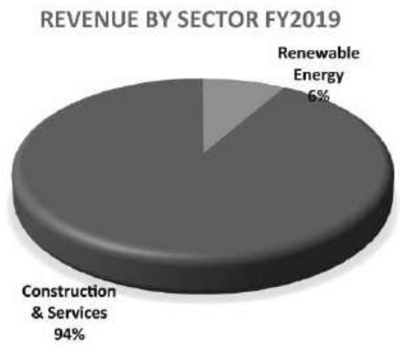
Europe segment continued to be the major contributor to the Group, particularly from the operations in Germany. This segment posted a higher revenue of approximately RM1.26 billion in FY2019 as compared with RM1.23 billion in FY2018 mainly due to higher new orders secured. This segment recorded a higher gross profit of approximately RM254.82 million and an EBITDA of approximately RM183.13 million in FY2019 as compared with RM238.07 million and RM115.53 million respectively in FY2018, mainly attributed to lower operating costs.



SEGMENTAL PERFORMANCE (CONT'D)

In FY2019, the revenue contribution from the Asia and Oceania segment to the Group's consolidated revenue increased from 14.3% in FY2018 to 22.5% in FY2019 mainly due to the improved performance from our Malaysia operations. This segment's revenue grew by 79.5% from RM204.17 million in FY2018 to RM366.58 million in FY2019. This segment turned around and registered an improved gross profit and EBITDA of approximately RM39.69 million and RM61.79 million respectively in FY2019 as compared with a gross loss of approximately RM110.98 million and a LBITDA of approximately RM344.38 million in FY2018, mainly due to the higher revenue recognised, better profit margins and cost reductions.

Throughout the year, we have been laying the ground work to enable us to better capture the growth opportunities in the supply of process equipment sector. The revenue generated from construction and services sector, which was mainly from the supply of process equipment, project management and engineering services remained as the major source of revenue, contributed approximately 93.9% of the Group's consolidated revenue. The revenue from renewable energy sector, primary from the production and sales of bio-ethanol, contributed 6.1% of the Group's consolidated revenue in FY2019. However, in near future, the Group expects that the revenue contribution from the renewable energy sector to the Group's consolidated revenue will increase further once the second phase of our ethanol plant is completed with additional production capacity of 300,000 liters of ethanol per day and completion of our waste to energy plant in UK.



FINANCIAL POSITION

Total Assets

Total assets of the Group as at 31 December 2019 was RM3.90 billion as compared to RM3.85 billion as at 31 December 2018. The increase of the total assets was mainly due to the increase in the fair value of the lands and the buildings of RM103.55 million net of tax as at 31 December 2019 in line with the Group's 5-year property and plant revaluation policy. In addition, the increment in total assets of the Group was partly attributable to the adoption of Malaysian Financial Reporting Standards 16 ("MFRS 16"), *Leases* with effect from 1 January 2019 by the Group. MFRS 16, *Leases* introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. The value of right-of-use assets recognised as at 31 December 2019 was RM57.91 million.

Total Liabilities

The total liabilities of the Group were reduced by RM62.44 million to RM2.25 billion as at 31 December 2019. The slight decrease was mainly due to decrease in payables, contract liabilities and borrowings and was partially offset by recognition of lease liabilities amounted to RM53.76 million arising from adoption of MFRS 16, *Leases*.

Liquidity and Capital Resources

The Group's borrowing reduced by RM3.00 million from RM1,470.61 million as at 31 December 2018 to RM1,467.61 million as at 31 December 2019. The gearing ratio of the Group as at 31 December 2019 decreased to 0.88x as compared to 0.95x as at 31 December 2018.

The cash and bank balances were RM343.65 million as at 31 December 2019 as compared with RM411.15 million as at 31 December 2018. The reduction in cash and bank balances was mainly due to higher trade payments made during the year under review.

RISK EXPOSURE

KEY RISK	DESCRIPTION	MITIGATION MEASURES
Operational	Operational risk relates to the frequency and timeliness of new order replenishment affecting consistency of revenue recognition. The risk arising from fluctuation in prices and supplies of raw materials such as steel and cassava chips for our Thailand bio-ethanol plant, due to seasonal, climate and market forces. Competition from local and overseas competitors who provide similar products and services offerings.	• The Group is developing recurring income businesses that would provide a more sustainable income stream over the long term. • The Group ensures that prices of all major raw materials required for the fabrication of process equipment projects are locked-in immediately when the contract is secured. • The Group continuously monitors the market and price movement of cassava chips, as well as negotiating long term supply contracts and contract farming to mitigate the fluctuation risks. • The Group has implemented disciplined and lean cost controls by consolidating its resources to improve the price competitiveness and continue to uphold higher standard of quality of process equipment
Financial	Financial risk involves the risk of market volatilities affecting exchange rates and interest rates which may in turn affect the value of our financial assets and liabilities.	• The Group constantly monitors its foreign currency exposures and takes necessary steps to minimise its exposures to such volatilities. A formal hedging policy has been put in place where it is a requirement to enter into foreign exchange forward contracts with licensed financial institutions to mitigate any foreseeable adverse fluctuations in the exchange rate between the currencies in which the Group's sales and purchases are denominated in.

OUTLOOK

Construction and services

We anticipate that the outlook for year 2020 on construction and services will be challenging. At this juncture, we are uncertain on the impact of the recent outbreak of COVID-19 as it was unprecedented. Since the outbreak of COVID-19, most of the countries have implemented different degree of restriction on movement or lockdown in their countries as well as brought many economic activities to a halt in order to contain the pandemic. The crude oil price has dropped from average price of USD60 per barrel in early January 2020 to USD 20 per barrel in April 2020 partly due to the substantial reduction in demand of crude oil resulted from the implementation of lockdowns and slowing economic activities in many countries. Subsequently in April 2020, the Organization of the Petroleum Exporting Countries ("OPEC") and its allies agreed massive production cuts amounting to a 10% of global supplies in order to stabilise the world's crude oil price. Various countries have also announced economic stimulus packages to cushion the impact of COVID-19.

We are positive about these steps taken by the respective countries and institutions and hope that the situation will improve towards the end of the year. Nonetheless, we remain confident in our strong fundamentals and we will continue to focus on delivering growth while managing the risks triggered by the volatile external environment.

OUTLOOK (CONT'D)

Renewable Energy

The prospect of the bio-ethanol in Thailand will remain optimistic as the domestic ethanol demand is expected to grow at an average growth rate of 2.4% - 3.2% from 2019 to 2021, lifting daily consumption to the range of 4.30 – 4.54 million liters. The sector will be supported by a forecast increase in demand for gasoline of 2.4-2.9% per year in this period of time and the already large size of the national vehicle fleet, coupled with the increasing number of new models that can run on fuel mixes with higher ethanol content (i.e. E20 and E85) (Source: Thailand Industry Outlook 2019-2021 – Ethanol Industry by Krungsri Research).

PROFILE OF DIRECTORS

DATO' AB HALIM BIN MOHYIDDIN, DPMS

Independent
Non-Executive Chairman

Aged 74, Male, Malaysian

Dato' Ab Halim Bin Mohyiddin was appointed to the Board of KNM Group Berhad on 14 June 2003 as an Independent Non-Executive Director and was subsequently designated as a Senior Independent Non-Executive Director on 29 June 2011. Thereafter, he was re-designated as the Chairman of the Company on 29 April 2013.

He graduated with a Bachelor of Economics (Accounting) from University of Malaya in 1971 and thereafter joined Universiti Kebangsaan Malaysia as a Faculty Member of the Faculty of Economics. He obtained his Masters of Business Administration degree from University of Alberta, Edmonton, Alberta, Canada in 1973. He retired from KPMG/KPMG Desa Megat & Co. on 1 October 2001, a firm he joined in 1977 and had his early accounting training in both Malaysia and United States of America. He was made Partner of the Firm in 1985. At the time of his retirement, he was Partner-in-Charge of the Assurance and Financial Advisory Services Divisions and was also looking after the Secured e-Commerce Practice of the Firm. He has extensive experience in tax, audit, corporate turnaround and financial restructuring of various companies and has also acted as Receiver and Manager and Liquidator for several companies during his tenure with KPMG.

Dato' Ab Halim is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants (MIA). He is currently the Chairman of the Education and Training Committee of MICPA. He served as a member of the Education Committee of the International Federation of Accountants (IFAC) from 2001 to 2005. He was the President of MICPA from June 2004 to June 2007 and a Council Member of MIA from 2001 to 2007.

Presently, he is the Chairman of Amway (Malaysia) Holdings Berhad, and a Board member of Petronas Gas Berhad and MISC Berhad.

Dato' Ab Halim is the Chairman of the Audit Committee and Nomination Committee and is a member of the Remuneration Committee.

IR LEE SWEE ENG

Group Chief Executive
Officer/Executive Director

Aged 64, Male, Malaysian

Ir Lee Swee Eng founded the KNM Group in 1990 as a private company specialising in manufacturing of process equipment and developed it into a global process equipment manufacturer and total solutions provider for the oil, gas and petrochemical and energy industries since its inception in 1990. He is responsible for overseeing the strategic direction and management of the Group's operations and was appointed Group Managing Director of KNM Group Berhad on 14 June 2003. He was re-designated as Executive Chairman/ Group Chief Executive Officer on 3 September 2010. He remains the Group Chief Executive Officer/Executive Director of the Company although he had relinquished his position as Executive Chairman of KNM Group Berhad on 29 April 2013.

Ir Lee Swee Eng graduated in 1979 with a Bachelor of Science (First Class Hons) in Mechanical Engineering from the University of Strathclyde in Glasgow, Scotland. He had served with Exxon in 1976 as a Production Specialist and with Petronas, the Malaysian National Oil Corporation from 1979 to 1985 in various capacities ranging from Production Engineer to Project Leader for major oil and gas development projects. He worked with John Brown E & C Inc of United States of America as a Project Engineer on international assignments in 1986 and subsequently joined Technip Geoproduction (Malaysia) Sdn. Bhd. as its Director and eventually, Managing Director from 1986 to 1990.

He is a Registered Professional Engineer since 1984 and a Fellow Member of the Institution of Engineers, Malaysia since 1993 and was the founding Chairman of the Institute of Engineers, Malaysia, Petroleum Division. He was also a Council Member and a Fellow Member of the Institute of Materials, Malaysia for the 2014 to 2016 term. He is a Board member of the Malaysian German Chamber of Commerce and Industry since 30 June 2011 and was its President for the 2012/2013 term.

He formerly served as a Council Member of the Federation of Malaysian Manufacturers (FMM) and was a member of the Executive Committee of the Malaysian Iron and Steel Industry Federation (MISIF) from 2000 to 2004. He was also the founding Chairman of the MISIF Boilers and Pressure Vessels Group and the Institution of Engineers, Malaysia Oil and Gas Technical Division. He was elected a Member of the International Council of Pressure Vessels Technology as representative from Malaysia from 2000 to 2004 and was previously an Industry Advisory Panel Member for the Universiti Tunku Abdul Rahman's Faculty of Engineering and Science as well as the Engineering Faculty of Monash University.

Ir Lee Swee Eng serves as a member of the Remuneration Committee. He is not a Director of any other public or public listed companies.

Ir Lee Swee Eng is the spouse of Madam Gan Siew Liat.

DATO' DR KHALID BIN NGAH

Senior Independent
Non-Executive Director

Aged 73, Male, Malaysian

Dato' Dr Khalid Bin Ngah was appointed to the Board of KNM Group Berhad on 19 August 2011 as an Independent Non-Executive Director and was re-designated as a Senior Independent Non-Executive Director on 29 April 2013.

Dato' Dr Khalid graduated in 1970 with a Bachelor of Science (Hons) in Geology from the Carleton University in Ottawa, Canada. Thereafter, he obtained his Master of Science degree in Petroleum Geology from Oklahoma State University, United States of America, in 1975 under the Malaysian Federal Government's sponsorship. He then furthered his tertiary education and completed his doctorate PhD degree in Petroleum Geology from the Imperial College, University of London, United Kingdom, under the Petronas sponsorship in 1987.

He first served with the Malaysian Geological Survey Department as the State Geologist for Negeri Sembilan before moving to Petronas, the Malaysian National Oil Corporation from 1975 to 1997, and held various technical and managerial positions. He was actively involved in the development of national oil and gas policies leading to the development of PSC contract documents.

After obtaining his doctorate degree, he returned to serve Petronas as its General Manager of Exploration and Production Research, with emphasis on determining oil and gas resource potentials and techniques to enhance oil and gas recoveries before opting for optional retirement in 1997. He was also the External Examiner for UTM Skudai, Johor (1995-1997) and was previously appointed as Joint Managing Director of Kedah Cement Berhad and Executive Chairman of FPSO Tech Sdn. Bhd.. He was formerly an Independent Director of Eastern Pacific Industrial Corporation (EPIC) Berhad too.

He is a member of the American Association of Petroleum Geologists (AAPG) and a life member and past president of the Geological Society of Malaysia. He was awarded the Achievement Award from AAPG in 1994 for "Advancement in Malaysian Petroleum Industry and for Contribution to AAPG as Regional Advocate".

Dato' Dr Khalid is not a Director of any other public or public listed companies.

Dato' Dr Khalid is the Chairman of the Remuneration Committee and ESOS Committee and is a member of the Audit Committee and Nomination Committee.

SOH YOKE YAN

Independent Non-Executive Director

Aged 52, Female, Malaysian

Madam Soh Yoke Yan was appointed to the Board as an Independent Non-Executive Director of KNM Group Berhad on 14 March 2013.

Madam Soh is qualified accountant with a professional degree from the Chartered Institute of Management Accountant (CIMA, UK) and holds a Diploma in Management Accounting with Tunku Abdul Rahman College. She is also a member of Malaysian Institute of Accountants (CA, MAL) and Associate Member of Chartered Management Accountant (ACMA, UK). She was engaged with public listed companies of different industries and has more than 20 years of corporate and commercial accounting experiences.

She joined Isyoda Corporation Berhad as a Financial Controller in 2003 prior to her appointment as an Executive Director of Isyoda Corporation Berhad in 2006. She also sits on the Board of several other private limited companies.

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

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

GAN SIEW LIAT

Senior Executive Director

Aged 59, Female, Malaysian

Madam Gan Siew Liat is primarily responsible for the Group's human capital functions. She has been with the KNM Group since 1990 and was appointed as an Executive Director of KNM Group Berhad on 14 June 2003. She was subsequently redesignated as Senior Executive Director on 2 June 2020.

She was awarded a Certificate in Personnel Management from the Malaysian Institute of Personnel Management, and completed a Dale Carnegie course in Effective Speaking and Human Relations at the Dale Carnegie Institute of Houston in the United States of America. In 1990, she joined the Inter Merger Group as the Administration Manager.

Madam Gan is a member of the ESOS Committee. She is not a Director of any other public or public listed companies.

Madam Gan Siew Liat is the spouse of Ir Lee Swee Eng.

Notes:-

1. Save for Ir Lee Swee Eng and Mdm Gan Siew Liat, all other Directors of KNM Group Berhad are not related to any family members of the Directors and/or major shareholders of the Company.
2. All Directors have no conflict of interests with the Company.
3. None of the Directors has any conviction for offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

TAN KOON PING
Group Finance Director/Group Chief Financial Officer
Aged 49, Male, Malaysian

Mr Tan Koon Ping was appointed as the Group Finance Director of KNM Group Berhad on 11 March 2013 and assumed the position of Group Finance Director/Group Chief Financial Officer on 26 March 2013. He is also the Joint Managing Director of BORSIG Group as well as the Chairman of FBM Group.

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

He also sits on the Board of several subsidiaries of KNM Group Berhad. He is not a Director of any public or public listed companies.

FLAVIO PORRO
Group General Counsel
Aged 49, Male, Italian

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

He was appointed as Group General Counsel of KNM Group Berhad on 5 January 2015 and subsequently in December 2019, he was made as a Joint Managing Director of BORSIG Group.

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

He also sits on the Board of several subsidiaries of KNM Group Berhad. He is not a Director of any public or public listed companies.

WONG TOH SING
Chief Executive Officer
Aged 54, Male, Malaysian

Mr Wong Toh Sing was appointed as the Chief Executive Officer of FBM Group on 4 June 2018.

Trained in the area of accounting and economics, Mr Wong Toh Sing has 30 years of working experiences including auditing, accounting, treasury, operations and management in 5 different countries. He graduated with a Bachelor of Commerce Degree from University of Otago, New Zealand in 1988 and started his career in Auckland with Champion Spark Plug Pte Ltd as an assistant accountant and then PriceWaterhouse Coopers (formerly known as Coopers & Lybrand before merging) as auditor.

He resumed his career in Malaysia in 1991 with Genting Plantation Berhad (formerly known as Asiatic Development Berhad) as an Accountant. From 1996 to 1997, he joined a subsidiary of German Group in household products, Vorwerk (Malaysia) Sdn. Bhd. as their Finance Manager before he was recruited by a fashion retailer with Club-21 Retail (M) Sdn. Bhd. as their Finance & Accounts Manager.

In 1998, he started his overseas career with an integrated timber processing company based in Laos, Lanexang Forest Development Co. Ltd., started off as Finance & Accounts Manager before promoted to become the General Manager in 2001. He left his career in Laos in 2007 before migrating to Australia with his family in 2008. In Australia, from 2008 to 2015 he continued his career with food and aerosols cans manufacturer, Jamestrong Pakaging Australia Pty Ltd as an Accountant.

In August 2016, he started his journey with KNM Group with a role as Divisional Financial Controller, of the Renewable, Power & Utilities Division. He was made an Acting Chief Operating Officer, the following year, in December 2017. Subsequently, in June 2018, he was made Chief Executive Officer cum Managing Director of FBM Group based in Bergamo, Italy covering FBM Divisional Group of Companies inclusive of plants and operations in Canada, UAE and China.

He also sits on the Board of several subsidiaries of KNM Group Berhad. He is not a Director of any public or public listed companies.

CHUA THIAM CHYE
Acting Chief Operating Officer
(Process Equipment Division, Malaysia)
Aged 53, Male, Malaysian

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

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

He also sits on the Board of a subsidiary of KNM Group Berhad.

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

JURGEN STEGGER
Managing Director, BORSIG Group
Aged 56, Male, German

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

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

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

He also sits on the Board of several subsidiaries of BORSIG Group.

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

Notes:-

1. All Senior Management staff of KNM Group Berhad are not related to any family members of the Directors and/ or major shareholders of the Company.
2. All Senior Management staff have no conflict of interests with the Company.
3. None of the Senior Management staff has any conviction for offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board upholds the value of good governance and supports the need to cultivate an ethical and good corporate governance culture in the Group to promote accountability and build a sustainable business. It stands guided by the principles set forth in the Malaysian Code of Corporate Governance 2017 ("the Code"), the relevant chapters of the Main Market Listing Requirements of Bursa Malaysia ("Bursa MMLR") on corporate governance ("CG") and all applicable laws and regulations throughout the financial year under review.

This corporate governance overview statement is prepared pursuant to the principles and recommendations of the Code issued by the Securities Commission of Malaysia ("SC") and Paragraph 15.25 of the Bursa MMLR.

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

THE BOARD

Role and Principal Responsibilities

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

The Board is chaired by a Non-Executive Director whilst the Group Chief Executive Officer position is helmed by an Executive Director. Their roles and responsibilities are clearly divided to ensure a balance of power and authority. In addition, the roles and responsibilities of the Chairman and Group Chief Executive Officer/Executive Director are well defined whereby, the Board is led by the Chairman to ensure its effective functioning whilst the management is led by the Group Chief Executive Officer/Executive Director in formulating the annual business plan to enhance the Company's business growth and create shareholders' value, and implementing the Board's policies, strategies and decisions as well as managing the business operations.

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

Standards of Conduct and Best Practices

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

Board Charter

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

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

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

Board Composition

The establishment of an active and independent Board of Directors is paramount in improving corporate governance practices. During the financial year under review, the Board comprised of five (5) Directors, two (2) of whom are Executive Directors while the rest are Independent Non-Executive Directors. The Board's composition is made up of an independent Board of Directors comprising of more than one-half of the Board. Of the 5 Directors, 2 are female Directors and the rest are male Directors. In view thereof, 40% of the Board is represented by feminine gender.

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

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

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

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

The Board takes cognizance of the importance in terms of governance to separate the Chairmanship of the Board and the Audit Committee. In line with this, the Board shall make the effort to re-structure the composition of the Audit Committee in the near future.

Appointments to the Board and Re-election of Directors

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

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

Independence

The Board is chaired by a Non-Executive Director whilst the Group Chief Executive Officer/Executive Director position is helmed by an Executive Director. There is a separation in the functions, roles and positions of the Chairman and Group Chief Executive Officer/Executive Director to promote accountability and facilitate division of responsibilities between them. The Chairman leads and encourages constructive and healthy debates to ensure Board effectiveness and that resolutions are circulated and deliberated so that all Board decisions reflect the collective views of the Board and not the views of an individual or small group of individuals.

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

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

In the event the Board continues to retain the Independent Director after the 12th year, an annual approval from the shareholders shall be obtained through a two-tier voting process at the annual general meeting.

Board Meetings and Supply of Information

The Board meets on a scheduled basis of at least four (4) times a year. Additional Board meetings will be convened as and when necessary. Dates for Board meetings are decided in advance after consultation with all Board members. During the financial year under review, six (6) Board meetings were held. The attendance of each Director at the Board meetings is as set out below:-

	Number of meetings attended	**%**
Dato' Ab Halim Bin Mohyiddin	6/6	100
Ir. Lee Swee Eng	6/6	100
Dato' Dr Khalid Bin Ngah	6/6	100
Soh Yoke Yan	6/6	100
Gan Siew Liat	6/6	100

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

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

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

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

Access to Information and Advice

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

Currently, the Group's Company Secretary effect all proper documentation, to meet all statutory obligations and compliances as well as to support the Chairman of the Board in ensuring the effective functioning of the Board. The Company Secretary meets the requirements for the discharge of his duties and his removal is a matter for the Board as a whole.

THE BOARD COMMITTEES

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

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

Audit Committee

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

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

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

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

Nomination Committee

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

The Nomination Committee will meet at least once a year. During the financial year under review, the Nomination Committee met up twice and the attendance of each member at the meetings is as set out below :

	Number of meetings attended	**%**
Dato' Ab Halim Bin Mohyiddin (Chairman)	2/2	100
Dato' Dr Khalid Bin Ngah	2/2	100
Soh Yoke Yan	2/2	100

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

i) assessment and evaluation of the performance of the Board, the Board Committees and the respective Directors, and the independence of the director(s);

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

iii) recommending for the Board's approval:-

   a) the retiring director(s) to be re-elected; and
   b) the independent director(s) whose tenure is/are above a cumulative term of 9 years to be retained as Independent Director(s) of the Company.

Remuneration Committee

The Remuneration Committee comprises three (3) Independent Non-Executive Directors and the Group Chief Executive Officer/Executive Director. It is chaired by the Senior Independent Non-Executive Director. The Remuneration Committee is responsible for recommending to the Board, inter alia, the remuneration of all applicable directors pertaining to set annual fees and allowances and this includes remuneration packages of the Executive Directors, in all its forms, drawing from outside advice as necessary. With the availability of Directors' remuneration policy and market survey information from external sources or human resource consultants, the Remuneration Committee ensures that the remuneration packages recommended are appropriate and competitive. All recommendations of the Remuneration Committee in respect of remuneration packages of all directors and the Executive Directors are referred to the Board for approval.

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

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

The Remuneration Committee met twice during the financial year under review, and the attendance of each member at the meeting is as set out below:-

	Number of meetings attended	**%**
Dato' Dr Khalid Bin Ngah (Chairman)	2/2	100
Dato' Ab Halim Bin Mohyiddin	2/2	100
Ir Lee Swee Eng	2/2	100
Soh Yoke Yan	2/2	100

ESOS Committee

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

The ESOS Committee met twice during the financial year under review, and the attendance of each member at the meeting is as set out below:-

	Number of meetings attended	**%**
Dato' Dr Khalid Bin Ngah (Chairman)	2/2	100
Soh Yoke Yan	2/2	100
Gan Siew Liat	2/2	100

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors' Remuneration

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

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

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

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

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

Range of Total Remuneration	Executive Directors	Non-Executive Directors	Total
RM150,000 to RM200,000	–	1	1
RM200,001 to RM250,000	–	2	2
RM950,0001 to RM1,000,000	1	–	1
RM2,850,001 to RM2,900,000	1	–	1
Total	**2**	**3**	**5**

Remuneration of Key Senior Management

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

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

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

Range of Total Remuneration	Key Senior Management
RM500,001 to RM550,000	1
RM650,001 to RM700,000	1
RM800,001 to RM850,000	1
RM1,650,001 to RM1,700,000	1
RM2,500,001 to RM2,600,000	1
Total	**5**

DIRECTORS' TRAINING

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

All the current Directors of the Company have attended and completed the Mandatory Accreditation Programme and will undergo continuous training or education programmes from time to time to equip and keep themselves abreast of the latest developments in order to discharge their duties and responsibilities more effectively. A brief description of the various training or courses attended by the Directors for the financial year under review are as set out below:-

Directors	Date of Course / Name of Organiser	Title of Courses Attended
Dato' Ab Halim Bin Mohyiddin	5 December 2019 MISC Group Berhad December 2019 MISC Group Berhad (Online Training) 29 August 2019 Axcelasia Columbus Sdn Bhd	2nd MISC Group Directors Training FY 2019 Annual MISC CoBE Refresher Training for Board of Directors 2019 Preparing Ahead for Corporate Liability Provision (MACC Amendments Act 2018)
Ir. Lee Swee Eng	29 August 2019 Axcelasia Columbus Sdn Bhd	Preparing Ahead for Corporate Liability Provision (MACC Amendments Act 2018)
Dato' Dr Khalid Bin Ngah	29 August 2019 Axcelasia Columbus Sdn Bhd	Preparing Ahead for Corporate Liability Provision (MACC Amendments Act 2018)
Soh Yoke Yan	5 & 6 August 2019 LHDN & Chartered Tax Institute of Malaysia 29 August 2019 Axcelasia Columbus Sdn Bhd	National Tax Conference 2019 Preparing Ahead for Corporate Liability Provision (MACC Amendments Act 2018)
Gan Siew Liat	29 August 2019 Axcelasia Columbus Sdn Bhd	Preparing Ahead for Corporate Liability Provision (MACC Amendments Act 2018)

ACCOUNTABILITY AND AUDIT

Financial Reporting

Shareholders are provided with fair assessments on the Company's financial performance and prospects vide timely issuance of all quarterly reports, annual audited financial statements and announcements on significant developments affecting the Company in compliance with the Listing Requirements and/or the Companies Act 2016 ("the Act") (wherever applicable). The financial statements for the financial year ended 31 December 2019 is prepared in accordance with the Act.

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

Directors' Responsibilities for the Financial Statements

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

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

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

Internal Control and Internal Audit Functions

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

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

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

The Company's Internal Audit function is competently and adequately resourced to fulfill its purpose and perform its activities. It is currently managed and performed in-house and fortified with the assistance of an independent external firm of professional internal auditors, and the costs attributable to the discharge of duties and performance of the Internal Audit function of the Company for the financial year under review is RM397,380 (2018: RM42,600).

More details of the system of internal control of the Company are set out in the Statement on Risk Management and Internal Control.

Relationship with the Auditors

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

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

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

CORPORATE DISCLOSURE

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

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

SHAREHOLDERS

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

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

Investor Relations

The Company uses the following key investor relations activities to update its investors:-

1) holding briefings, plant visits, conference calls and meetings with the institutional fund managers and financial analysts;

2) participating in roadshows and investors' conferences, both domestically and internationally; and

3) establishing a corporate website for easy access and dissemination of the Group's corporate information, quarterly and annual financial results, annual reports, announcements to Bursa Securities, news and latest happenings.

Annual General Meeting

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

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

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

ADDITIONAL COMPLIANCE INFORMATION

The following additional information is provided in compliance with the Listing Requirements:-

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

On 3 June 2019, KNM had completed its Private Placement exercise of 234,600,000 new ordinary shares in KNM to independent third party investor(s). The proceeds raised and its utilisation thereof is set out below:-

Purpose	Utilisation RM'000
Purchase of raw materials and operating overheads for the operations of the Group's ethanol plant in Chachaengsao, Thailand ("Ethanol Plant")	10,000
Capital expenditures for future expansion of production capacity of ethanol at the Ethanol Plant	10,000
Payment for procurement of raw materials (steel products, piping, valves etc), equipment (pumps, vessels, machineries etc) and payment to sub-contractors for fabrication and site construction works, and other professional services.	16,683
Expenses relating to the exercise	853
	37,536

2. Related Party Transactions

All related party transactions for Financial Year 2019 are set out in Note 29 to the Financial Statements.

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

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

3. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the external auditors and its affiliates in connection with services rendered to the Group and/or the Company for the financial year ended 31 December 2019 were as follows:-

	Company (RM)	Group (RM)
• **Audit services**		
- Messrs KPMG PLT	254,000	729,000
- Affiliates of KPMG PLT in overseas	–	2,087,000
- Other auditors	–	229,000
• **Non-audit services**		
- Messrs KPMG PLT*	10,000	10,000
- Affiliates of KPMG PLT in Malaysia**	9,000	146,000
- Affiliates of KPMG PLT in overseas***	–	502,000
- Other auditors**	–	150,000
Total	**273,000**	**3,853,000**

Notes:

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

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

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

4. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries which are not in the ordinary course of business or involving Directors and/or major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2019 or which were entered into since the end of the previous financial year.

5. Contracts Related to Loans

During the financial year ended 31 December 2019, there were no material contracts related to loans entered into by the Company and/or its subsidiary companies involving the Company's directors and/or major shareholders' interests.

SUSTAINABILITY
REPORT

INTRODUCTION

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

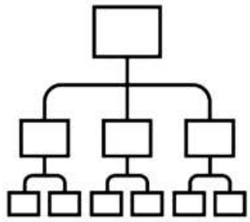
This Sustainability Report covers the key sustainability activities of KNM Group of Companies ("the Group") for the year under review; whereby the Group is committed to observe and assist in elevating the economic, environmental and social well-being of the community ("EES"). This report focuses on the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

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

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

SUSTAINABILITY GOVERNANCE

The sustainability governance practices of the Group are led by the Group Chief Finance Officer who chairs the Sustainability Committee ("SC") that comprises the Group senior management team. Findings of the SC are reported to the Group Chief Executive Officer ("Group CEO") who shall authorise the Sustainability Report(s) (i.e. relating to the management of all economic, operational, governance and financial aspects of the Group) to be presented to KNM Board for approval.



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

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

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

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

Further details are set out in the Corporate Governance Overview Statement and the Statement on Risk Management and Internal Control in Annual Report 2019.

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

ECONOMIC

Our Operations

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

The Group's operations spread across a great number of industries and geographical locations. Currently, the Group's subsidiaries are located in 9 countries, delivering value to its customers through comprehensive design, project management and process equipment manufacturing capabilities. The Group offers a broad range of products and services under renowned brands of KNM, BORSIG and FBM Hudson with industry experience spanning over 200 years.

The Group aligns its brands, technologies and product portfolio to meet the challenges and create value to its customers' sustainability. The value and capability the Group delivered to its customers are enabled by its approximately 2260 dedicated employees who are committed to making a positive impact on the Group, its customers and communities.

Recurring Income from Renewable Energy Businesses

Hydrocarbon fuels are currently the core components in the global energy mix. Nevertheless, the world is gradually transiting into low-carbon economy. The renewable energy including biofuels, waste to energy, wind and solar has achieved significant growth and is projected to account for approximately 20% of the global total primary energy demand by 2040. The Group intends to contribute in the global transition toward more sustainable and cleaner energy. This drives the transformation of our products and services portfolio mix over time.

Currently, approximately 94% of the Group revenue is derived from the supply of process equipment and project related services and the balance is from renewable energy related businesses. Accordingly, the Group has formulated its's strategy to diversify into the renewable energy and green technology sectors, based on the Group's aspirations to support the reduction of waste and gas emissions. In long term, the Group intends to increase the revenue mix from renewable energy related business to 50%.

Renewable energy and environmental control businesses are not new to the Group. For instance, the Group via its indirect wholly owned subsidiary, BORSIG Membrane Technology GmbH, for the past 15 years, have been offering its customers innovative membrane technology solutions used to address environmental concerns relating to gas emission controls and volatile organic compound recovery.

Based on the Group's strategic direction, it intends to widen its income base by undertake and become owner of the projects that generate recurring incomes, such as biofuel and waste to energy so that the Group as a whole will be more resilient and less susceptible to cyclical factors. To date, the Group has invested and owns the following main projects:-

1) Impress Ethanol Project in Thailand ("IEL Project") – which involves the erection of a 500,000 litres per day capacity Bio-ethanol Plant situated on a 171-acre (80 hectares) site at Chachoengsao Province, located at 135 kilometre east of Bangkok, Thailand; and

2) Peterborough Green Energy Project – which involves the erection of an Energy from Waste power plant with first phase capacity up to net 36MW at Peterborough, United Kingdom.

ENVIRONMENTAL

The Group operates responsibly to safeguard the environment.

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

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

Our bio-ethanol plant in Thailand is producing the bio-ethanol using the renewable and sustainable source of biomass feed stock, i.e. cassava chips. Biofuels such as bio-ethanol are expected to play a valuable role in the changing energy mix. It can be a cost-effective way to reduce carbon dioxide emissions in the transport sector. Our bio-ethanol plant also recycles the cassava wastes to generate biogas which is used as fuels for boiler and for gas engine to generate electricity for internal use. This further enhance our contribution to the environment by reducing the carbon food print of our bio-ethanol production plant.

Resources Efficiency

The Group works continuously to improve the efficiency of its assets. This includes monitoring of electricity and water usage, enhance efficiency of the equipment through regular and smart scheduling of maintenance, and increasingly by seeking opportunities to use renewable energy sources.

Our fabrication plant in Italy has replaced its traditional lighting with more energy efficient LED lighting which resulted in 59% electricity saving of 474,302 KWh amounted to approximately Euro76,000 in 2019. The similar exercise is also being undertaken by our fabrication plants in Germany.

In 2019, the Group's has started evaluating the machinery aging and investing into new machineries that are more energy and production efficient. This will enable us to meet the latest environmental, health and safety regulations and quality standards, while sustaining the Group's competitiveness.

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

In our Thailand bio-ethanol plant, wood chips are used as a fuel for the boiler to generate high pressured stream to be used in the production of bio-ethanol. Biogas generated from the cassava waste can be used to substitute the wood chip usage. It has improved the operation efficiency and production of biogas from the cassava wastes to reduce the quantity wood chip used to produce each litre of ethanol. In year 2019, it has reduced the usage of wood chip by approximately 9.0% for each litre of ethanol produced as compared with 2018.

Waste and Resources Management

The Group aims to reduce its water consumption. In 2019, initiatives taken by our European subsidiaries have yielded positive results with reduction in water consumptions around 7.0% to 8.0% as compared with 2018. The Group will evaluate the initiatives taken and adopt these initiatives where possible to our operations in other countries.

Greening Communities

In 2019, the Group's subsidiary in Thailand, Impress Ethanol Co. Ltd. ("IEL") has planted approximately 5,400 trees surrounding its ethanol plant to create a more relaxing environment and to contribute to the environment protection and help fight climate change.

SOCIAL

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

Workplace

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

Health and safety

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

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

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

Anti-bribery and anti-corruption

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

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

Human Capital Development

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

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

The Group's business unit leaders in various countries are responsible to plan the training needs in their respective organisations. In 2019, the Group's employees in various countries had attended various courses with approximately 3,200 training hours.

Succession planning and talent development

For the purpose of smooth succession of senior executives and risk management, the Group has drawn up a succession plan to ensure continuity of the vision and commitment of the Group to its shareholders, customers and society, and maintain consistent management culture. The succession plan includes identifying key positions, leadership characteristics suitable for the said key positions, assessing the readiness of the executives to be promoted, creating individual development plans and regular monitoring. The succession plan also helps to attract the best talent, retain and develop suitable employees to meet the Group's current needs and long term growth.

Employee share option scheme ("ESOS")

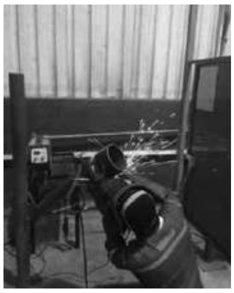
The Group believes that it is important for its employees to share in the success of its business. By doing this, it not only improves the motivation to its employees and it also creates a sense of belonging of the employees in the Group. Since 2014, KNM has granted a total of approximately 344 million share options to eligible employees within the Group. The intention of this ESOS is to align the interests of the Group and its employees more closely, while giving its employees an attractive opportunity to invest and enhance their wealth.

Community

The Group aims to play a positive role in communities where it operates. It contributes to the development of local economies by creating jobs, enhancing skills, sourcing from local suppliers. The Group's activities include sponsorship, outreach and community investment activities include contributions, donations and philanthropic support towards various deserving and worthy causes. The Group provides internship training programmes to local diploma and vocational students for knowledge enrichment as well as complementing and nurturing talents among these students for their personal growth and future employment needs.

In 2019, the Group has in the collaboration with various Malaysia vocational institutes, sponsored 32 young technicians to complete their technical certification programmes and provide them employments at our fabrication plants in Malaysia. The Group will undertake more similar training programmes in the future for all local Malaysia to minimise the dependency on foreign workers' workforce in Malaysia. Where applicable, similar programmes will be carried out in other countries where it operates.





In Thailand, IEL has regularly participated in local communities' activities such as organise cooking activities with the local villagers and donation to various temples and schools.


MARKETPLACE

Interaction with Stakeholders

The Group is committed to ensure that all material information released is accurate, concise, timely and in compliance with the various regulatory requirements that the Group is subjected to.

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

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

The summary of keys engagement with the Group's customers, business partners, industries practitioners, investors and shareholders is set out in the table hereunder:

Stake holders	Methods of Engagement	Frequencies	Focus
Principal Partners and suppliers	• Prequalification registrations, exhibitions, congress, seminars, conference	Yearly	Operational & business performance; quality & compliance; health & safety
Customers	• Marketing Plan- Exhibitions, Congress, Conference • Customer Satisfaction Survey • Customer feedback / complaints channel by emails, phone-in and face to face meetings.	Project by project	Product & service quality and delivery
Industries practitioners	Meeting of environmental experts hosted by Chamber of Commerce and Industry in Germany	3 times per year	Environmental updates and sharing of industrial knowledges
Investors and shareholders	• Annual general meeting • Analysts meeting	As and when required	Performance and future strategies of the Group

The Group's supplier base is one of its most important resources. With the Group's global presence in 9 countries, we understand that sustainable business mean conducting its business responsibly and working closely together with its business partners globally. In 2019, the Group has incurred approximately RM680 million on goods and services from more than 1,322 suppliers in 38 countries. These are mainly for the purchase of raw materials, parts, consumables, tools, equipment and services.

In March 2019, the Group General Counsel, Mr Flavio Porro was invited to be a panel speaker in the inaugural GC Summit, Malaysia hosted by The Legal 500, in partnership with Lee, Hishammudin, Allen & Gledhill and Mohanadass Partnership in Kuala Lumpur. Drawing in the country's most senior in-house counsel, the summit offered a practical, on-the-ground perspective on the challenges, issues, and opportunities faced by general counsel in the region.

The Group is pleased and honoured to be awarded at the BrandLaureate Best Brands Awards 2019 held in Singapore. The Group was awarded with the BrandLaureate - World BestBrands Awards 2019 while its Group CEO, Ir Lee Swee Eng was awarded with the Brandpreneur Leadership of the Year Award 2019

In December 2019, the Group has receiving The BrandLaureate Iconic Brands of the Decade Awards for Manufacturing - Process Equipment at The Brandlaureate ICON Awards 2019, held in Kuala Lumpur.

LOOKING AHEAD

The Group remains resolute and aims to implement further sustainable measures in respect of its tri-fold commitment *inter alia* towards:-

a. Value creation for increased market growth and outreach, improved operational efficiency and better financial performances from its business operations;
b. Increasing its market lead and participation in the renewable energy sector; and
c. Remaining steadfast in its giving back better returns to the stakeholders, community and society at large, wherever its operations may be.

AUDIT COMMITTEE REPORT

The Audit Committee ("Committee") of the Company is pleased to present the Audit Committee Report for the financial year ended 31 December 2019.

MEMBERS, MEETINGS HELD AND ATTENDANCE OF MEMBERS

The members of the Committee are totally Independent Non-Executive Directors and they comprise three (3) in numbers. The attendance of each member at the five (5) meetings held during the financial year ended 31 December 2019 are as follows:-

Name of member	Designation	Directorship of the member	Attendance
Dato' Ab Halim Bin Mohyiddin	Chairman	Independent Non-Executive Chairman	5/5 (100%)
Dato' Dr Khalid Bin Ngah	Member	Senior Independent Non-Executive Director	5/5 (100%)
Soh Yoke Yan	Member	Independent Non-Executive Director	5/5 (100%)

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

SUMMARY OF WORKS DURING THE YEAR

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

1. reviewed and adopted the internal audit plan for 2020, including its scope and areas of audit;
2. reviewed and considered the appointment of outsourced internal auditors and any re-appointment of external auditors;
3. reviewed recurrent related party transactions that were entered into by the Group;
4. reviewed significant accounting policies that were affected by the introduction of the new Malaysian Accounting Standards and Financial Reporting Standards;
5. reviewed the Directors' Report, Auditors' Report and Audited Financial Statements, and relevant statements or reports for inclusion in the Company's Annual Report;
6. reviewed the Internal Audit Report(s) issued by outsourced internal auditors and noted the observations, recommendations and management's responses thereto;
7. reviewed the Risk Management Report and updated the internal Committee on action plans taken to manage identified risks;
8. reviewed and approved the unaudited quarterly results prior to submission to Board of Directors for consideration and approval;
9. reviewed and approved the periodic audit plans and actions presented by the internal and external auditors;
10. reviewed and approved the Audit Committee Report; and
11. reviewed and approved the Proposed Recurrent Related Party Transactions of a revenue or trading nature.

INTERNAL AUDIT FUNCTIONS

The Group's internal audit function is carried-out by our Internal Audit Department, assisted by an independent external firm of professional internal auditors, which reports directly to the Audit Committee on its activities based on the approved annual Internal Audit Plan. The duties of the Internal Audit Department are to provide reasonable assurance in the effective execution of responsibilities of Audit Committee members by providing verifications, examinations and evaluations of the Group's system of internal controls.

The Internal Audit Department is headed by Madam Tan Siok Keng who has extensive experience in the field of internal auditing and reports directly to the Audit Committee, highlighting major weaknesses in control procedures of auditable areas as set out in the internal audit plan. Where appropriate, relevant corrective and/or preventive actions will also be recommended for implementation in order to further strengthen the existing system of internal controls of the Group. During the year, the Internal Audit Department had carried out *inter alia*, the following activities: -

- reviewed and ascertained adequacy of internal controls through operational and compliance audits;
- reported audit findings of highlighted weaknesses with recommendations to the Committee on a quarterly basis;
- performed follow-up review for corrective and/or preventive actions of the weaknesses; and
- prepare the Audit Committee Report.

The costs amounting to approximately RM397,380 (2018: RM42,600) were incurred for the internal audit functions in respect of the financial year ended 31 December 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

THE BOARD'S RESPONSIBILITY

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

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

RISK MANAGEMENT

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

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

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

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

INTERNAL CONTROL

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

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

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

- Clear Group organisational structures with formally defined lines of responsibility and delegation of authority that act as a control mechanism in terms of lines of reporting and accountability.

- All departments and divisions of the Group have documented policies and procedures incorporating control and scope of responsibilities.

- The Financial Authority Limits are continuously reviewed and updated as to ensure their suitability for implementation. The Financial Authority Limit delineate authorisation limits of various activities of the Group for each level of management to ensure proper identification of accountabilities, segregation of duties and effective risk management.

- Management executive committee meetings involving the Executive Directors, senior management and projects personnel were conducted to discuss the state of affairs and progress for projects and operational businesses.

- The Quality Assurance department conducted internal quality audits to monitor compliance with ISO requirements at respective subsidiaries with ISO accreditation.

- The Health, Safety and Environment department at the fabrication facilities carried out health, safety and environment activities to promote staff safety awareness and compliance.

- An annual budget is adopted by the Board to facilitate the review of the Group's business and financial performance. The Board and its sub-committees reviewed and monitored the achievements of the Group's performance on a quarterly basis.

- The Board and Audit Committee reviewed the operational and financial performance at quarterly Board and Audit Committee meetings.

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

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

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

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

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

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

ASSOCIATES AND JOINT VENTURES

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

ASSURANCE

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

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

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities and the provision of management services, while the principal activities of the subsidiaries are as stated in Note 33 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 33 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the year attributable to:		
Owners of the Company	45,525	(6,393)
Non-controlling interests	(10,468)	–
	35,057	(6,393)

RESERVES AND PROVISIONS

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

DIVIDENDS

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

DIRECTORS OF THE COMPANY

Directors who served during the financial year and until the date of this report are as follows:

Dato' Ab. Halim Bin Mohyiddin
Ir Lee Swee Eng
Dato' Dr. Khalid Bin Ngah
Soh Yoke Yan
Gan Siew Liat

LIST OF DIRECTORS OF SUBSIDIARIES

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

Abdulllatif Mohammed Salem Al Barrak	
Carsten Birk	
Chen Xu	
Chew Fook Sin	
Chew Fun Sing	
Chua Thiam Chye	
Dato' Mat Isa Bin Kadir	
Dato' Sri Adnan Bin Wan Mamat	
Dr. Thomas Beeskow	
Dr. Timo Bauer	
Filippo Molinari	
Flavio Porro	
Gregory Douglas Mallam	
Guo Zhiqiang	
Jacky Antoine Valenza	
Johannes Wilhelmus Petrus Jansen	
Jürgen Stegger	
Marcus Friedrichs	
Mohammed Nasser Hazza Al Fehaid Al Subaei	
Mohd Rizal Bahari Bin Md Noor	
Mohd Yusoff Bin Kotok	
Mohd Zaini Bin Buang	
Naushad Ally Sohoboo	
Oliver Kuehner	
Ong Kuan Ming	
Ramesh A/L Arunasalam	
Ronald Gerardo Gualy	
Sandeep Fakun	
Tan Koon Ping	
Thanika Chintanapunt	
Wong Toh Sing	
Wong Wan Hoong	
Johan Nor Zaimi Bin Johari	(Appointed on 24 April 2019)
Arnold Mendoza	(Appointed on 26 April 2019)
Marlito Manuel	(Appointed on 1 January 2020)
Dinesh Krishna Pai	(Resigned on 9 January 2019)
Datuk Harris Bin Annuar @ David Tan	(Resigned on 29 January 2019)
Chintamani Shridhar Vaidya	(Resigned on 16 April 2019)
Haridas Narayan Wadghule (Alternate Director)	(Resigned on 16 April 2019)
Shamkant Bahaji Bhor	(Resigned on 16 April 2019)
Marco Blasioli	(Resigned on 7 May 2019)
Normen Norbert Seifert	(Resigned on 31 December 2019)
John C Mah	(Resigned on 1 January 2020)
Sara Lee Mei Ching	(Resigned on 23 January 2020)
Ng Boon Su	(Resigned on 5 March 2020)
Gopalasamudram Sundararajan Ravi	(Appointed on 26 April 2019, resigned on 4 June 2020)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Shareholdings in which Directors have interests in the Company				
Direct interests				
Dato' Ab. Halim Bin Mohyiddin	2,452,500	200,000	–	2,652,500
Ir Lee Swee Eng	37,408,838	17,000,000	–	54,408,838
Dato' Dr. Khalid Bin Ngah	–	2,000,000	–	2,000,000
Gan Siew Liat	9,045,000	–	–	9,045,000
Indirect interests				
Ir Lee Swee Eng	288,111,153	61,369,100	(22,413,794)	327,066,459
Gan Siew Liat	288,111,153	61,369,100	(22,413,794)	327,066,459

	Number of Warrant B			
	At 1.1.2019	**Bought**	**Sold**	**At 31.12.2019**
Warrantholdings B 2015/2020 of the Company in which Directors have interests				
Direct interests				
Dato' Ab. Halim Bin Mohyiddin	204,375	–	–	204,375
Ir Lee Swee Eng	2,226,562	–	–	2,226,562
Gan Siew Liat	874,375	–	–	874,375
Indirect interests				
Ir Lee Swee Eng	16,930,640	–	(12,859,252)	4,071,388
Soh Yoke Yan	10,000	–	–	10,000
Gan Siew Liat	16,930,640	–	(12,859,252)	4,071,388

DIRECTORS' INTERESTS (CONT'D)

	At 1.1.2019	Number of ESOS Options Granted	Exercised	At 31.12.2019
ESOS options of the Company in which Directors have interests				
Expiring on 24.7.2022				
Direct interests				
Dato' Ab. Halim Bin Mohyiddin	2,568,175	513,635	–	3,081,810
Ir Lee Swee Eng	14,485,230	2,897,046	–	17,382,276
Dato' Dr. Khalid Bin Ngah	1,906,410	381,282	–	2,287,692
Soh Yoke Yan	1,906,410	381,282	–	2,287,692
Gan Siew Liat	13,156,410	2,631,282	–	15,787,692
Indirect interests				
Ir Lee Swee Eng	1,522,585	304,517	–	1,827,102
Gan Siew Liat	1,522,585	304,517	–	1,827,102
Expiring on 19.4.2022				
Direct interests				
Dato' Ab. Halim Bin Mohyiddin	–	2,500,000	(200,000)	2,300,000
Ir Lee Swee Eng	–	60,000,000	(10,000,000)	50,000,000
Dato' Dr. Khalid Bin Ngah	–	2,000,000	(2,000,000)	–
Soh Yoke Yan	–	2,000,000	–	2,000,000
Gan Siew Liat	–	40,000,000	–	40,000,000
Indirect interests				
Ir Lee Swee Eng	–	6,250,000	–	6,250,000
Gan Siew Liat	–	6,250,000	–	6,250,000

	At 1.1.2019	Number of membership interest Bought	Sold	At 31.12.2019
Shareholdings in which a Director has direct interest in a subsidiary				
- KPS Technology & Engineering LLC				
Ir Lee Swee Eng	100,000	–	–	100,000

By virtue of their interests in the Company and pursuant to Section 8 of the Companies Act 2016, Ir Lee Swee Eng and Gan Siew Liat are also deemed interested in the shares of the subsidiaries during the financial year to the extent that KNM Group Berhad has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by certain Directors as shown in the financial statements or the fixed salaries of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a corporation in which the Director has a substantial financial interest, other than as disclosed in Note 29 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

On 24 April 2019, Bursa Securities Berhad approved the listing of and quotation of up-to 234,609,500 new ordinary shares of the Company to be issued via private placement to eligible investors. The private placement was completed on 3 June 2019 with the issuance of 234,600,000 new ordinary shares at RM0.16 per ordinary share.

During the financial year, the Company also issued an additional 27,377,300 new ordinary shares at RM0.11 per share to the eligible employees pursuant to the Company's Employee Share Option Scheme ("ESOS").

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

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

Employee Share Option Scheme ("ESOS")

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

The salient features of the ESOS are as follows:

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

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

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

OPTIONS GRANTED OVER UNISSUED SHARES (CONT'D)

Employee Share Option Scheme ("ESOS") (Cont'd)

The salient features of the ESOS are as follows (Cont'd):

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

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

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

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

Grant date	Expiry date	Exercise price RM	Number of options At 1.1.2019	Granted and allocated	Lapsed	At 31.12.2019
25.7.2014	24.7.2022	0.65	18,609,232	–	(383,500)	18,225,732
25.7.2015	24.7.2022	0.65	18,124,434	–	(452,202)	17,672,232
25.7.2016	24.7.2022	0.65	18,163,773	–	(413,668)	17,750,105
25.7.2017	24.7.2022	0.65	18,077,380	–	(412,320)	17,665,060
25.7.2018	24.7.2022	0.65	18,193,241	–	(334,947)	17,858,294
25.7.2019	24.7.2022	0.65	–	17,384,362	(840,822)	16,543,540
			91,168,060	17,384,362	(2,837,459)	105,714,963
27.3.2019	19.4.2022	0.11	–	95,357,500	(79,700)	95,277,800
			91,168,060	112,741,862	(2,917,159)	200,992,763

SHARE BUY-BACK

There was no share buy-back transaction during the financial year.

As at 31 December 2019, the Company held 23,341,275 ordinary shares as treasury shares out of its total issued share capital. Hence, the number of outstanding shares in issue and paid-up after deducting treasury shares as at 31 December 2019 is 2,608,073,281 ordinary shares. The treasury shares have no rights to voting, dividends or participation in other distribution.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage given to Directors and officers of the Group pursuant to a Directors and Officers Liability Insurance is RM20,000,000 at a cost of RM80,252. There is no indemnity or insurance effected for the auditors of the Group and of the Company.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year, other than as disclosed in Note 27.

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

SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the year are as disclosed in Note 35 to the financial statements.

EVENT SUBSEQUENT TO YEAR END

Significant event subsequent to year end is as disclosed in Note 36 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 23 to the financial statements.

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

....
Dato' Ab. Halim Bin Mohyiddin
Director

....
Lee Swee Eng
Director

Kuala Lumpur,

Date : 15 June 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Property, plant and equipment	3	1,501,530	1,294,584	–	–
Right-of-use assets	4	57,907	–	–	–
Goodwill	5	869,316	895,461	–	–
Other intangible assets	5	412,434	456,049	–	–
Interests in subsidiaries	6	–	–	2,000,087	1,986,630
Investments in associates	7	–	–	–	–
Investments in joint ventures	8	–	–	–	40
Other investments	9	174	254	–	–
Deferred tax assets	10	65	10,922	–	–
Total non-current assets		2,841,426	2,657,270	2,000,087	1,986,670
Inventories	11	99,020	139,813	–	–
Current tax assets		6,591	15,574	409	1,473
Contract assets	12	205,032	188,708	–	–
Trade and other receivables	13	361,513	377,388	280,766	126,999
Derivative financial assets	14	418	331	–	–
Cash and bank balances	15	343,653	411,149	269	224
		1,016,227	1,132,963	281,444	128,696
Assets classified as held for sale	16	40,626	58,956	–	–
Total current assets		1,056,853	1,191,919	281,444	128,696
Total assets		3,898,279	3,849,189	2,281,531	2,115,366

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Equity					
Share capital		1,924,046	1,883,498	1,924,046	1,883,498
Treasury shares		(53,425)	(53,425)	(53,425)	(53,425)
Reserves		(206,552)	(289,295)	(65,854)	(63,907)
Total equity attributable to owners of the Company	17	1,664,069	1,540,778	1,804,767	1,766,166
Non-controlling interests		(14,215)	(2,454)	–	–
Total equity		1,649,854	1,538,324	1,804,767	1,766,166
Liabilities					
Loans and borrowings	18	1,008,218	1,047,525	374,954	345,669
Lease liabilities		41,415	–	–	–
Long term payables	20	7,560	8,051	98,777	–
Long service leave liability		6,884	7,851	–	–
Deferred tax liabilities	10	207,786	193,852	–	–
Total non-current liabilities		1,271,863	1,257,279	473,731	345,669
Loans and borrowings	18	459,393	423,081	–	–
Lease liabilities		12,345	–	–	–
Current tax liabilities		33,716	16,400	–	–
Contract liabilities	12	113,741	202,876	–	–
Trade and other payables	21	355,681	407,961	3,033	3,531
Derivative financial liabilities	14	1,686	3,268	–	–
Total current liabilities		976,562	1,053,586	3,033	3,531
Total liabilities		2,248,425	2,310,865	476,764	349,200
Total equity and liabilities		3,898,279	3,849,189	2,281,531	2,115,366

The notes on pages 60 to 150 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	22	1,632,595	1,432,333	3,785	3,604
Contract costs recognised as an expense		(1,227,615)	(1,193,385)	–	–
Cost of sales		(111,200)	(121,813)	–	–
Gross profit		293,780	117,135	3,785	3,604
Administrative expenses		(164,430)	(170,806)	(9,317)	(6,399)
Other income		108,450	19,295	4,228	1,232
Other operating expenses		(100,521)	(313,037)	(11,639)	(175,371)
Results from operating activities	23	137,279	(347,413)	(12,943)	(176,934)
Finance costs		(67,525)	(60,717)	(17,518)	(16,495)
Finance income		660	1,368	24,068	21,660
Share of loss of equity-accounted associates and joint ventures, net of tax		–	(5,590)	–	–
Profit/(Loss) before tax		70,414	(412,352)	(6,393)	(171,769)
Tax expense	24	(35,357)	(372,324)	–	–
Profit/(Loss) for the year		35,057	(784,676)	(6,393)	(171,769)
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedge		1,202	(669)	–	–
Foreign currency translation differences for foreign operations		(36,771)	(22,942)	–	–
Hedge of net investment in subsidiaries		(37,110)	(27,512)	–	–
Revaluation of property, plant and equipment		103,547	–	–	–
Share of gain of equity-accounted associates and joint ventures		1,365	101	–	–
Other comprehensive income/(expense) for the year, net of tax		32,233	(51,022)	–	–
Total comprehensive income/(expense) for the year		67,290	(835,698)	(6,393)	(171,769)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit/(Loss) attributable to:					
Owners of the Company		45,525	(774,816)	(6,393)	(171,769)
Non-controlling interests		(10,468)	(9,860)	–	–
Profit/(Loss) for the year		35,057	(784,676)	(6,393)	(171,769)
Total comprehensive income/(expense) attributable to:					
Owners of the Company		78,297	(824,945)	(6,393)	(171,769)
Non-controlling interests		(11,007)	(10,753)	–	–
Total comprehensive income/(expense) for the year		67,290	(835,698)	(6,393)	(171,769)
Basic earnings per ordinary share (Sen)	25	1.83	(33.03)		
Diluted earnings per ordinary share (Sen)	25	1.79	(33.03)		

The notes on pages 60 to 150 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Group	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Warrant reserve RM'000	Distributable retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	< ---- Attributable to owners of the Company							---- >			
	< ---- *Non-distributable*						---- >				
At 1 January 2018	1,883,513	(53,425)	93,301	(209,343)	18,365	(1,902)	27,468	607,233	2,365,210	13,514	2,378,724
Foreign currency translation differences for foreign operations	–	–	–	(22,049)	–	–	–	–	(22,049)	(893)	(22,942)
Hedge of net investment in subsidiaries	–	–	–	(27,512)	–	–	–	–	(27,512)	–	(27,512)
Cash flow hedge	–	–	–	–	–	(669)	–	–	(669)	–	(669)
Share of other comprehensive income of equity-accounted investees	–	–	–	101	–	–	–	–	101	–	101
Other comprehensive expense for the year	–	–	–	(49,460)	–	(669)	–	–	(50,129)	(893)	(51,022)
Loss for the year	–	–	–	–	–	–	–	(774,816)	(774,816)	(9,860)	(784,676)
Total comprehensive expense for the year	–	–	–	(49,460)	–	(669)	–	(774,816)	(824,945)	(10,753)	(835,698)
Contributions by and distributions to owners of the Company											
- Share issue expenses	(15)	–	–	–	–	–	–	–	(15)	–	(15)
- Share-based payment	–	–	–	–	528	–	–	–	528	–	528
- Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,215)	(5,215)
Total transactions with owners of the Company	(15)	–	–	–	528	–	–	–	513	(5,215)	(4,702)
At 31 December 2018	1,883,498	(53,425)	93,301	(258,803)	18,893	(2,571)	27,468	(167,583)	1,540,778	(2,454)	1,538,324
	Note 17.1	Note 17.2	Note 17.3	Note 17.4	Note 17.5	Note 17.6	Note 17.7				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

Group	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Warrant reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	< ---- Attributable to owners of the Company ---- >										
	< ---- *Non-distributable* ---- >										
At 1 January 2019	1,883,498	(53,425)	93,301	(258,803)	18,893	(2,571)	27,468	(167,583)	1,540,778	(2,454)	1,538,324
Foreign currency translation differences for foreign operations	–	–	–	(36,232)	–	–	–	–	(36,232)	(539)	(36,771)
Hedge of net investment in subsidiaries	–	–	–	(37,110)	–	–	–	–	(37,110)	–	(37,110)
Cash flow hedge	–	–	–	–	–	1,202	–	–	1,202	–	1,202
Realisation of revaluation reserve on disposal of property, plant and equipment	–	–	(10,794)	–	–	–	–	10,794	–	–	–
Revaluation of property, plant and equipment	–	–	103,547	–	–	–	–	–	103,547	–	103,547
Share of other comprehensive income of equity-accounted investees	–	–	–	1,365	–	–	–	–	1,365	–	1,365
Other comprehensive income/(expense) for the year	–	–	92,753	(71,977)	–	1,202	–	10,794	32,772	(539)	32,233
Profit/(Loss) for the year	–	–	–	–	–	–	–	45,525	45,525	(10,468)	35,057
Total comprehensive income/(expense) for the year	–	–	92,753	(71,977)	–	1,202	–	56,319	78,297	(11,007)	67,290
Contributions by and distributions to owners of the Company											
- Change in ownership interest in a subsidiary	–	–	–	–	–	–	–	–	–	(754)	(754)
- Share-based payment	–	–	–	–	4,446	–	–	–	4,446	–	4,446
- Share issuance arising from private placement	37,536	–	–	–	–	–	–	–	37,536	–	37,536
- Share issuance arising from ESOS	3,012	–	–	–	–	–	–	–	3,012	–	3,012
Total transactions with owners of the Company	40,548	–	–	–	4,446	–	–	–	44,994	(754)	44,240
At 31 December 2019	1,924,046	(53,425)	186,054	(330,780)	23,339	(1,369)	27,468	(111,264)	1,664,069	(14,215)	1,649,854
	Note 17.1	Note 17.2	Note 17.3	Note 17.4	Note 17.5	Note 17.6	Note 17.7				

The notes on pages 60 to 150 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	< ------ Attributable to owners of the Company ------ >					
	< ------ *Non-distributable* ------ >					
Company	**Share capital RM'000**	**Treasury shares RM'000**	**Share option reserve RM'000**	**Warrant reserve RM'000**	**Distributable retained earnings/ (Accumulated losses) RM'000**	**Total RM'000**
At 1 January 2018	1,883,513	(53,425)	18,365	27,468	61,501	1,937,422
Loss for the year/Total comprehensive expense for the year	–	–	–	–	(171,769)	(171,769)
Contributions by and distributions to owners of the Company						
- Share-based payment	–	–	528	–	–	528
- Share issue expenses	(15)	–	–	–	–	(15)
Total transactions with owners of the Company	(15)	–	528	–	–	513
At 31 December 2018/1 January 2019	1,883,498	(53,425)	18,893	27,468	(110,268)	1,766,166
Loss for the year/Total comprehensive income for the year	–	–	–	–	(6,393)	(6,393)
Contributions by and distributions to owners of the Company						
- Share-based payment	–	–	4,446	–	–	4,446
- Share issuance arising from ESOS	3,012	–	–	–	–	3,012
- Share issuance arising from private placement	37,536	–	–	–	–	37,536
Total transactions with owners of the Company	40,548	–	4,446	–	–	44,994
At 31 December 2019	1,924,046	(53,425)	23,339	27,468	(116,661)	1,804,767
	Note 17.1	Note 17.2	Note 17.5	Note 17.7		

The notes on pages 60 to 150 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax		70,414	(412,352)	(6,393)	(171,769)
Adjustments for:					
Change in fair value of:					
- Other investments		74	4,956	–	–
- Forward contracts		(792)	109	–	–
Amortisation of intangible assets		30,187	29,584	–	–
Depreciation of property, plant and equipment		24,278	25,007	–	–
Depreciation of right-of-use assets		6,173	–	–	–
Gain on disposal of :					
- Property, plant and equipment		(255)	(345)	–	–
- Asset held for sale		(2,853)	–	–	–
Interest expense		63,976	57,538	17,516	16,493
Interest income		(660)	(1,368)	(24,068)	(21,660)
Inventories written down to net realisable value		1,042	10,450	–	–
(Reversal of)/Provision for:					
- Foreseeable losses		(9,867)	37,441	–	–
- Re-organisation expense		(24,924)	42,848	–	–
- Warranty		(6,510)	36,710	–	–
Provision for/(Reversal of) impairment loss on:					
- Property, plant and equipment (Note 3.6)		2,834	22,388	–	–
- Late delivery charges		511	–	–	–
- Interests in subsidiaries		–	–	(44,000)	69,500
- Investments in joint ventures		–	212	–	–
- Contract assets		–	27,462	–	–
- Trade receivables		11,064	55,825	–	–
- Amounts due from joint ventures		(422)	32,576	222	2,387
- Amounts due from subsidiaries		–	–	55,368	103,330
- Other receivables		–	1,563	–	–
Share-based payments	19	4,446	528	2,741	314
Share of loss of equity-accounted associates and joint ventures, net of tax		–	5,590	–	–
Unrealised loss/(gain) on foreign exchange		33,121	14,425	(4,902)	(876)
Write offs:					
- Goodwill		14,268	–	–	–
- Property, plant and equipment		3	1,431	–	–
- Investments in associates		–	49	–	29
- Trade receivables		1,667	5,875	–	–
- Other receivables		–	2,640	–	–
Operating profit /(loss) before changes in working capital		217,775	1,142	(3,516)	(2,252)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Changes in working capital:					
Inventories		38,044	11,412	–	–
Contract assets		(67,961)	49,837	–	–
Contract liabilities		(86,199)	(28,345)	–	–
Trade and other receivables		14,645	(3,045)	10,033	9,682
Trade and other payables		(49,076)	(21,857)	(1,244)	(999)
Cash generated from operations		67,228	9,144	5,273	6,431
Tax (paid)/refunded		(9,983)	(18,026)	1,064	70
Interest paid		(343)	(355)	–	–
Interest received		660	1,368	–	–
Net cash generated from/ (used in) operating activities		57,562	(7,869)	6,337	6,501
Cash flows from investing activities					
Acquisition of other intangible assets		(43)	(1,737)	–	–
Acquisition of property, plant and equipment	(i)	(13,767)	(11,219)	–	–
Acquisition of subsidiaries, net of cash inflow		1,557	–	–	–
Increase in investments in associates		–	(29)	–	(29)
Change in pledged deposits		(21,511)	(4,483)	–	–
Proceeds from disposal of property, plant and equipment		1,337	2,985	–	–
Proceeds from disposal of asset held for sale		20,746	–	–	–
(Advances to)/repayment from subsidiaries		–	–	(33,446)	6,928
Net cash (used in)/generated from investing activities		(11,681)	(14,483)	(33,,446)	6,899
Cash flows from financing activities					
Interest paid		(62,411)	(57,183)	(13,394)	(13,526)
Payments for lease liabilities		(16,912)	–	–	–
Net proceeds from/(repayments of)					
- Bills payable		8,641	(99,450)	–	–
- Hire purchase liabilities		(2,742)	(10,347)	–	–
- Term loans, bonds and revolving credits		(17,719)	376,859	–	–
Proceed from share issuance arising from private placement		37,536	–	37,536	–
Proceeds from share issuance arising from ESOS		3,012	–	3,012	–
Share issue expenses		–	(15)	–	(15)
Dividend paid to non-controlling interests		–	(5,215)	–	–
Net cash (used in)/generated from financing activities		(50,595)	204,649	27,154	(13,541)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Net (decrease)/increase in cash and cash equivalents		(4,714)	182,297	45	(141)
Effect of foreign currency translation		(86,218)	3,161	–	–
Cash and cash equivalents at beginning of year		381,043	195,585	224	365
Cash and cash equivalents at end of year	(ii)	290,111	381,043	269	224

Reconciliation of liabilities arising from financing activities

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

	Bills payable RM'000	Term loans RM'000	Revolving credits RM'000	Hire purchase liabilities RM'000
Group				
At 1 January 2018	158,751	592,460	392,869	26,363
Acquisition of property, plant and equipment	–	–	–	2,869
Net (repayments)/proceeds	(99,450)	437,160	(60,301)	(10,347)
Unrealised (gain)/loss on foreign exchange	(7,140)	32,224	–	–
Effect of foreign currency translation	(986)	(1,983)	4,360	(336)
At 31 December 2018/1 January 2019	51,175	1,059,861	336,928	18,549
Acquisition of property, plant and equipment	–	–	–	3,366
Acquisition of subsidiaries, net of cash acquired	–	2,311	–	–
Net proceeds/(repayments)	8,641	164,652	(182,371)	(2,742)
Unrealised loss on foreign exchange	51	9,889	–	–
Effect of foreign currency translation	(869)	(5,001)	(2,436)	(411)
At 31 December 2019	58,998	1,231,712	152,121	18,762

	Lease liabilities RM'000
Adjustment on adoption of MFRS 16	71,858
Payment of lease liabilities	(16,912)
Effect of foreign currency translation	(1,186)
At 31 December 2019	53,760

Reconciliation of liabilities arising from financing activities (Cont'd)

	Fixed rate guaranteed Thai Baht Bonds	
	2019 RM'000	2018 RM'000
Company		
At 1 January	345,669	334,107
Amortisation effect of borrowing costs	17,518	16,493
Unrealised loss on foreign exchange	25,161	8,595
Interest paid	(13,394)	(13,526)
At 31 December	374,954	345,669

Notes to statements of cash flows:

(i) Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM70,927,000 (2018: RM54,536,000). Property, plant and equipment of RM3,366,000 (2018: RM2,869,000) was acquired by means of hire purchase and RM53,794,000 (2018: RM40,448,000) was self-constructed assets.

(ii) Cash and cash equivalents

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

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	15	295,670	383,962	269	224
Deposits with licensed banks and financial institutions	15	47,983	27,187	–	–
Less: Pledged deposits	15	(47,524)	(26,013)	–	–
		296,129	385,136	269	224
Less: Bank overdrafts	18	(6,018)	(4,093)	–	–
		290,111	381,043	269	224

The notes on pages 60 to 150 are an integral part of these financial statements.

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is principally engaged in investment holding activities and the provision of management services, while the principal activities of the other Group entities are as stated in Note 33 to the financial statements.

These financial statements were authorised for issuance by the Board of Directors on 15 June 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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

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

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (Cont'd)

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

The Group and the Company do not plan to apply MFRS17, *Insurance Contracts* that is effective for annual period beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- *Note 3 - Revaluation of properties*

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

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

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

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

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (Cont'd)

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

- *Note 22 - Construction contracts revenue, costs and profits*

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements.

(a) Basis of consolidation

(i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Business combinations

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

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

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) Business combinations (Cont'd)

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as (Cont'd):

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

(v) Associates

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(v) Associates (Cont'd)

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

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

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

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

(vii) Non-controlling interests

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

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

(viii) Transactions eliminated on consolidation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments

(i) Recognition and initial measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

The Group and the Company determine the classification of financial assets at initial recognition and are not subsequently reclassified unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

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

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

(b) Fair value through profit or loss

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(ii) Financial instrument categories and subsequent measurement (Cont'd)

Financial assets (Cont'd)

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

Financial liabilities

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

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

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

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

(b) Amortised cost

Subsequent to initial recognition, other financial liabilities not measured at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Gains or losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(iv) Regular way purchase or sale of financial assets

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

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

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

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

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

(v) Hedge accounting

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

(a) Cash flow hedge

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Financial instruments (Cont'd)

(v) Hedge accounting (Cont'd)

(a) Cash flow hedge (Cont'd)

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs.

When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

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

(b) Hedge of a net investment

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

(vi) Derecognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other operating expenses" respectively in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation

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

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

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

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

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

(e) Leases

The Group has applied MFRS 16, *Leases* using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(i) Definition of a lease (Cont'd)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(ii) Recognition and initial measurement

(a) As a lessee

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(ii) Recognition and initial measurement (Cont'd)

(b) As a lessor

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

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

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

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

(iii) Subsequent measurement

(a) As a lessee

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

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

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

When there is lease modification due to increase in the scope of lease by adding the one or more right-of-use underlying assets, the Group assesses whether the lease modification shall be accountable for as a separate lease or similar to reassessment of lease liability. The Group accounts for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Current financial year (Cont'd)

(iii) Subsequent measurement (Cont'd)

(a) As a lessee (Cont'd)

When there is lease modification due to decrease in scope, the Group decreases the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to be made to the right-of-use asset.

(b) As a lessor

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

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

Previous financial year

A lease arrangement was accounted for as finance or operating lease in accordance with the accounting policy as set out below. When the fulfilment of an arrangement was dependent on the use of a specific asset and the arrangement conveys a right to use the asset, it was accounted for as a lease in accordance with the accounting policy below although the arrangement did not take the legal form of a lease.

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

Previous financial year (Cont'd)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

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

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

(iii) Subsequent expenditure

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Intangible assets (Cont'd)

(iv) Amortisation

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

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

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

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

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

(g) Other investments

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

(h) Inventories

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

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

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

(i) Contract assets/Contract liabilities

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Cash and cash equivalents

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

(k) Assets classified as held for sale

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

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

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

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

(l) Impairment

(i) Financial assets

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

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(i) Financial assets (Cont'd)

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

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

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

(ii) Other assets

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

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

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment (Cont'd)

(ii) Other assets (Cont'd)

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

(m) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

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

(iv) Warrant reserves

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Long service leave

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits (Cont'd)

(v) Share-based payment transactions

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

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

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

(o) Provisions

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

(p) Revenue and other income

(i) Revenue from contracts with customers

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue and other income (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

Construction contracts

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

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

Sale of goods

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

Services

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

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

(ii) Dividend income

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

(iii) Management fee

Management fee is recognised on an accrual basis.

(iv) Interest income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Borrowing costs

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

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

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

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

(r) Income tax

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Earnings per ordinary share

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

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

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

(t) Operating segments

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

(u) Contingencies

(i) Contingent liabilities

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

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

(ii) Contingent assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM'000	Buildings RM'000	Building improve-ments RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost/Valuation								
At 1 January 2018	318,598	667,074	11,031	643,368	18,295	127,967	267,656	2,053,989
Additions	–	63	351	7,160	1,161	4,617	41,184	54,536
Disposals	–	(629)	(651)	(5,064)	(23)	(523)	–	(6,890)
Reclassification	–	1,902	–	–	–	–	(1,902)	–
Write offs	–	(10,224)	(36)	–	–	(9)	(1,385)	(11,654)
Transfer to assets classified as held for sale (Note 16)	(24,953)	(42,868)	–	–	–	–	–	(67,821)
Effect of movements in exchange rates	(3,568)	4,729	(312)	(3,318)	(34)	(1,593)	519	(3,577)
At 31 December 2018/ 1 January 2019	290,077	620,047	10,383	642,146	19,399	130,459	306,072	2,018,583
Acquisition through business combination	–	13,126	–	1,498	–	144	–	14,768
Additions	861	14	282	8,556	387	5,506	55,321	70,927
Revaluation	48,185	35,241	2	–	–	–	–	83,428
Disposals	–	–	–	(3,655)	(1,886)	(1,408)	(494)	(7,443)
Reclassification	–	25,120	–	(25,120)	–	–	–	–
Write offs	–	–	–	(1,540)	(94)	(228)	–	(1,862)
Effect of movements in exchange rates	866	19,127	(136)	(9,088)	(154)	(2,856)	18,756	26,515
At 31 December 2019	339,989	712,675	10,531	612,797	17,652	131,617	379,655	2,204,916
Depreciation and impairment loss								
At 1 January 2018								
Accumulated depreciation	1,173	48,909	2,281	473,991	13,217	103,003	–	642,574
Accumulated impairment loss	4,353	11,347	–	1,958	–	–	–	17,658
	5,526	60,256	2,281	475,949	13,217	103,003	–	660,232
Depreciation for the year	245	25,188	733	33,910	1,460	6,818	–	68,354
Disposals	–	(49)	(204)	(3,462)	(23)	(512)	–	(4,250)
Write offs	–	(10,208)	(13)	–	–	(2)	–	(10,223)
Impairment loss	–	4,158	–	874	–	56	17,300	22,388
Transfer to assets classified as held for sale (Note 16)	(413)	(8,452)	–	–	–	–	–	(8,865)
Effect of movements in exchange rates								
Accumulated depreciation	(31)	(530)	(173)	(2,125)	(42)	(1,247)	–	(4,148)
Accumulated impairment loss	–	74	–	21	–	2	414	511
At 31 December 2018								
Accumulated depreciation	974	64,720	2,624	502,314	14,612	108,060	–	693,304
Accumulated impairment loss	4,353	5,717	–	2,853	–	58	17,714	30,695
	5,327	70,437	2,624	505,167	14,612	108,118	17,714	723,999

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Land RM'000	Buildings RM'000	Building improve-ments RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2019								
Accumulated depreciation	974	64,720	2,624	502,314	14,612	108,060	–	693,304
Accumulated impairment loss	4,353	5,717	–	2,853	–	58	17,714	30,695
	5,327	70,437	2,624	505,167	14,612	108,118	17,714	723,999
Depreciation for the year	280	25,554	668	23,493	1,375	6,323	–	57,693
Adjustment for revaluation	(1,254)	(61,474)	(393)	–	–	–	–	(63,121)
Disposals	–	–	–	(3,111)	(1,844)	(1,406)	–	(6,361)
Write offs	–	–	–	(1,540)	(91)	(228)	–	(1,859)
Impairment loss	938	1,896	–	–	–	–	–	2,834
Effect of movements in exchange rates								
Accumulated depreciation	–	5,473	(54)	(12,336)	(219)	(2,494)	–	(9,630)
Accumulated impairment loss	5	5	–	(9)	–	(1)	(169)	(169)
At 31 December 2019								
Accumulated depreciation	–	34,273	2,845	508,820	13,833	110,255	–	670,026
Accumulated impairment loss	5,296	7,618	–	2,844	–	57	17,545	33,360
	5,296	41,891	2,845	511,664	13,833	110,312	17,545	703,386
Carrying amounts								
At 1 January 2018	313,072	606,818	8,750	167,419	5,078	24,964	267,656	1,393,757
At 31 December 2018/ 1 January 2019	284,750	549,610	7,759	136,979	4,787	22,341	288,358	1,294,584
At 31 December 2019	334,693	670,784	7,686	101,133	3,819	21,305	362,110	1,501,530

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

3.1 Depreciation charge for the year is allocated as follows:

	Note	Group 2019 RM'000	Group 2018 RM'000
Construction work-in-progress	12.1	33,415	43,347
Profit or loss	23	24,278	25,007
		57,693	68,354

3.2 Revaluation

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

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

	Group 2019 RM'000	Group 2018 RM'000 Restated
Freehold land	211,234	210,013
Leasehold land	5,909	6,027
Buildings	482,790	481,720
	699,933	698,760

3.3 Security

Certain freehold land, leasehold land and buildings of subsidiaries costing/valued at RM467,824,000 (2018: RM457,539,000) are charged to financial institutions as security for credit facilities granted to the subsidiaries (Note 18).

3.4 Assets acquired under hire purchase

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

	Group 2019 RM'000	Group 2018 RM'000
Freehold land	5,324	5,348
Buildings	11,569	10,096
Plant and machineries	24,608	33,071
Motor vehicles	2,768	2,774
Furniture fittings and equipment	–	290
	44,269	51,579

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

3.5 Capital work-in-progress

Included in carrying amounts of capital work-in-progress are costs of self-constructed assets of RM316,656,000 (2018: RM243,987,000).

During the financial year, RM8,632,000 (2018: Nil) of general borrowing cost has been capitalised into the capital work-in-progress with a capitalisation rate at 5.6% (2018: Nil).

3.6 Impairment

During the financial year, an impairment loss of RM2,834,000 (2018: RM22,388,000) was made after the assessment that these assets have carrying amounts higher than their estimated recoverable amounts, determined based on fair value less costs of disposal in accordance with Note 2(l)(ii).

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

4. RIGHT-OF-USE ASSETS

As disclosed in Note 2(e), the Group has adopted MFRS16, *Leases* using modified retrospective method of adoption with the date of initial application on 1 January 2019 and the comparatives are not restated.

Group	Land RM'000	Buildings RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Total RM'000
Cost						
At 1 January 2019 as previously stated	–	–	–	–	–	–
Effect of MFRS16, *Leases* adoption	31,465	21,476	2,465	3,266	7,968	66,640
At 1 January 2019 as restated	31,465	21,476	2,465	3,266	7,968	66,640
Acquisition through business combination	3,875	–	–	–	–	3,875
Additions	–	1,341	633	632	205	2,811
Revaluation	239	–	–	–	–	239
Effect of movements in exchange rates	(404)	(528)	(80)	(106)	(219)	(1,337)
At 31 December 2019	35,175	22,289	3,018	3,792	7,954	72,228
Depreciation						
At 1 January 2019	–	–	–	–	–	–
Depreciation for the year	3,426	6,187	624	1,747	2,637	14,621
Adjustment for revaluation	(149)	–	–	–	–	(149)
Effect of movements in exchange rates	(40)	(56)	(7)	(19)	(29)	(151)
At 31 December 2019	3,237	6,131	617	1,728	2,608	14,321
Carrying amounts						
At 31 December 2019	31,938	16,158	2,401	2,064	5,346	57,907

4. RIGHT-OF-USE ASSETS (CONT'D)

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

Group	Note	2019 RM'000
Construction work-in-progress	12.1	8,448
Profit or loss	23	6,173
		14,621

4.2 Revaluation

A leasehold land is stated at Directors' valuation based on professional valuation on the open market basis conducted in December 2019 by Fadzilah & Fikri Sdn. Bhd..

Had the leasehold land been carried at historical cost less accumulated depreciation, the carrying amount of the leasehold land would be RM3,726,000.

4.3 Extension options

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

4.4 Significant judgements and assumptions in relation to leases

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

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

5. INTANGIBLE ASSETS

Group	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 1 January 2018	921,102	888,572	1,809,674
Additions	–	1,737	1,737
Effect of movements in exchange rates	(22,847)	(22,895)	(45,742)
At 31 December 2018/1 January 2019	898,255	867,414	1,765,669
Additions	–	43	43
Effect of movements in exchange rates	(26,145)	(26,240)	(52,385)
At 31 December 2019	872,110	841,217	1,713,327

5. INTANGIBLE ASSETS (CONT'D)

Group	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Amortisation and impairment loss			
At 1 January 2018			
Accumulated amortisation	–	392,070	392,070
Accumulated impairment loss	2,794	–	2,794
	2,794	392,070	394,864
Amortisation for the year	–	29,584	29,584
Effect of movements in exchange rates	–	(10,289)	(10,289)
At 31 December 2018/ 1 January 2019			
Accumulated amortisation	–	411,365	411,365
Accumulated impairment loss	2,794	–	2,794
	2,794	411,365	414,159
Amortisation for the year	–	30,187	30,187
Effect of movements in exchange rates	–	(12,769)	(12,769)
At 31 December 2019			
Accumulated amortisation	–	428,783	428,783
Accumulated impairment loss	2,794	–	2,794
	2,794	428,783	431,577
Carrying amounts			
At 1 January 2018	918,308	496,502	1,414,810
At 31 December 2018/1 January 2019	895,461	456,049	1,351,510
At 31 December 2019	869,316	412,434	1,281,750
	Note 5.1	Note 5.2	

5.1 Goodwill

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

5.2 Other intangible assets

Other intangible assets comprise technology including patents and software, customers related intangibles including customer contracts and supply agreement and marketing related intangibles including tradenames. The intangible assets with finite useful lives are amortised over their useful lives ranging from 1 to 20 years. Tradenames of RM260,567,000 (2018 : RM268,695,000) with indefinite useful lives are tested for impairment annually or shorter if there is an indication of impairment.

5.3 Amortisation and impairment charge

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

5. INTANGIBLE ASSET (CONT'D)

5.4 Impairment testing for cash-generating units containing goodwill

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

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2019 **RM'000**	**2018** **RM'000**
Germany unit	838,146	864,291
Thailand unit	31,170	31,170
	869,316	895,461

Germany unit

The recoverable amounts of the cash-generating units ("CGU") were based on fair value less costs of disposal calculations. These calculations use after-tax cash flow projections based on financial budgets approved by management covering a five-year detailed planning period and a five-year gross planning period. The estimated EBITDA margin used for the five-year period is 14% (2018: 16%).

Fair value less costs of disposal was determined by discounting the future cash flows generated from the continuing use of the unit and based on the following key assumptions:

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

(ii) The after-tax discount rate used is 8.26% (2018: 8.27%).

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

The estimates are particularly sensitive in the following areas:-

- An increase of 1.36% (2018: 1.36%) in the discount rate used would result in an impairment loss of RM21.7 million (2018: RM59.1 million).
- A decrease of 3.00% (2018: 3.00%) in the EBITDA margin used would result in an impairment loss of RM20.9 million (2018: RM27.6 million).

Thailand unit

For purpose of impairment testing, the CGU identified at the lowest level within the Group is the bio-ethanol division/plant in Thailand. The recoverable amount was based on value in use calculations, determined by discounting future cash flows to be generated from the continuing use of the plant based on financial budgets approved by the Board of Directors.

The key assumptions used in the preparation of cash flows projection include:

(i) The forecasted sales are based on secured orders for sale of bio-ethanol.

(ii) Projected gross margin reflects average historical gross margin adjusted for industry and economic conditions and internal source efficiency.

5. INTANGIBLE ASSET (CONT'D)

5.4 Impairment testing for cash-generating units containing goodwill (Cont'd)

Thailand unit (Cont'd)

The key assumptions used in the preparation of cash flows projection include (Cont'd):

(iii) The pre-tax discount rate used is 8.70% (2018: 8.91%); and the terminal growth rate is 2.60% (2018: 2.60%).

The estimated recoverable amount of the plant exceeded the CGU's carrying amount. The Directors have not identified any key assumptions that are particularly sensitive and could cause the carrying amounts to exceed the recoverable amount as a result of any adverse change in the key assumptions.

6. INTERESTS IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares - at cost	1,658,930	1,658,891
Amounts due from subsidiaries	366,657	397,239
Less: Impairment loss	(25,500)	(69,500)
	2,000,087	1,986,630

The amounts due from subsidiaries relate to advances which are unsecured, non-repayable and interest free except for RM366,657,000 (2018: RM331,389,000) due from a subsidiary which is subject to interest at rate of 6.25% (2018: 6.25%) per annum. As these advances are not repayable within the next twelve months after reporting date, these advances are recognised as the Company's interests in subsidiaries.

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

Non-controlling interests in subsidiaries

Non-controlling interests of certain subsidiaries are not material to the Group.

7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares - at cost	–	69	–	29
Share of post-acquisition reserve	–	(20)	–	–
Less: Written off	–	(49)	–	(29)
	–	–	–	–

7. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of the associates are as follows:

Name of Company	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Dimensi Bumijaya Sdn. Bhd.**$	Dormant	Malaysia	–	40
Konsortium AHHK Sdn. Bhd. ^#~	Dormant	Malaysia	21	21
Impress Farming Co., Ltd ^	Plantation and distributor of cassava	Thailand	49	49

** Audited by another firm of accountants.
^ Equity-accounted using management accounts as at 31 December 2019.
# Direct interest owned by the Company.
$ The interest in the associate was disposed of on 20 March 2019.
~ The associate was wound-up on 8 April 2020.

8. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares - at cost	1,734	5,354	–	40
Share of post-acquisition reserve	(1,540)	(5,180)	–	–
Effect of movements in exchange rates	18	38	–	–
Less: Impairment loss	(212)	(212)	–	–
	–	–	–	40

8. INVESTMENTS IN JOINT VENTURES (CONT'D)

Details of the joint ventures are as follows:

Name of Company	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
CNI Engineering & Construction Malaysia Sdn. Bhd.	Engineering, procurement, construction, service fabrication and maintenance works for mechanical, electrical and erection related to oil and gas, power, petrochemical and renewable energy industries	Malaysia	70	70
Hansol KNM Greentech Sdn. Bhd.**	Engineering, Procurement, Construction, Commissioning ("EPCC") contractor	Malaysia	40	40
KHH Infrastructures Sdn. Bhd.**	Provision of all kinds of infrastructure, civil engineering, building and construction, project development, roadwork, sanitary facilities and utilities, engineering works and consultancy services for all industries	Malaysia	50	50

** Audited by another firm of accountants.

Petrosab Petroleum Sdn. Bhd. and Petrosab Petroleum Engineering Sdn. Bhd. became the subsidiaries of the Group since the acquisition on 14 January 2019 (Note 34).

CNI Engineering & Construction Malaysia Sdn. Bhd. ("CNI")

The Group owns 70% of shareholdings in CNI Engineering & Construction Malaysia Sdn. Bhd. ("CNI") and the remaining 30% voting rights are held by a third party.

Notwithstanding that the Group having majority voting rights, there are substantive rights conferred to the third party pursuant to the shareholders agreement. These rights, if exercised, could prevent the Group from having practical ability to unilaterally direct the relevant activities of CNI.

Pursuant to the shareholders agreement, the Group does not have full control over CNI in the context of MFRS 10 but has joint control in CNI. Accordingly, CNI has been classified as a joint venture of the Group in accordance with MFRS 11. This resulted in CNI being equity-accounted instead of consolidated.

8. INVESTMENTS IN JOINT VENTURES (CONT'D)

CNI Engineering & Construction Malaysia Sdn. Bhd. ("CNI") (Cont'd)

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

	Group	
	2019 RM'000	2018 RM'000
As at 31 December		
Group's share of net assets/carrying amount in the statement of financial position	–	–
Group's share of results for the year ended 31 December		
Group's share of loss for the year	–	(5,590)
Group's share of other comprehensive income	–	101
Group's share of total comprehensive expense	–	(5,489)
Contingent liability		
Share of joint ventures' contingent liability incurred jointly with other investor:		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	12,033	15,555

9. OTHER INVESTMENTS

	Group	
	2019 RM'000	2018 RM'000
Non-current		
Financial assets measured at fair value through profit or loss		
- Unquoted shares	174	254

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Group						
Property, plant and equipment	5,508	5,430	(22,281)	(21,978)	(16,773)	(16,548)
Revaluation*	9,058	13,443	(214,967)	(197,633)	(205,909)	(184,190)
Provisions	9,212	11,420	–	–	9,212	11,420
Other items	1,222	8,103	–	(4,236)	1,222	3,867
Tax loss carry-forward and unutilised capital allowances	4,527	2,521	–	–	4,527	2,521
Tax assets/(liabilities)	29,527	40,917	(237,248)	(223,847)	(207,721)	(182,930)
Set off of tax	(29,462)	(29,995)	29,462	29,995	–	–
Net tax assets/(liabilities)	65	10,922	(207,786)	(193,852)	(207,721)	(182,930)

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

Unrecognised deferred tax assets

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Tax loss carry-forward	669,244	588,035	4,272	2,294
Unutilised capital allowances	117,483	116,081	–	–
Other incentives	1,355,763	1,355,763	–	–
Other deductible temporary differences	10,124	21,705	–	–
	2,152,614	2,081,584	4,272	2,294

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

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subject to expiry in:				
- Year of Assessment 2021	4,833	4,884	–	–
- Year of Assessment 2022	4,917	4,968	–	–
- Year of Assessment 2023	1,244	1,257	–	–
- Year of Assessment 2024	1,948	–	–	–
- Year of Assessment 2025	438,540	438,809	2,294	2,294
- Year of Assessment 2026	69,336	–	1,978	–
- Year of Assessment 2034	141	136	–	–
- Year of Assessment 2035	9	9	–	–
- Year of Assessment 2036	2,886	2,794	–	–
- Year of Assessment 2037	4,343	4,206	–	–
- Year of Assessment 2038	4,044	3,916	–	–
- Year of Assessment 2039	46	–	–	–
	532,287	460,979	4,272	2,294
Not subject to expiry	136,957	127,056	–	–
	669,244	588,035	4,272	2,294

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

Movement in temporary differences during the year

Group	At 1.1.2018 RM'000	Recognised in profit or loss (Note 24) RM'000	Effect of movements in exchange rates RM'000	At 31.12.2018/ 1.1.2019 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognised in other compre-hensive income RM'000	Effect of movements in exchange rates RM'000	At 31.12.2019 RM'000
Property, plant and equipment	(16,813)	125	140	(16,548)	(429)	–	204	(16,773)
Revaluation*	(199,309)	11,857	3,262	(184,190)	4,705	(31,715)	5,291	(205,909)
Provisions	22,529	(10,635)	(474)	11,420	(1,913)	–	(295)	9,212
Other items	3,553	300	14	3,867	(2,663)	–	18	1,222
Other incentives	325,383	(317,272)	(8,111)	–	–	–	–	–
Tax loss carry-forward and unutilised capital allowance	29,901	(26,818)	(562)	2,521	2,104	–	(98)	4,527
	165,244	(342,443)	(5,731)	(182,930)	1,804	(31,715)	5,120	(207,721)

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

11. INVENTORIES

	Group 2019 RM'000	2018 RM'000
At cost:		
Raw materials	15,917	12,606
Tools and consumables	37,639	35,324
Work-in-progress	27,208	51,608
Finished goods	1,713	–
	82,477	99,538
At net realisable value:		
Raw materials	16,543	36,096
Tools and consumables	–	281
Finished goods	–	3,898
	99,020	139,813
Recognised in profit or loss:		
Inventories written down to net realisable value	1,042	10,450

12. CONTRACT ASSETS/(LIABILITIES)

	Note	Group 2019 RM'000	2018 RM'000
Contract assets			
Amounts due from contract customers	12.1	205,032	188,708
Contract liabilities			
Amounts due to contract customers	12.1	(113,741)	(148,992)
Other advance payment received		–	(53,884)
		(113,741)	(202,876)

12. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

12.1 Construction work-in-progress

	Group 2019 RM'000	Group 2018 RM'000
Aggregate costs incurred to date	4,444,512	4,607,674
Add: Attributable profits	721,561	684,871
Less: Foreseeable losses	(27,574)	(37,441)
Less: Impairment loss	(27,462)	(27,462)
	5,111,037	5,227,642
Less: Progress billings	(5,019,746)	(5,187,926)
	91,291	39,716
Represented by:		
Amounts due from contract customers	205,032	188,708
Amounts due to contract customers	(113,741)	(148,992)
	91,291	39,716

Additions to aggregate costs incurred during the year include:

	Note	Group 2019 RM'000	Group 2018 RM'000
Depreciation of property, plant and equipment	3.1	33,415	43,347
Depreciation of right-of-use assets	4.1	8,448	–
Hire of plant and machinery		10,789	13,547
Staff costs		221,095	232,520

13. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade receivables		246,821	270,666	–	–
Amounts due from					
- subsidiaries	13.1	–	–	4,241	3,560
- joint ventures	13.1	3	2,438	–	–
- a related party	13.2	11,635	9,929	–	–
		258,459	283,033	4,241	3,560
Non-trade					
Amounts due from					
- subsidiaries	13.1	–	–	274,288	119,292
- joint ventures	13.1	–	4,087	–	1,715
Other receivables	13.3	44,185	34,808	1,828	434
Deposits	13.4	10,566	2,771	3	3
Prepayments	13.5	48,303	52,689	406	1,995
		103,054	94,355	276,525	123,439
		361,513	377,388	280,766	126,999

13.1 Amounts due from subsidiaries and joint ventures

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

The amounts due from joint ventures are unsecured, interest free and repayable on demand except for RM23,997,000 (2018: RM14,737,000) which is subject to interest rate at 4.35% (2018: 3.42%) per annum. This amount was fully impaired during the financial year.

13.2 Amount due from a related party

Related party is company in which certain Directors have substantial interest. This amount is unsecured, interest free and subject to trade terms.

13.3 Other receivables

Included in other receivables of the Group and of the Company are Goods and Services Tax ("GST") and Value Added Tax ("VAT") receivable amounting to RM18,469,000 (2018: RM21,413,000) and RM127,000 (2018: RM223,000) respectively.

13.4 Deposits

Included in deposits of the Group are rental deposit for a building of RM165,000 (2018: RM165,000) paid to a company in which certain Directors have financial interest.

13.5 Prepayments

Included in prepayments of the Group are advance payments to suppliers of RM18,415,000 (2018: RM33,217,000).

14. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2019			2018		
	Nominal value RM'000	Assets RM'000	Liabilities RM'000	Nominal value RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives held for trading at fair value through profit or loss						
- Forward foreign exchange contracts ("FFEC")	33,234	138	(1,686)	82,186	227	(3,268)
Derivatives used for hedging	16,468	280	–	41,168	104	–
	49,702	418	(1,686)	123,354	331	(3,268)

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

15. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	295,670	383,962	269	224
Deposits with licensed banks	47,983	27,187	–	–
	343,653	411,149	269	224

Included in the deposits placed with licensed banks of the Group is RM47,524,000 (2018: RM26,013,000) pledged for bank facilities.

16. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2019 RM'000	2018 RM'000
Land	11,368	24,540
Buildings	29,258	34,416
	40,626	58,956

The carrying value of property, plant and equipment is equivalent to its carrying value before it was being reclassified to current assets.

17. CAPITAL AND RESERVES

17.1 Share capital

	Group and Company			
	Number of shares 2019 '000	Amount 2019 RM'000	Number of shares 2018 '000	Amount 2018 RM'000
Issued and fully paid shares:				
At 1 January	2,369,437	1,883,498	2,369,437	1,883,513
Issuance arising from private placement (Note 17.1a)	234,600	37,536	–	(15)
Issuance arising from ESOS (Note 17.1b)	27,377	3,012	–	–
At 31 December	2,631,414	1,924,046	2,369,437	1,883,498

(a) During the financial year, the Company issued 234,600,000 new ordinary shares via a private placement to eligible investors for a total cash consideration of RM37,536,000 excluding transaction costs of RM853,000.

(b) During the financial year, the Company also issued an additional 27,377,300 new ordinary shares at RM 0.11 per share to the eligible employees pursuant to the Company's ESOS.

17.2 Treasury shares

There was no share buy-back during the financial year.

As at 31 December 2019, the Company held 23,341,275 (2018: 23,341,275) ordinary shares as treasury shares out of its total issued and paid-up share capital. Hence, the number of outstanding shares in issue and paid-up after deducting treasury shares as at 31 December 2019 is 2,608,073,281 (2018: 2,346,095,980) ordinary shares. The treasury shares have no rights to voting, dividends or participation in other distribution.

17.3 Revaluation reserve

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

17.4 Translation reserve

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

17.5 Share option reserve

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

17.6 Hedging reserve

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

17.7 Warrant reserve

At the end of the reporting period, the unexercised warrants comprise 161,578,504 (2018: 161,578,504) Warrant B which will expire on 21 April 2020.

18. LOANS AND BORROWINGS

		Note	Group 2019 RM'000	Group 2018 RM'000
Non-current				
Floating rate term loans	- secured	18.2	94,162	158,905
	- unsecured	18.3	205,817	70,800
Fixed rate term loans	- secured	18.2	17,973	44,055
	- unsecured	18.3	301,003	356,917
Fixed rate guaranteed Thai Baht Bonds		18.7	374,954	345,669
Revolving credits	- unsecured	18.4	–	56,998
Floating rate hire purchase liabilities		18.6	1,295	–
Fixed rate hire purchase liabilities		18.6	13,014	14,181
			1,008,218	1,047,525
Current				
Bank overdrafts	- secured	18.1	6,018	4,093
Bills payable	- secured	18.1	27,732	23,100
	- unsecured		31,266	28,075
Floating rate term loans	- secured	18.2	69,418	42,331
	- unsecured	18.3	90,371	39,734
Fixed rate term loans	- secured	18.2	24,927	1,450
	- unsecured	18.3	53,087	–
Revolving credits	- secured	18.5	65,632	148,868
	- unsecured	18.4	86,489	131,062
Floating rate hire purchase liabilities		18.6	867	156
Fixed rate hire purchase liabilities		18.6	3,586	4,212
			459,393	423,081
			1,467,611	1,470,606

	Note	Company 2019 RM'000	Company 2018 RM'000
Non-current			
Fixed rate guaranteed Thai Baht Bonds	18.7	374,954	345,669

18. LOANS AND BORROWINGS (CONT'D)

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

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

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

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

In respect of the Group for the financial year ended 31 December 2019:

a. Minimum consolidated total net worth of RM1.5 billion (2018: RM1.5 billion).

b. The Group's consolidated debt to equity shall not be more than 1.0 time (2018: 1.0 time) at all times.

c. The Group's consolidated secured debt to consolidated total assets shall not be more than 0.4 time (2018: 0.4 time).

d. The Group's consolidated EBITDA over interest expense shall not be less than 2.0 times (2018: 2.0 times).

e. Not to dispose of or divest any of its tangible assets which will materially and adversely affect its existing business operation (other than in the ordinary course of business).

f. Not to dispose of or divest any of its material subsidiaries.

The following covenants relate to a foreign subsidiary to be assessed in accordance to the audited financials prepared using the local Generally Accepted Accounting Principles in that country:

a. The Interest Cover ratio for periods ending on or after 31 December 2019 shall exceed a ratio of 4.5 times (2018: 4.5 times).

b. Maintenance of leverage ratio of not more than 2.25 times (2018: 2.5 times) for the financial year ended 31 December 2019.

c. Working Capital Cover ratio for periods ending on or after 31 December 2019 shall be equal to or more than 120% (2018: 120%).

d. Minimum Equity for the financial year ended 31 December 2019 shall not be less than 35% (2018: 35%).

18.2 The secured term loans of the Group are secured by way of:

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

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

(iii) Assignment over proceeds accounts of certain projects of a subsidiary.

In respect of a foreign subsidiary, the covenants as disclosed in Note 18.1(iii) are also applicable.

18. LOANS AND BORROWINGS (CONT'D)

18.3 The unsecured term loans of the Group are supported by way of corporate guarantee from the Company.

18.4 The unsecured revolving credits of the Group are supported by way of corporate guarantee from the Company.

18.5 The secured revolving credits of the Group are supported mainly by a first party pledge of fixed deposit and a debenture over the entire assets of a subsidiary specifically formed to undertake such secured revolving credits.

Covenants to be assessed semi-annually in connection with the revolving credits include the following:

(i) The Group's consolidated Debt Service Cover Ratio (DSCR) shall not be less than 1.25 times (2018: 1.25 times).

(ii) The Group's consolidated debt to equity shall not be more than 1.5 times (2018: 1.5 times) at all times.

18.6 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	2019 Future minimum lease payments RM'000	2019 Interest RM'000	2019 Present value of minimum lease payments RM'000	2018 Future minimum lease payments RM'000	2018 Interest RM'000	2018 Present value of minimum lease payments RM'000
Less than one year	5,064	(611)	4,453	5,085	(717)	4,368
Between one and five years	10,105	(1,289)	8,816	10,417	(1,380)	9,037
More than five years	6,068	(575)	5,493	5,577	(433)	5,144
	21,237	(2,475)	18,762	21,079	(2,530)	18,549

The hire purchase liabilities are subject to interest at rates ranging from 2.16% to 7.47% (2018: 1.79% to 7.47%) per annum.

18.7 The Thai Baht denominated bonds are guaranteed by a Credit Guarantee and Investment Facility ("CGIF"), a trust fund of the Asian Development Bank, and fully underwritten by United Overseas Bank (Thai) Public Company Limited ("Guaranteed Thai Baht Bonds"). The Guaranteed Thai Baht Bonds has a tenure of 5 years from its issuance in 2016. Proceeds from the Guaranteed Thai Baht Bonds were utilised by a subsidiary, Impress Ethanol Co., Ltd. ("IEL"), to refinance its existing term loan, finance plant expansion and working capital.

19. EMPLOYEE BENEFITS

Share-based payment arrangement

On 18 April 2014, the Company's shareholders approved the establishment of an ESOS to all eligible employees including Directors of the Company and its subsidiaries. In accordance with the ESOS, holders of vested ESOS options are entitled to purchase KNM shares at the market price of the shares at the date of grant.

The terms and conditions related to the grants of the share option program are as follows:

a) *Options allocated on 25.7.2014*

Grant date	Number of options '000	Vesting conditions	Contractual life of options
Options granted on 25.7.2014	26,846	Employee in service on grant date	8 years
Options granted on 25.7.2015	24,956	Employee in service on grant date	7 years
Options granted on 25.7.2016	22,398	Employee in service on grant date	6 years
Options granted on 25.7.2017	20,428	Employee in service on grant date	5 years
Options granted on 25.7.2018	18,401	Employee in service on grant date	4 years
Options granted on 25.7.2019	17,384	Employee in service on grant date	3 years
	130,413		

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

	2019		2018	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Outstanding at 1 January	RM0.65	91,168	RM0.65	82,628
Adjustment at 1 January	RM0.65	–	RM0.65	57
Granted during the year	RM0.65	17,384	RM0.65	18,401
Lapsed during the year	RM0.65	(2,837)	RM0.65	(9,918)
Outstanding at 31 December	RM0.65	105,715	RM0.65	91,168
Exercisable at 31 December	RM0.65	105,715	RM0.65	91,168

The options outstanding at 31 December 2019 have an exercise price of RM0.65 and a weighted average contractual life of 3 years.

19. EMPLOYEE BENEFITS (CONT'D)

Share-based payment arrangement (Cont'd)

The terms and conditions related to the grants of the share option program are as follows (Cont'd):

a) *Options allocated on 25.7.2014. (Cont'd)*

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Trinomial Option Pricing Model, with the following input:

Fair value of share options and assumptions	**2019**	**2018**
Fair value at grant date	RM0.067	RM0.029
Weighted average share price	RM0.35	RM0.07
Share price at grant date	RM0.42	RM0.21
Expected volatility	74.46%	135.89%
Option life	2.4 years	3.4 years
Expected dividends	0.00%	3.09%
Risk-free interest rate	3.01%	3.73%

b) *Options allocated on 27.3.2019*

Grant date	**Number of options '000**	**Vesting conditions**	**Contractual life of options**
Options granted on 27.3.2019	95,358	Employee in service on grant date	3 years

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

	2019	
	Exercise price	**Number of options '000**
Granted during the year	RM0.11	95,358
Lapsed during the year	RM0.11	(80)
Exercised during the year	RM0.11	(27,377)
Outstanding at 31 December	RM0.11	67,901
Exercisable at 31 December	RM0.11	67,901

19. EMPLOYEE BENEFITS (CONT'D)

Share-based payment arrangement (Cont'd)

The terms and conditions related to the grants of the share option program are as follows (Cont'd):

b) *Options allocated on 27.3.2019. (Cont'd)*

The options outstanding at 31 December 2019 have an exercise price of RM0.11 and a weighted average contractual life of 3 years.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Trinomial Option Pricing Model, with the following input:

Fair value of share options and assumptions	**2019**
Fair value at grant date	RM0.025
Weighted average share price	RM0.11
Share price at grant date	RM0.12
Expected volatility	77.71%
Option life	2 years
Expected dividends	0.00%
Risk-free interest rate	3.01%

Value of employee services received for issue of share options

	Group		**Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Total expense recognised as share-based payments	4,446	528	2,741	314

The total expense for the year is not fully recognised in the profit or loss of the Company as RM1,705,000 (2018: RM214,000) has been re-charged to the respective subsidiaries whose employees are eligible for the ESOS.

20. LONG TERM PAYABLES

The long term payables of the Group are amounts payable to social security institutions of foreign subsidiaries which are unsecured, interest free and not repayable within the next twelve months.

The long term payable of the Company is an advance due to a subsidiary for RM98,777,000 (2018: Nil) which is unsecured, interest free and not repayable within next twelve months after reporting date.

21. TRADE AND OTHER PAYABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade					
Trade payables		224,866	221,935	–	–
Non-trade					
Amounts due to					
- associates	21.1	1,727	1,678	–	–
- subsidiaries	21.1	–	–	747	–
- related parties	21.1	10,826	10,593	299	299
- joint ventures	21.1	838	–	–	–
Other payables	21.2	41,613	16,953	807	2,618
Accrued expenses	21.3	75,811	156,802	1,180	614
		130,815	186,026	3,033	3,531
		355,681	407,961	3,033	3,531

21.1 The amounts due to subsidiaries, associates, joint ventures and related parties in which certain Directors have substantial financial interest are unsecured, interest free and repayable on demand.

21.2 Including in other payables of the Group are Sales and Services Tax ("SST") and Value Added Tax ("VAT") payable amounting to RM4,649,000 (2018: RM4,114,000).

21.3 Included in accrued expenses of the Group are provision for warranty and re-organisation expense of RM12,188,000 (2018: RM36,710,000) and RM17,924,000 (2018: RM42,848,000) respectively. Provision for warranty is made for remedies required for certain construction contracts, whereas provision for re-organisation expense relates to accrued expenses to streamline the Group's non-performing operations.

22. REVENUE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Construction contract				
- In time	242,445	230,494	–	–
- Over time	1,288,709	821,562	–	–
Sales of goods	99,797	263,670	–	–
Management fees	–	–	3,785	3,604
Services	1,644	116,607	–	–
	1,632,595	1,432,333	3,785	3,604
Major products and services lines				
- Construction contracts	1,503,810	1,052,056	–	–
- Renewable energy	99,797	119,775	–	–
- Others	28,988	260,502	3,785	3,604
	1,632,595	1,432,333	3,785	3,604

22. REVENUE (CONT'D)

Nature of goods and services provided

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration
Construction contracts	As mentioned in Note 2(p)(i), revenue is recognised over time based on output method, assessed by reference to surveys of work performed or completion of a physical proportion of contract work.	Based on agreed milestones.	Approved variations in contract work from initial agreed amount.
Sale of goods	Revenue is recognised when or as control of the goods is transferred to the customer.	Credit period of 30 to 90 days from invoice date.	Not applicable.
Services, management fee (applicable to the Company only)	Revenue is recognised over time, using output method based on surveys of work performed.	Credit period of 30 to 90 days from invoice date.	Not applicable.

Remaining performance obligation of the Group and the Company are not disclosed as the Group and the Company recognise revenue from satisfaction of the performance obligation and has a right to consideration from customers in an amount that corresponds directly with the value to the customer of the Group or the Company's performance to date.

23. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Results from operating activities is arrived at after charging:				
Auditors' remuneration:				
Audit fees:				
KPMG in Malaysia:				
- Current year	596	603	180	180
- Prior year	133	48	74	48
Overseas affiliates of KPMG in Malaysia	2,087	2,077	–	–
Other auditors	229	193	–	–
Non-audit fees:				
KPMG in Malaysia	10	10	10	10
Local affiliates of KPMG in Malaysia	146	107	9	10
Overseas affiliates of KPMG in Malaysia	502	651	–	–
Other auditors	150	36	–	–
Depreciation of property, plant and equipment (Note 3.1)	24,278	25,007	–	–
Depreciation of right-of-use assets (Note 4.1)	6,173	–	–	–
Amortisation of intangible Assets (Note 5)	30,187	29,584	–	–

23. RESULTS FROM OPERATING ACTIVITIES (CONT'D)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Results from operating activities is arrived at after charging (continued):				
Bad debts written off	1,667	5,875	–	–
Goodwill written off	14,268	–	–	–
Change in fair value of other investments	74	4,956	–	–
Impairment loss on:				
- Amounts due from joint ventures	–	32,576	222	2,387
- Amounts due from subsidiaries	–	–	55,368	103,330
- Contract assets (Note 12.1)	–	27,462	–	–
- Interests in subsidiaries	–	–	–	69,500
- Investment in joint ventures	–	212	–	–
- Other receivables	–	1,563	–	–
- Property, plant and equipment (Note 3)	2,834	22,388	–	–
- Trade receivables	11,064	55,825	–	–
Inventories written down to net realisable value (Note 11)	1,042	10,450	–	–
Investments in associates written off	–	49	–	29
Other receivables written off	–	2,640	–	–
Loss on fair value of forward contracts	–	109	–	–
Personnel expenses:				
- Contribution to Employees' Provident Fund	9,799	9,949	–	–
- Share-based payments	4,446	528	2,741	314
- Wages, salaries and others	89,264	89,371	–	–
Provision for foreseeable losses	–	37,441	–	–
Property, plant and equipment written off (Note 3)	3	1,431	–	–
Provision for late delivery charges	511	–	–	–
Provision for warranty (Note 21.3)	–	36,710	–	–
and after crediting:				
Gain on disposal				
- Property, plant and equipment	255	345	–	–
- Asset held for sale	2,853	–	–	–
Gain on fair value of forward contracts	792	–	–	–
Reversal of provision for:				
- Warranty	6,510	–	–	–
- Foreseeable loss (Note 12.1)	9,867	–	–	–
Reversal of impairment loss:				
- Amounts due from joint ventures	422	–	–	–
- Interest in a subsidiary	–	–	44,000	–

24. TAX EXPENSE

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Income tax expense				
- Current year	35,917	29,878	–	–
- Under provision in prior year	1,244	3	–	–
	37,161	29,881	–	–
Deferred tax expense				
- Current year	(5,765)	342,497	–	–
- Under/(Over) provision in prior year	3,961	(54)	–	–
	(1,804)	342,443	–	–
Total tax expense	35,357	372,324	–	–
Reconciliation of tax expense				
Profit/(Loss) for the year	35,057	(784,676)	(6,393)	(171,769)
Total tax expense	35,357	372,324	–	–
Profit/(Loss) before tax	70,414	(412,352)	(6,393)	(171,769)
Income tax using Malaysian tax rate of (2018: 24%)	16,900	(98,965)	(1,534)	(41,225)
Effect of tax rates in foreign jurisdictions*	6,970	6,436	–	–
Non-deductible expenses	10,209	55,167	3,890	42,431
Tax exempt income	(21,014)	(83)	(2,830)	(1,530)
Effect of deferred tax assets not recognised	17,209	409,938	474	324
Utilisation of previously unrecognised temporary differences	(122)	(118)	–	–
	30,152	372,375	–	–
Under/(Over) provision in prior year				
- Income tax expense	1,244	3	–	–
- Deferred tax expense	3,961	(54)	–	–
	35,357	372,324	–	–

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

25. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to owners of the Company of RM45,525,000 (2018: Loss RM774,816,000) and the weighted average number of ordinary shares outstanding during the year of 2,489,589,000 (2018: 2,346,096,000).

	2019 '000	2018 '000
Issued ordinary shares at beginning of the year	2,369,437	2,369,437
Share issuance arising from private placement	138,832	–
Effect of treasury shares held	(23,341)	(23,341)
Share issuance arising from ESOS	4,661	–
Weighted average number of ordinary shares	2,489,589	2,346,096

	2019 Sen	2018 Sen
Basic earnings per ordinary share	1.83	(33.03)

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share was based on the profit attributable to owners of the Company of RM45,525,000 (2018 : Loss of RM774,816,000) and the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of dilutive potential ordinary shares in issue and issuable under the ESOS options at exercise price of RM0.11. The ESOS options at exercise price of RM0.65 and warrants are excluded from the computation of diluted earnings per ordinary share as they do not have any potential dilutive effect.

In 2018, all the ESOS options and warrants were excluded from the computation of diluted earnings per ordinary share as the ESOS options and warrants did not have any potential dilutive effect. Thus, the Group's diluted earnings per ordinary share as at 31 December 2018 was equivalent to its basic earnings per ordinary share.

	2019 '000	2018 '000
Weighted average number of ordinary shares	2,489,589	2,346,096
Effect of ESOS share options issued	51,902	–
Weighted average number of ordinary shares	2,541,491	2,346,096

	2019 Sen	2018 Sen
Diluted earnings per ordinary share	1.79	(33.03)

26. DIVIDENDS

The Directors do not recommend any dividend to be paid for the financial year under review.

27. CONTINGENT LIABILITIES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Contingent liabilities				
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries				
- Secured	218,625	209,722	486,221	590,474
- Unsecured	401,920	541,880	522,328	607,183
	620,545	751,602	1,008,549	1,197,657
Share of joint ventures' contingent liabilities incurred jointly with other investor:				
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	12,033	15,555	–	1,599

28. COMMITMENTS

	Group 2019 RM'000	Group 2018 RM'000
Capital commitments:		
Property, plant and equipment		
- Contracted but not provided for in the financial statements	1,096,452	2,017,901

29. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

29. RELATED PARTIES (CONT'D)

Identity of related parties (Cont'd)

Controlling related party relationships are as follows:

(i) Its subsidiary companies as disclosed in Note 33.

(ii) Its associates as disclosed in Note 7.

(iii) Its joint ventures as disclosed in Note 8.

(iv) The substantial shareholders of the Company, Inter Merger Sdn. Bhd..

(v) Inter Merger Sdn. Bhd. and IM Bina Sdn. Bhd., companies in which the Directors, Ir Lee Swee Eng and Gan Siew Liat have substantial financial interest.

(vi) Tofield Realty Development Corporation, a wholly-owned subsidiary of Asiavertek Sdn. Bhd. in which the Directors, Ir Lee Swee Eng and Gan Siew Liat have substantial financial interest.

(vii) KPS Technology & Engineering LLC, a company in which Ir Lee Swee Eng is a substantial shareholder.

(viii) Key management personnel.

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below:

		Group		Company	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
A.	**Subsidiaries**				
	Management fees received	–	–	(3,785)	(3,604)
	Loan interest received	–	–	(24,068)	(21,660)
	ESOS charged	–	–	(214)	(34)
B.	**Joint ventures**				
	CNI Engineering & Construction Malaysia Sdn. Bhd.				
	Manpower supply	608	257	–	–
	Contract billing receivable	187	6,357	–	–
	Interest payable	758	–	–	–
C.	**Related parties**				
	Inter Merger Sdn. Bhd.				
	Rental of premises	810	810	–	–
	Administrative charges	265	310	–	–
	IM Bina Sdn. Bhd.				
	Contract billing payable	120	8,855	–	–

29. RELATED PARTIES (CONT'D)

Identity of related parties (Cont'd)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
D. Key management personnel				
Directors				
- Fees	750	867	750	867
- Remuneration	3,717	4,139	3,717	3,736
- Employee benefits (including estimated monetary value of benefit-in-kind)	18	25	18	–
- Share-based payments	2,741	283	2,741	283
	7,226	5,314	7,226	4,886
Subsidiaries directors				
- Remuneration	8,256	8,377	–	–
- Short-term employee benefits	401	–	–	–
- Share-based payments	323	25	–	–
	8,980	8,402	–	–
Other key management personnel				
- Remuneration	3,031	3,370	–	–
- Employee benefits (including estimated monetary value of benefit-in-kind)	–	5	–	–
- Share-based payments	270	61	–	–
	3,301	3,436	–	–
	19,507	17,152	7,226	4,886

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

Significant related party balances related to the above transactions are disclosed in Notes 6, 13, 20 and 21.

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL");
- Mandatorily required by MFRS 9; and

(b) Amortised cost ("AC").

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	Derivatives used for hedging RM'000
2019				
Financial assets				
Group				
Other investments	174	–	174	–
Contract assets	205,032	205,032	–	–
Trade and other receivables	294,741	294,741	–	–
Derivative financial assets	418	–	138	280
Cash and bank balances	343,653	343,653	–	–
	844,018	843,426	312	280
Company				
Trade and other receivables	280,233	280,233	–	–
Cash and bank balances	269	269	–	–
	280,502	280,502	–	–
2018				
Financial assets				
Group				
Other investments	254	–	254	–
Contract assets	188,708	188,708	–	–
Trade and other receivables	303,286	303,286	–	–
Derivative financial assets	331	–	227	104
Cash and bank balances	411,149	411,149	–	–
	903,728	903,143	481	104
Company				
Trade and other receivables	124,781	124,781	–	–
Cash and bank balances	224	224	–	–
	125,005	125,005	–	–

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of financial instruments (Cont'd)

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
2019			
Financial liabilities			
Group			
Loans and borrowings	(1,467,611)	(1,467,611)	–
Trade and other payables	(365,476)	(365,476)	–
Derivative financial liabilities	(1,686)	–	(1,686)
	(1,834,773)	(1,833,087)	(1,686)
Company			
Loan and borrowing	(374,954)	(374,954)	–
Trade and other payables	(101,810)	(101,810)	–
	(476,764)	(476,764)	–
2018			
Financial liabilities			
Group			
Loans and borrowings	(1,470,606)	(1,470,606)	–
Trade and other payables	(419,749)	(419,749)	–
Derivative financial liabilities	(3,268)	–	(3,268)
	(1,893,623)	(1,890,355)	(3,268)
Company			
Loan and borrowing	(345,669)	(345,669)	–
Trade and other payables	(3,531)	(3,531)	–
	(349,200)	(349,200)	–

30. FINANCIAL INSTRUMENTS (CONT'D)

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net gains/(losses) arising on:				
Financial assets measured at fair value through profit or loss	792	(5,065)	–	–
Financial assets measured at amortised cost	(16,989)	(64,678)	54,109	31,259
Financial liabilities measured at amortised cost	(6,812)	(77,485)	(43,666)	(25,094)
	(9,385)	(147,228)	10,443	6,165
Net loss on impairment of financial assets at amortised cost	(10,642)	(88,441)	(11,590)	(105,717)

30.3 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Foreign currency risk
- Interest rate risk

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from its exposure to fluctuations in financial risks.

30.4 Credit risk

The Group's exposure to credit risk arises mainly from external counter-party risk on contracts and on monetary financial assets; whilst, at Company level mainly from internal counter-party risk on financial guarantees, loans and advances extended to its subsidiaries.

The Group's objective on credit risk management is to avoid significant exposure to any individual counter-party and to minimise concentration of credit risk. The Group achieves this through its operating units' practices on credit assessment, and performs central monitoring such as on credit risk concentration, credit evaluation, and credit impairment; whilst, the business units are responsible for their respective day-to-day credit risk management.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Policies and processes

Policies and processes in managing credit risk varies with the classes of counter-parties as outlined below:

(i) Contract customers

Process & Specialised Equipment & Turnkey Contracts

These orders are attributable to the Group's construction contracts, which duration ranges from 12 to 36 months, where billings are based on the progress milestones which typically are divided into four or more stages of a project's life cycle. For large orders such as Engineering, Procurement and Constructions, billings are negotiated to closely mirror the cash flow requirements in contract execution. An advance from the customers would normally be required before the commencement of work, and the customer would demand a Bank or Corporate Guarantee in return as a form of guaranteeing performance. Customers' orders are usually components of a larger project which has secured financing. As such, credit risk exposure is typically low at the early and mid-stages of a project life cycle, but increases towards the last milestone payment arising from possible variation or contractual disputes. This tail-end risk is managed or mitigated with one or more of the following:

- Professional lien on goods and materials
- Transactional credit documents (i.e. Letter of Credit) on export delivery
- Contract customers are assessed on credit, and sovereign nation risks where applicable, on both quantitative and qualitative elements
- Credit exposure is monitored on the aging of receivables, and the projects' progression and variations

(ii) Financial institutions

The Group places its funds in banks in over 15 (2018: 14) countries in which it has business presence. The Group also enters into forward foreign exchange contracts with licensed financial institutions for hedging purposes. Credit risk is generally low as the counter-parties are all reputable licensed institutions. Where financial derivatives are involved, mandatory International Swaps and Derivatives Association (ISDA) agreements are incepted where necessary.

(iii) Financial guarantees and advances for subsidiaries

The Group through 4 (four) (2018: 4) wholly-owned subsidiaries serves as central treasury to certain subsidiaries without external credit facilities by extending term loan, advances and banking trade facilities. For subsidiaries with their own credit facilities, the Company is often required to provide corporate guarantee to the said banks extending such credit facilities. On the former, the Group enters into formal agreement on pricing and repayment schedule, and continuously monitors the subsidiaries' performances, cash-flows and repayment. On the latter, the Company continuously monitors the subsidiaries' performance and ability to service their credit obligations.

The Group receives financial guarantees given by banks in managing exposure to credit risks. At the end of the reporting period, financial guarantees received by the Group amounted to RM13,589,000 (2018: RM30,172,000) in respect of trade receivables of RM246,821,000 (2018: RM270,666,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Credit risk exposures and concentration

The Group's credit risks are mainly on its contract assets and financial assets relating to receivables, and cash and bank balances as summarised in the table below for both the Group and Company level.

	Maximum exposure 2019 RM'000	Maximum exposure 2018 RM'000
Group		
Financial assets		
Trade receivables	246,821	270,666
Contract assets	205,032	188,708
Amounts due from joint ventures and a related party	11,638	16,454
Other receivables and deposits	36,282	16,166
Deposits with licensed banks	47,983	27,187
Cash and bank balances	295,670	383,962
	843,426	903,143
Company		
Financial assets		
Amounts due from subsidiaries	278,529	122,852
Amounts due from joint ventures	–	1,715
Other receivables and deposits	1,704	214
Cash and bank balances	269	224
	280,502	125,005

Trade receivables and contract assets

Concentration of credit risk

The credit risk concentration of the Group is mainly in the trade receivables and amount due from contract customers, and this is further analysed by its source of operation - geographic location.

	2019 RM'000	2019 %	2018 RM'000	2018 %
Asia and Oceania	112,300	25	60,987	13
Europe	339,491	75	398,387	87
America	62	–	–	–
	451,853	100	459,374	100

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Trade receivables and contract assets (Cont'd)

Recognition and measurement of impairment loss

Most orders are construction contracts and specific in nature. The Group assesses the credit risk of each customer individually based on project status and past trend of payments.

The Group does not maintain ageing for contract assets. For trade receivables, the Group uses ageing analysis as the primary reporting tool to monitor the credit quality of trade receivables. Amounts past due 60 days are monitored more regularly on the collection efforts.

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Impairment loss allowance RM'000	Net RM'000
2019			
Not past due	149,424	–	149,424
Past due 0 - 30 days	29,740	–	29,740
Past due 31 - 60 days	16,713	–	16,713
Past due 61 - 120 days	28,184	–	28,184
Past due more than 120 days	94,472	(71,712)	22,760
	318,533	(71,712)	246,821
2018			
Not past due	181,514	(539)	180,975
Past due 0 - 30 days	21,863	–	21,863
Past due 31 - 60 days	8,394	(402)	7,992
Past due 61 - 120 days	22,829	(805)	22,024
Past due more than 120 days	123,922	(86,110)	37,812
	358,522	(87,856)	270,666

The allowance account in respect of trade receivables is used to record impairment loss where the Group is doubtful of the collection. Doubtful amount will be written off against the allowance account if recovery channels are exhausted.

No impairment loss was provided for remaining balance of trade receivables which was past due for more than 120 days as negotiations with the customers are on-going to recover the outstanding amounts.

The movements in the allowance for impairment loss of trade receivables during the financial year were:

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	87,856	46,757
Impairment loss recognised	11,064	55,825
Impairment loss written off	(26,475)	(14,685)
Effect on the movement of exchange rate	(733)	(41)
At 31 December	71,712	87,856

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Amounts due from subsidiaries, joint ventures and a related party

Risk management objectives, policies and processes for managing the risk

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

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

Using internal information available, the Group and the Company assume that there is a significant increase in credit risk when the counterparty's financial position deteriorates significantly, and consider receivables to be in default when the counterparties are not able to pay when demanded.

Recognition and measurement of impairment loss

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for amounts due from joint ventures, subsidiaries and a related party. The Group and the Company do not specifically monitor the ageing of these receivables.

	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
2019			
Group			
Low credit risk	11,635	–	11,635
Credit impaired	32,157	(32,154)	3
	43,792	(32,154)	11,638
Company			
Low credit risk	278,529	–	278,529
Credit impaired	158,533	(158,533)	–
	437,062	(158,533)	278,529
2018			
Group			
Low credit risk	10,277	–	10,277
Credit impaired	38,753	(32,576)	6,177
	49,030	(32,576)	16,454
Company			
Low credit risk	124,567	–	124,567
Credit impaired	108,085	(108,085)	–
	232,652	(108,085)	124,567

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 Credit risk (Cont'd)

Amounts due from a related party, joint ventures and subsidiaries (Cont'd)

Recognition and measurement of impairment loss (Cont'd)

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January	32,576	–	108,085	2,368
Impairment loss written off	–	–	(5,142)	–
Impairment loss (reversed)/ recognised during the year	(422)	32,576	55,590	105,717
At 31 December	32,154	32,576	158,533	108,085

Other receivables and deposits

Other receivables mainly relates to transactions outside trade activities and advances provided to employees. The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. At each reporting date, the Group and the Company assess whether any of the other receivables are credit impaired.

As at the end of the reporting period, the Group impaired other receivables of RM21,825,000 (2018: RM23,617,000).

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

	Group	
	2019 RM'000	**2018 RM'000**
At 1 January	23,617	21,580
Impairment loss written off	(1,563)	–
Impairment loss recognised during the year	–	1,563
Effect on the movement of exchange rate	(229)	474
At 31 December	21,825	23,617

Credit risk on deposits are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group and the Company manage the credit risk together with the leasing arrangement.

At the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Cash and bank balances

The cash and bank balances are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Liquidity risk

The Group's exposure to liquidity risk primarily arises from its capabilities to meet its financial obligations, principally its trade payables, loans and borrowings, as and when it falls due. The Group's liquidity risk management objective is to ensure that all foreseeable funding commitments can be met as and when due in a cost-effective manner.

Policies and Processes

The Group leverages on the Company as the public listed parent company to support 4 (four) (2018 : 4) of its wholly-owned subsidiaries to play a central treasury and liquidity management role to better manage its weighted average cost of funds, whilst day-to-day operational liquidity needs are decentralised at the Business Unit level. Foreign Business Units are encouraged to seek localised trade financing facilities in their respective currencies where appropriate.

The Group actively manages its operating cash-flows and the availability of funding so as to ensure all operating, investing and financing needs are met. It manages liquidity risks with a combination of the following policies and methods:

- Maintain a diversified range of funding sources with adequate back-up facilities
- Maintain debt financing and servicing plan
- Maintain medium to long term cash-flow planning incorporating funding positions and requirements of all its subsidiaries
- Monitor balance sheet liquidity ratios against internal threshold
- Manage working capital and optimise cash conversion cycle
- Manage maturity profile of both financial and non-financial liabilities

Maturity analysis

The table below set out the contractual maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payment – which would be met with a combination of matching maturity financial assets, operational cash inflows, and roll-over of current liabilities such as trade facilities.

Group 2019	**Carrying amount RM'000**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows RM'000**	**Less than 1 year RM'000**	**1 - 2 years RM'000**	**2 - 5 years RM'000**	**More than 5 years RM'000**
Non-derivative financial liabilities							
Term loans - secured							
- EUR	21,142	1.65 - 2.52	22,788	2,665	2,152	5,282	12,689
- RM	140,467	7.25 - 9.15	151,081	73,132	34,479	32,826	10,644
- CAD	21,367	5.45	30,095	3,262	3,131	8,632	15,070
- RMB	23,504	18.00	44,657	4,231	4,231	36,195	–
Term loans - unsecured							
- EUR	575,700	2.67 - 11.50	767,417	121,280	119,968	526,169	–
- USD	74,578	4.29 - 10.50	81,074	81,074	–	–	–
Guaranteed Thai Baht Bonds							
- THB	374,954	3.00	386,749	18,447	368,302	–	–
Revolving credits - secured							
- USD	65,632	4.50 - 5.35	67,175	67,175	–	–	–

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

Group 2019	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities (Cont'd)							
Revolving credits - unsecured							
- USD	36,815	3.72 - 4.97	37,102	37,102	–	–	–
- EUR	49,674	0.75 - 3.50	51,046	51,046	–	–	–
Bills payable - secured							
- EUR	3,632	2.05 - 2.39	3,660	3,660	–	–	–
- USD	23,850	3.76 - 4.59	24,121	24,121	–	–	–
- RM	62	5.40 - 5.65	65	65	–	–	–
- SGD	188	3.15 - 3.75	195	195	–	–	–
Bills payable - unsecured							
- EUR	1,587	1.56	1,612	1,612	–	–	–
- USD	3,229	1.56	3,279	3,279	–	–	–
- THB	26,450	4.75	27,707	27,707	–	–	–
Hire purchase and lease creditors							
- EUR	15,660	2.16 - 3.75	17,923	3,324	3,179	5,352	6,068
- RM	2,574	2.73 - 4.84	2,750	1,476	1,274	–	–
- THB	528	4.18 - 7.47	564	264	228	72	–
Bank overdrafts - secured							
- RM	4,777	8.15	5,167	5,167	–	–	–
- THB	1,241	7.13	1,329	1,329	–	–	–
Lease liabilities							
- EUR	22,601	0.90 - 3.78	24,946	8,919	7,528	5,489	3,010
- RM	6,384	4.00 - 7.65	7,254	2,751	2,014	2,489	–
- AED	24,137	5.00	32,658	2,231	5,995	8,992	15,440
- THB	638	8.00	716	716	–	–	–
Trade and other payables	365,476	–	365,476	351,032	14,444	–	–
Financial guarantee	–	–	561,237	561,237	–	–	–
	1,886,847		2,719,843	1,458,499	566,925	631,498	62,921
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	–		49,361	49,361	–	–	–
- Inflow	(122)		(49,483)	(49,483)	–	–	–
	(122)		(122)	(122)	–	–	–
			2,719,721	1,458,377	566,925	631,498	62,921

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

Group 2018	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities (Cont'd)							
Term loans - secured							
- EUR	26,213	1.65 - 2.52	28,268	4,294	3,261	5,921	14,792
- RM	177,239	5.71 - 9.15	198,344	48,597	71,723	55,785	22,239
- CAD	19,237	6.20	25,309	2,436	2,364	6,633	13,876
- RMB	24,052	18.00	45,698	4,329	4,329	37,040	–
Term loans - unsecured							
- EUR	410,662	2.67 - 11.50	576,871	81,478	81,792	413,601	–
- USD	56,789	4.29 - 10.50	63,831	11,325	52,506	–	–
Guaranteed Thai Baht Bonds							
- THB	345,669	3.00	359,901	17,056	17,248	325,597	–
Revolving credits - secured							
- USD	148,868	4.50 - 5.35	156,420	88,857	65,680	1,883	–
Revolving credits - unsecured							
- USD	94,337	4.87 - 5.05	99,291	40,866	52,550	5,875	–
- EUR	93,723	0.50 - 3.60	93,723	93,723	–	–	–
Bills payable - secured							
- EUR	159	1.95	160	160	–	–	–
- USD	22,299	4.65 - 5.52	22,602	22,602	–	–	–
- RM	642	5.05 - 5.50	677	677	–	–	–
Bills payable - unsecured							
- EUR	598	1.56	598	598	–	–	–
- RM	1,690	4.75 - 4.90	1,773	1,773	–	–	–
- USD	269	1.40 - 3.30	278	278	–	–	–
- THB	25,518	4.75	25,689	25,689	–	–	–
Hire purchase and lease creditors							
- EUR	13,596	2.02 - 4.59	15,689	2,648	2,202	5,262	5,577
- RM	4,140	1.79 - 4.84	4,506	2,070	1,411	1,025	–
- THB	813	4.18 - 7.47	884	367	442	75	–
Bank overdraft - secured							
- RM	4,093	8.15	4,396	4,396	–	–	–
Trade and other payables	419,749	–	419,749	403,847	15,902	–	–
Financial guarantee	–	–	652,377	652,377	–	–	–
	1,890,355		2,797,034	1,510,443	371,410	858,697	56,484
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	2,203	–	121,929	121,929	–	–	–
- Inflow	–	–	(119,726)	(119,726)	–	–	–
	2,203		2,203	2,203	–	–	–
			2,799,237	1,512,646	371,410	858,697	56,484

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Company						
2019						
Non-derivative financial liabilities						
Loan and borrowing	374,954	3.00	386,749	18,447	368,302	–
Trade and other payables	101,810	–	101,810	101,810	–	–
Financial guarantee	–	–	1,000,225	1,000,225	–	–
	476,764		1,488,784	1,120,482	368,302	–
2018						
Non-derivative financial liabilities						
Loan and borrowing	345,669	3.00	359,901	17,056	17,248	325,597
Trade and other payables	3,531	–	3,531	3,531	–	–
Financial guarantee	–	–	1,189,329	1,189,329	–	–
	349,200		1,552,761	1,209,916	17,248	325,597

Financial guarantees

The Group and the Company provide guarantees relating to borrowings and performance obligation of joint ventures and subsidiaries of RM561,237,000 (2018: RM652,377,000) and RM1,000,225,000 (2018: RM1,189,329,000) respectively.

The Group and the Company monitor these guarantees on an ongoing basis. At reporting date, there was no indication that any group entities would default on repayment and performance obligation. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.6 Foreign currency risk

The Group operates in 17 (2018: 16) countries and is exposed to various currencies that gives rise to foreign exchange (FX) risk from the translation of its foreign investments and from FX transactions on its sales and purchases denominated in foreign currency. The Group's main foreign currency exposure is in US Dollar ("USD"), EUR Dollar ("EUR"), Thai Baht ("THB") and Ringgit Malaysia ("RM"). RM exposure is attributed to certain subsidiaries located in Malaysia but adopting USD as their functional currency. The Group's foreign currency risk management objective is to minimise transactional FX exposure that gives rise to economic impact.

Policies and Processes

i) Transactional forward obligations or rights denominated in foreign currency

Transactional FX risk arises mainly from contracted projects' future monetary obligation and rights denominated in a currency other than the transaction originating currency. These highly probable future cash flows in foreign currency are first netted based on matching FX risk characteristics for natural hedge, with any net balance exposure being further hedge off with FX Forward Contracts. It is the Group's policy to attain best full hedge in transactional FX risk.

ii) Net investment in Foreign Operations

The Group considers matching foreign currency borrowing with the functional currency of its foreign operations in mitigating FX translation gain/loss that are recognised in a separate component of equity. However, this decision is driven by feasibility factors such as the ability to time the future cash flows, availability of foreign currency debt funding, and the foreign currencies' fiscal position and borrowing cost.

Where circumstances permit, FX hedges on the abovementioned would be designated for hedge accounting either as cash-flow hedges, fair value hedges, or net investment hedges.

The table below sets out the Group's significant financial assets' and liabilities' FX exposure based on the notional or contractual amount for USD, EUR, THB and RM which is different from the reporting functional currency of the respective subsidiaries.

	Denominated in			
	USD RM'000	**EUR RM'000**	**THB RM'000**	**RM RM'000**
Group				
2019				
Trade receivables	74,240	459	–	1,836
Other receivables	50	99	–	4,003
Cash and bank balances	11,929	665	20	1,772
Deposits with licensed financial institutions	–	–	–	6,036
Trade payables	(6,709)	(1,054)	–	(1,642)
Other payables and accruals	–	–	(138)	(5,512)
Term loans	(21,490)	(301,003)	(374,954)	(58,267)
Hire purchase liabilities	–	–	–	(2,574)
Lease liabilities	–	–	–	(5,673)
Bills payable	(3,229)	(3,632)	–	(62)
Forward exchange contracts	(114)	8	–	–
Net exposure in the statement of financial position	54,677	(304,458)	(375,072)	(60,083)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.6 Foreign currency risk (Cont'd)

	Denominated in			
	USD RM'000	EUR RM'000	THB RM'000	RM RM'000
Group				
2018				
Trade receivables	67,890	7,652	–	983
Other receivables	9,148	87	–	11,189
Cash and bank balances	41,288	1,071	14	10,237
Deposits with licensed financial institutions	–	–	–	1,008
Trade payables	(8,682)	(1,073)	–	(1,160)
Other payables and accruals	(30)	–	(128)	(8,136)
Term loans	(56,789)	(304,411)	(345,669)	(70,898)
Hire purchase liabilities	–	–	–	(4,140)
Bills payable	–	(159)	–	(2,332)
Forward exchange contracts	2,203	–	–	–
Net exposure in the statement of financial position	55,028	(296,833)	(345,783)	(63,249)

	USD RM'000	THB RM'000
Company		
2019		
Cash and bank balance	–	20
Trade and other receivables	5,285	439,852
Borrowing	–	(374,954)
Long term payable	(75,734)	–
Net exposure in the statement of financial position	(70,449)	64,918
2018		
Cash and bank balance		14
Borrowing		(345,669)
Net exposure in the statement of financial position		(345,655)

A 5 percent strengthening of RM against the USD, EUR and THB at the end of the reporting period would have (decreased)/increased equity and pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Equity		Profit or loss	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group				
USD	(70,521)	(73,075)	(2,734)	(2,751)
EUR	(73,585)	(70,381)	15,223	14,842
THB	(84)	(2,269)	18,754	17,289
RM	–	–	3,004	3,162

30. FINANCIAL INSTRUMENTS (CONT'D)

30.6 Foreign currency risk (Cont'd)

	Profit or loss	
	2019	**2018**
	RM'000	**RM'000**
Company		
USD	3,522	–
THB	(3,246)	17,283

A 5 percent weakening of RM against the USD, EUR and THB at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

30.7 Interest rate risk

The Group's interest rate risk arises from its interest-bearing financial instruments that could impact fair value and future cash-flows due to fluctuation in market interest rates. The Group's objective on interest rate risk management is to achieve a balance in re-pricing risk and the optimisation of pricing whilst ensuring sufficient liquidity to meet funding needs.

Policies and processes

Interest bearing financial assets are mainly temporary surpluses or funds held for liquidity purposes and are placed on short-term or on demand basis. Interest bearing financial liabilities are mixture of short-term trade/credit facilities with re-pricing exposure, and long-term loans with fixed pricing. The Group constantly reviews its portfolio of interest-bearing financial liabilities with the view to mitigate as much as possible its re-pricing risk taking into account the nature and requirement of its businesses, and availability from issuers of such financial liabilities.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	47,983	27,187	–	–
Financial liabilities	(788,544)	(766,484)	(374,954)	(345,669)
Lease liabilities	(53,760)	–	–	–
	(794,321)	(739,297)	(374,954)	(345,669)
Floating rate instruments				
Financial assets	–	14,737	–	–
Financial liabilities	(679,067)	(704,122)	–	–
	(679,067)	(689,385)	–	–

30. FINANCIAL INSTRUMENTS (CONT'D)

30.7 Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change of 25 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) pre-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group Profit or loss	
	25 bp increase RM'000	**25 bp (decrease) RM'000**
2019		
Floating rate instruments	(1,698)	1,698
2018		
Floating rate instruments	(1,723)	1,723

30.8 Cash flow hedge

The Group entered into forward cash flow hedge of its expected proceeds/ payments from/to accounts receivables and accounts payables.

The following depicts the expected cash flow streams associated with the hedges undertaken and period affecting profit or loss:

	Net cash flows RM'000	**Expected cash flows RM'000**	**Under 1 year RM'000**
Group			
2019			
Proceeds from accounts receivables			
- inflow	194	12,980	12,980
- outflow	–	(12,786)	(12,786)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.8 Cash flow hedge (Cont'd)

	Net cash flows RM'000	Expected cash flows RM'000	Under 1 year RM'000
Group			
2018			
Proceeds from accounts receivables			
- inflow	–	38,727	38,727
- outflow	(1,852)	(40,579)	(40,579)

During the year, a net gain of RM1,202,000 (2018: net loss of RM669,000) was recognised in other comprehensive income. An ineffective net gain of RM183,000 (2018: RM5,000) was recognised in profit or loss during the financial year.

30.9 Fair value of financial instruments

The carrying amounts of cash and bank balances, deposits with licensed banks, trade and other receivables, trade and other payables, and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments.

The carrying amounts of the floating rate term loans and hire purchase liabilities approximate fair values as they are subject to variable interest rates which in turn approximate the current market interest rates for similar loans at the end of the reporting period.

It was not practical to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices, inability to estimate fair value without incurring excessive costs and immaterial in the opinion of the Directors.

The fair values of the abovementioned financial assets and liabilities are as disclosed in the respective notes to the financial statements, together with the carrying amounts shown in the statements of financial position.

30. FINANCIAL INSTRUMENTS (CONT'D)

30.9 Fair value of financial instruments (Cont'd)

Other than those mentioned above, the table below analyses financial instruments carried at fair value and those not carried at fair value for which fair values are disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
Financial assets										
Forward exchange contracts	–	418	–	418	–	–	–	–	418	418
Financial liabilities										
Forward exchange contracts	–	(1,686)	–	(1,686)	–	–	–	–	(1,686)	(1,686)
Fixed rate term loans	–	–	–	–	–	–	(396,990)	(396,990)	(396,990)	(396,990)
Fixed rate guaranteed Thai Baht Bonds	–	–	–	–	–	–	(375,086)	(375,086)	(375,086)	(374,954)
Fixed rate hire purchase liabilities	–	–	–	–	–	–	(16,227)	(16,227)	(16,227)	(16,600)
Long term payables	–	–	–	–	–	–	(7,560)	(7,560)	(7,560)	(7,560)
Long service leave liability	–	–	–	–	–	–	(6,884)	(6,884)	(6,884)	(6,884)
	–	(1,686)	–	(1,686)	–	–	(802,747)	(802,747)	(804,433)	(804,674)
Company										
Financial liabilities										
Fixed rate guaranteed Thai Baht Bonds	–	–	–	–	–	–	(375,086)	(375,086)	(375,086)	(374,954)
Long term payables	–	–	–	–	–	–	(98,777)	(98,777)	(98,777)	(98,777)
	–	–	–	–	–	–	(473,863)	(473,863)	(473,863)	(473,731)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.9 Fair value of financial instruments (Cont'd)

2018	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Group										
Financial assets										
Forward exchange contracts	–	331	–	331	–	–	–	–	331	331
Financial liabilities										
Forward exchange contracts	–	(3,268)	–	(3,268)	–	–	–	–	(3,268)	(3,268)
Fixed rate term loans	–	–	–	–	–	–	(402,427)	(402,427)	(402,427)	(402,422)
Fixed rate guaranteed Thai Baht Bonds	–	–	–	–	–	–	(345,919)	(345,919)	(345,919)	(345,669)
Fixed rate hire purchase liabilities	–	–	–	–	–	–	(18,490)	(18,490)	(18,490)	(18,393)
Long term payables	–	–	–	–	–	–	(8,051)	(8,051)	(8,051)	(8,051)
Long service leave liability	–	–	–	–	–	–	(7,851)	(7,851)	(7,851)	(7,851)
	–	(3,268)	–	(3,268)	–	–	(782,738)	(782,738)	(786,006)	(785,654)
Company										
Financial liabilities										
Fixed rate guaranteed Thai Baht Bonds	–	–	–	–	–	–	(345,919)	(345,919)	(345,919)	(345,669)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.9 Fair value of financial instruments (Cont'd)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is assessed using the quoted market price obtained from Reuters or licensed financial institutions.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2018: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs (e.g. changes in market interest rates) for the financial assets and liabilities. The fair values were determined using discounted cash flows based on current market rate at reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting year.

Interest rates used to determine fair value

	2019	**2018**
Group		
Fixed rate term loans	2.52% - 18.00%	2.52% - 18.00%
Fixed rate guaranteed Thai Baht Bonds	4.98%	3.00%
Fixed rate hire purchase liabilities	2.11% - 7.47%	1.79% - 7.47%
Company		
Fixed rate guaranteed Thai Baht Bonds	4.98%	3.00%

Sensitivity analysis and inter-relationship between unobservable inputs and fair value measurement

The fair values would increase if the interest rates are higher. The Directors are of the view that the changes are not significant and hence the sensitivity analysis is not presented.

31. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure a strong and sustainable capital base that can support the current and future business needs of the Group.

In support of that, the Group aims to manage within the limit of existing debt to equity ratio ("DER") covenant.

As at 31 December 2019, the Group recorded a DER of 0.89 (2018: 0.96) as compared to the financial covenants of not exceeding 1.0 time (2018: 1.0 time). The Group is also required to maintain certain financial covenant ratios as disclosed in Note 18.

	Group	
	2019 RM'000	**2018 RM'000**
Total loans and borrowings (Note 18)	1,467,611	1,470,606
Total equity	1,649,854	1,538,324
DER	0.89	0.96

32. OPERATING SEGMENT

The Group's resources allocation is assessed on a quarterly basis or as needed basis in accordance to the business performance and requirements of the respective geographical's operating unit as reviewed and determined by the Group's Chief Operating Decision Maker ("CODM") whom is also the Chief Executive Officer of the Group. Hence, segment information is presented by geographical locations that the Group operates in. The format of the geographical segments is based on the Group's operation management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Reporting on segmental profit, assets and liabilities include items directly attributable to geographical segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The segments are classified into geographical presence as follows:

Geographical segment	**Countries**
Asia and Oceania	Malaysia, Thailand, China, Indonesia, Myanmar, Australia and Mauritius
Europe	Germany, Italy, United Arab Emirates, United Kingdom, British Virgin Islands, Netherlands, Saudi Arabia, and Isle of Man
America	United States of America and Canada

32. OPERATING SEGMENT (CONT'D)

Geographical segments

	Asia and Oceania		Europe		America		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	366,582	204,173	1,262,440	1,228,160	3,573	–	1,632,595	1,432,333
Cost of sales	(326,894)	(315,148)	(1,007,621)	(990,091)	(4,300)	(9,959)	(1,338,815)	(1,315,198)
Gross profit/(loss)	39,688	(110,975)	254,819	238,069	(727)	(9,959)	293,780	117,135
Administration expenses and others	(6,506)	(264,622)	(143,162)	(185,445)	(6,833)	(14,481)	(156,501)	(464,548)
Operating profit/(loss)	33,182	(375,597)	111,657	52,624	(7,560)	(24,440)	137,279	(347,413)
Add: Depreciation and amortisation	28,606	31,214	71,469	62,909	2,426	3,815	102,501	97,938
Segment profit/(loss)	61,788	(344,383)	183,126	115,533	(5,134)	(20,625)	239,780	(249,475)
Share of loss of equity-accounted investees, net of tax							–	(5,590)
Less: Depreciation and amortisation							(102,501)	(97,938)
							137,279	(353,003)
Finance costs							(67,525)	(60,717)
Finance income							660	1,368
Profit/(Loss) before tax							70,414	(412,352)

Major customers

The Group does not have any customers where the Group generates revenue equal to or more than 10% of the Group's total revenue.

	Asia and Oceania		Europe		America		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Segment assets	1,030,179	919,093	2,802,612	2,881,887	65,488	48,209	3,898,279	3,849,189
Segment liabilities	821,331	990,982	1,399,075	1,295,926	28,019	23,957	2,248,425	2,310,865
Capital expenditure	22,303	28,500	48,667	27,763	–	10	70,970	56,273
Depreciation and amortisation charged to profit or loss	21,288	17,356	36,924	33,420	2,426	3,815	60,638	54,591
Non-cash (income)/expenses other than depreciation and amortisation	(15,436)	228,350	(13,428)	40,954	966	13,122	(27,898)	282,426

33. SUBSIDIARIES

The principal activities of the subsidiaries, their places of incorporation and the interests of KNM Group Berhad are as follows:

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiaries of the Company				
KNM Process Systems Sdn. Bhd.	Design, manufacture, assembly and commissioning of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries	Malaysia	100	100
KNM International Sdn. Bhd. **@	Provision of management, technical advisory, license and trademark services to international related companies and related international investments	Malaysia	100	100
KNM Capital Sdn. Bhd.@	Provision of funding and treasury services and all related functions	Malaysia	100	100
KNM Management Services Sdn. Bhd.**	Dormant	Malaysia	100	100
KNM Renewable Energy Sdn. Bhd.@	Provision of process technology for the biofuels and seeds extraction plants, provision of turnkey services, including operation and maintenance services for biofuels and seeds extraction plants and related investments in the renewable energy industries	Malaysia	100	100
KNM Capital Labuan Limited @	Provision of funding and treasury services and all related functions	Labuan	100	100
Petrosab Petroleum Sdn. Bhd. @**+	Investment holdings and management services	Malaysia	100	40

33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiaries of the Company (Cont'd)				
Litwin Asia Pacific Sdn. Bhd.**	Dormant	Malaysia	51	51
Prestige International Ltd.	Provision of funding and treasury services and all related functions	Labuan	100	100
KNM Capital (PIC) Sdn. Bhd. @	Dormant	Malaysia	100	100
Splendid Investments Limited @	Dormant	Labuan	100	100
Subsidiary of Petrosab Petroleum Sdn. Bhd.				
Petrosab Petroleum Engineering Sdn.Bhd. @**	Provision of services relating to the arrangement of design, engineering, procurement, construction testing and other kinds of services relating to oil, gas, petrochemical, minerals, biofuel and energy industries	Malaysia	94	52
Subsidiaries of KNM Process Systems Sdn. Bhd.				
KNM OGPET (East Coast) Sdn. Bhd.**@	Property investment	Malaysia	100	100
Duraton Engineering Sdn. Bhd.**@	Provision of non-destructive testing services	Malaysia	100	100
Perwira Awan Sdn. Bhd.**	Property investment	Malaysia	100	100
KNM Technical Services Sdn. Bhd.@	Provision of project management and technical services	Malaysia	100	100
Sumber Amantech Sdn. Bhd.@	Provision of project management and technical services	Malaysia	100	100

33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiaries of KNM Process Systems Sdn. Bhd. (Cont'd)				
KNM Exotic Equipment Sdn. Bhd. @	Design, manufacture, assembly and commissioning of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries	Malaysia	100	100
KNM Europa BV ^	Investment holding, financing, marketing and business development services to the related companies of KNM Group in Europe	Netherlands	100	100
KNM BORSIG Services Sdn. Bhd. @	Contractor for oil and gas industries and provision of technical services	Malaysia	100	100
Deutsche KNM GmbH *	Investment holding	Germany	100	100
KNM OGPET (Sabah) Sdn. Bhd. **@	Investment holding	Malaysia	80	80
KNM-DP Fabricators Sdn. Bhd. **@	Dormant	Malaysia	86	86
KNM Transparent Energy Sdn. Bhd. **	Dormant	Malaysia	100	100
Subsidiaries of KNM Renewable Energy Sdn. Bhd.				
Global Green Energy Corporation Ltd. **@	Investment holding	Isle of Man	100	100
Green Energy and Technology Sdn. Bhd. **@	Investment holding and design, engineer, construct, commission and operate waste to energy plants	Malaysia	51	51
Asia Bio-fuels Limited.*@	Investment holding	Republic of Mauritius	100	100
Asia Biofuels II Ltd.*@	Investment holding	Republic of Mauritius	100	100

33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiaries of KNM International Sdn. Bhd.				
FBM Hudson (Asia) Sdn. Bhd. **@	Investment holding and provision of management and consultancy services	Malaysia	100	100
FBM-KNM FZCO *	Provision of manufacture of air cooled heat exchangers, shell and tube heat exchangers, process gas waste heat recovery systems, heavy duty heat exchangers, columns, towers, reactors and other pressure vessels for the oil, gas, petrochemicals and desalination industries	United Arab Emirates	100	100
Verwater KNM Sdn. Bhd. **	Dormant	Malaysia	100	100
Kimma Thai Co., Ltd. **@	Investment holding	Thailand	49	49
KNM Global Ltd.^	Provision of management, procurement, business development, technical advisory and marketing services	British Virgin Islands	100	100
PT KPE Industries **@	An assets holding company and shall own the land, manufacturing plant and machinery in relation to the Group's intended manufacturing facility at the Kabil Industrial Estate in Batam, Indonesia	Indonesia	100	100
Saudi KNM Ltd. ^@	Dormant	Saudi Arabia	51	51
KNM Project (Myanmar) Co. Ltd. @#**	Repair and installation of machinery and equipment and construction of buildings	Myanmar	100	–
Subsidiary of KNM BORSIG Services Sdn. Bhd.				
BORSIG Services Australia Pty. Ltd. ^@	Contractor for the oil and gas industry and provision of technical and maintenance services	Australia	100	100

33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiary of KNM Exotic Equipment Sdn. Bhd.				
KMK Power Sdn. Bhd. @	Investment holding	Malaysia	100	100
Subsidiaries of KNM Europa BV				
FBM Hudson Italiana SpA*	Design and manufacture of air-cooled heat exchangers, specialty shell and tube heat exchangers and process gas waste heat boilers for the oil, gas, petrochemical and desalination industries	Italy	100	100
FBM Icoss S.r.l *@	Design and construction of fully welded plate type heat exchanger plates, bundle exchangers and jacketed pressure vessels for different fields such as chemical, petrochemical, textile, pharmaceutical, food industry, aerospace and research industries	Italy	100	100
KNM Corporation ^@	Investment holding	Canada	100	100
KNM Project Services Limited **	Project management and services and provision of process technology for oil and gas, biomass, biofuels, waste to energy and power plants as well as provision of turnkey services including operation and maintenance services	United Kingdom	100	100
Subsidiary of FBM Hudson (Asia) Sdn. Bhd. (formerly known as KNM Overseas (China) Sdn. Bhd.				
KNM Special Process Equipment (Changshu) Co., Ltd. **	Design, manufacture, assembly, commissioning and maintenance of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries within the China market	China	100	100

33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiary of Kimma Thai Co., Ltd.				
KNM Projects (Thailand) Co., Ltd. **	Operate the business of providing the services relating to the arrangement of design, engineering, procurement, construction testing and other kinds of services relating to oil, gas, petrochemical, minerals, biofuel and energy industries	Thailand	74	74
Subsidiary of Global Green Energy Corporation Ltd.				
Peterborough Green Energy Ltd. **@	Develop, build, own and operate the total capacity of 80MW Biomass Waste to Energy Power Plant Project in Peterborough, United Kingdom	United Kingdom	100	100
Subsidiary of Asia Bio-fuels Limited & Asia Biofuels II Ltd.				
Impress Ethanol Co., Ltd. *	Manufacturer and distributor of alcohol/ethanol or fuel from agricultural products	Thailand	72	72
Subsidiaries of KNM Corporation				
KNM Industries Inc ^	An asset holding company and shall own the land, manufacturing plant and machinery in relation to the Group's manufacturing facility in Edmonton, Alberta, Canada	Canada	100	100
KNM Process Equipment Inc @ ^	Design, manufacture, procurement and manufacturing of process equipment, including without limitation pressure vessels, reactors, column and towers, drums, heat exchangers, air fin coolers, process gas waste heat boilers, specialised shell, tube heat exchangers, condensers, spheres, process tanks, mounded bullets, process skid packages and turnkey storage facilities for the oil, gas, petrochemicals and mineral processing industries in Canada and the North America Region	Canada	100	100
KPS Inc @ ^	Investment holding	Canada	100	100

33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiary of KMK Power Sdn. Bhd.				
Poplar Investments Limited **@	Property investment	Isle of Man	100	100
KMK Green Ventures Sdn. Bhd. @%	Dormant	Malaysia	100	–
Subsidiaries of KPS Inc				
KPS Technology & Engineering LLC @ ^	Provision of sulphur removal and recovery related services to clients in the oil, gas and energy/power industries in relation to sulphur removal and recovery technology	United States of America	94	94
KPS Technology Group LLC @ ^	Dormant	United States of America	100	100
Subsidiary of Deutsche KNM GmbH				
BORSIG Beteiligungs-verwaltungsgesell-schaft mbH *	Investment holding	Germany	100	100
Subsidiary of BORSIG Beteiligungsverwaltungsgesellschaft mbH				
BORSIG GmbH *	Advisory and administration services as well as acquisition of and holding shares in other companies on behalf and/or its own account, in particular for and to companies of the BORSIG Group	Germany	100	100
Subsidiaries of BORSIG GmbH				
BORSIG Process Heat Exchanger GmbH *	Processing, planning, fabrication and distribution of and the trading with machines, assets, apparatuses and miscellaneous components, particularly for generating plant, petrochemical and chemical industries	Germany	100	100
BORSIG ZM Compression GmbH *	System engineering, industrial fabrication, assembly services as well as the sale of machines and constructions of compressors, containers, silo and conveyor technique	Germany	100	100

33. SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Subsidiaries of BORSIG GmbH (Cont'd)				
BORSIG Membrane Technology GmbH *	Processing, planning, fabrication and distribution of and trading with machines and construction of apparatuses and miscellaneous components in the field of membrane technique	Germany	100	100
BORSIG Service GmbH *	Provides installation, maintenance and other industrial services of machines and construction of apparatuses and other components	Germany	100	100
BORSIG Boiler Systems GmbH *	Planning, delivery, installation, and implementation of constructions for generating plants as well as provision of maintenance and other services for such constructions	Germany	100	100
BORSIG ValveTech GmbH *	Development, production and distribution of valves, compressor parts, monitoring systems for compressors, provision of maintenance and repair works of compressors and other assets	Germany	100	100
Subsidiary of BORSIG Boiler Systems GmbH				
BORSIG Boiler Systems Sdn. Bhd.@	Sales and marketing, design, fabrication and manufacturing of high capacity industrial boilers, heat recovery steam generators and waste heat boiler for oil, gas, petrochemicals, minerals processing and energy industries	Malaysia	100	100
Subsidiary of BORSIG Membrane Technology GmbH				
GMT Membrantechnik GmbH *	Development, processing and distribution of membranes, membrane modules and membrane components	Germany	51	51

33. SUBSIDIARIES (CONT'D)

For financial year 2019:

- * Audited by a member firm of KPMG.
- ** Audited by another firm of accountants.
- @ The financial statements of these subsidiaries are prepared on a going concern basis as the Group will provide the necessary financial support, as appropriate.
- ^ Consolidated using management accounts as at 31 December 2019.
- \+ The subsidiary was acquired on 14 January 2019.
- % The subsidiary was incorporated on 26 April 2019.
- \# The subsidiary was incorporated on 9 May 2019.

Kimma Thai Co, Ltd.

Although the Group owns less than half of the ownership interest in Kimma Thai Co., Ltd. and less than half of the voting power of this entity, the Directors have determined that the Group controls this entity. By virtue of an agreement with its other investor, the Group has *de facto* control over Kimma Thai Co., Ltd. on the basis that the Group has the ability to direct the activities of Kimma Thai Co., Ltd. that significantly affect the return of Kimma Thai Co., Ltd..

34. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST

On 14 January 2019, the Company entered into a Share Purchase Agreement with Petrosab Sdn. Bhd. ("PSB") to acquire the remaining balance of 6,048,884 ordinary shares or 99.34% equity interest in Petrosab Petroleum Sdn. Bhd. ("PPSB") for a cash consideration of RM1.00 only ("the Acquisition"). The Acquisition had since been completed and PPSB has become a wholly-owned subsidiary of the Group.

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Group 2019 RM'000
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 3)	14,768
Right-of-use of assets (Note 4)	3,875
Trade receivable	463
Other receivables and prepayments	99
Cash and cash equivalents	1,557
Trade payables	(3,486)
Other payables and accruals	(29,987)
Borrowing	(2,311)
Net identifiable liabilities	(15,022)
Net cash outflow arising from acquisition of subsidiary	
Consideration paid, satisfied in cash	–
Cash acquired	1,557
Net cash inflow	1,557
Goodwill	
Fair value of identifiable net liabilities	15,022
Non-controlling interest	(754)
Goodwill on acquisition	14,268
Goodwill written off	(14,268)
	–

35. SIGNIFICANT EVENTS DURING THE YEAR

35.1 On 11 March 2019, a subsidiary, KNM Process Systems Sdn. Bhd. ("Claimaint") had 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.

The Request concerns disputes arising from a contract entered into with the Respondent on 3 December 2010.

The final hearings are scheduled to take place in January 2021.

35.2 On 20 March 2019, KNM BORSIG Services Sdn. Bhd. ("KBS"), an indirect wholly-owned subsidiary of the Company had disposed of its 40,000 shares or 40% equity interest in an associate, Dimensi Bumijaya Sdn. Bhd. ("DBSB"), to a third party for a cash consideration of RM1.00 only. The disposal had since been completed and DBSB has ceased to become an associate company of the Group.

35.3 During the financial year, the Company issued 234,600,000 new ordinary shares via a private placement to eligible investors for a total cash consideration of RM37,536,000 excluding transaction costs of RM853,000.

35.4 On 28 August 2019, the Company had announced the proposed disposal of Borsig ZM Compression GmbH ("BZM") by Borsig GmbH of its entire equity interests comprising one (1) ordinary share of EUR24,000 and one (1) ordinary share of EUR1,000 held in BZM to Borsig ZM Schweiz AG and Iskra-Neftegaz Compressor Limited Liability Company, for a cash consideration of EUR28.00 million (equivalent to approximately RM130.76 million based on the exchange rate of EUR1.00 : RM4.67) ("the Proposed Disposal").

On 31 December 2019, the Company had also announced that the completion date of the Proposed Disposal had been postponed to a date to be determined.

There was no commitment to sell BZM within 12 months and the investment in subsidiary of Borsig GmbH is not classified as held for sale.

36. EVENT SUBSEQUENT TO YEAR END

The coronavirus (COVID-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Malaysia. The COVID-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts across the Group.

The Group and Company consider that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 December 2019, the end of the reporting period. Accordingly, the current conditions arising from the outbreak do not have any impact on the carrying amounts reported for the financial year ended 31 December 2019.

As at the date of the financial statements are authorised for issuance, the COVID-19 situation is still evolving and unpredictable. As a result, it is not practicable for the Group and the Company to estimate the financial effect of COVID-19 at this juncture. The Group and the Company are actively monitoring and managing the Group's and the Company's operations to minimise any impacts that may arise from COVID-19.

37. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group adopted MFRS 16, *Leases.*

Definition of a lease

On transition to MFRS 16, the Group elected to apply the new definition of a lease to all contracts.

As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 using modified retrospective approach under which right-of-use assets and lease liabilities were measured at present value of remaining lease payments with no adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 0.9% - 8.0%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- adjusted the right-of-use assets by the amount of provision for onerous contract under MFRS 137 immediately before the date of initial application, as an alternative to an impairment review.

Impact on financial statememts

Since the Group and the Company applied the requirements of MFRS 16 using modified retrospective approach, there are no adjustments made to the prior period presented. There were no non-cancellable operating lease commitments at 31 December 2018.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 49 to 150 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

....

Dato' Ab. Halim bin Mohyiddin
Director

....

Lee Swee Eng
Director

Kuala Lumpur,

Date: 15 June 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Tan Koon Ping, the officer primarily responsible for the financial management of KNM Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 150 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Tan Koon Ping, at Kuala Lumpur in the Federal Territory on 15 June 2020

....

Tan Koon Ping

Before me:

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KNM GROUP BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KNM Group Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 150.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By- Laws (On Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Valuation of Goodwill and Other Intangible Assets

Refer to *Note 1(d) – Use of estimates and judgements, Note 2(f) – Intangible assets* and *Note 5 – Intangible assets* to the financial statements.

Under MFRS 136, *Impairment of Assets*, the Group is required to assess annually the amounts of goodwill and other intangible assets for impairment. The Group's goodwill on consolidation and other intangible assets amounted to RM869,316,000 and RM412,434,000 respectively as at 31 December 2019. There is a risk that the carrying values of the Group's goodwill and other intangible assets may not be recoverable when comparing the carrying values with the recoverable amounts, which are determined based on fair value less costs of disposal and value in use calculations respectively for the Germany and Thailand units. Both calculations are determined by discounting future cash flows to present value. Due to the inherent uncertainties involved in projecting and discounting future cash flows which are affected by future market or economic conditions, this is one of the key judgemental area that our audit concentrated on.

Key Audit Matters (Cont'd)

1. Valuation of Goodwill and Other Intangible Assets (Cont'd)

How the matter was addressed in our audit

Our audit procedures included, among others, understanding the process activities undertaken by the management in assessing the potential impairment of cash-generating units ("CGUs") containing goodwill and other intangible assets.

In assessing reasonableness of the recoverable amounts, we obtained the discounted cash flow projections, and assessed the key estimates and assumptions which were used in preparing the cash flow projections, with reference to internally and externally derived sources and taking into account the CGUs' historical accuracy in arriving at projections.

We also evaluated the appropriateness of the key estimates and assumptions used, in particular, those relating to revenue growth, gross profit margins, EBITDA growth, discount rates and terminal growth rates applied to the respective cash flows, by comparing to historical results and competitors in the industry.

To assess reasonableness of the recoverable amounts, a range of sensitivities were performed across the different elements of the impairment model in order to understand the relationship between the judgements and assumptions used and the resulting recoverable amounts.

We also evaluated whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in determining the appropriateness of the carrying values of goodwill and other intangible assets.

2. Construction Contracts Revenue, Construction Contracts Profits and Recoverability of Amount due from Contract Customers

Refer to *Note 1(d) – Use of estimates and judgements, Note 2(p)(i) – Revenue and other income* and *Note 22 – Revenue* to the financial statements.

Judgement is particularly required to determine the number of performance obligations, method of allocating transaction price to each performance obligation, determination of whether revenue is to be recognised over time or at a point in time.

The Group has construction contracts with targeted completion periods ranging from 12 to 36 months. In accordance with MFRS 15, construction contracts revenue is recognised over time based on output method, which is determined by reference to surveys of work performed or completion of a physical proportion of contract work. Judgement is required in the estimation of physical proportion of contract work completed. Where actual differs from the estimated physical work completion, such difference will also impact the contract costs and profits recognised. Due to the level of judgement involved, this is one of the key judgemental area that our audit is concentrated on.

How the matter was addressed in our audit

Our audit procedures included, among others, understanding the process activities undertaken by the Group and appropriateness of the Group's accounting policies on construction contracts revenue. We evaluated the Group's transition approach and the practical expedients applied. We used a variety of quantitative and qualitative factors to select construction contracts with a higher risk of material error based on their size or complexity for testing.

We read correspondences and minutes of meeting with customers, selected signed contracts and read key clauses to identify relevant contractual terms covering damages and variation orders and determined whether these were considered in accordance with the requirements of MFRS 15. This includes inspection of amount of revenue agreed in signed contracts and approved variation orders.

Key Audit Matters (Cont'd)

2. Construction Contracts Revenue, Construction Contracts Profits and Recoverability of Amount due from Contract Customers (Cont'd)

How the matter was addressed in our audit (Cont'd)

In assessing reasonableness of construction contracts revenue, we evaluated reasonableness of the Group's output method, by obtaining documentations to support the stage of completion of physical contract work performed, and evaluated against the requirements of MFRS 15, *Revenue from Contracts with Customers*. We also compared the Group's stage of completion to our calculation if stage of completion was based on input method or actual contract costs incurred.

We also visited sites for certain material projects and held discussion with site personnel to gauge reasonableness of the Group's estimation of stage of completion of physical contract work performed.

In assessing reasonableness of construction contracts profits, we evaluated the reasonableness of budgeted costs of each material project by comparing to prior year budgets and actual overhead costs incurred in similar completed projects.

In assessing recoverability of amount due from contract customers, for projects that appear to be behind schedule, we compared maximum damages exposure against provision made by the Group and inspected subsequent billings and payments. We also inspected minutes and correspondences with customers, and corroborated the findings by obtaining assessments from operational and technical management personnel to evaluate the reasonableness of the Group's assessment.

We also assessed the completeness, accuracy and appropriateness of disclosures made in the financial statements in accordance with the requirements of MFRS 15.

3. Recoverability Assessment of Interests in Subsidiaries and Amounts due from Subsidiaries (Company level)

Refer to *Note 2(c) – Financial instruments, Note 6 – Interests in subsidiaries* and *Note 13 – Trade and other receivables* to the financial statements.

We noted that several subsidiaries were either dormant since incorporation, or loss-making and have deficits in shareholders' funds at 31 December 2019, which led to indicators of potential impairment. Due to the substantial amounts with potential impairment concerns, we have identified this as one of the key judgemental area that our audit is concentrated on.

How the matter was addressed in our audit

We evaluated the financial position of the Company's subsidiaries and assessed management's impairment assessment and assumptions used which included timing of repayment, future plans and profitability and where applicable, remittance of dividends from the subsidiaries. We have compared the impairment loss provided for against exposure from outstanding amounts in evaluating the Company's impairment assessment.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report and the Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of our auditors' report. The remaining parts of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group or of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 33 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Tai Yoon Foo
Approval Number: 02948/05/2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 15 June 2020

LIST OF PROPERTIES
HELD BY THE GROUP
AS AT 31 DECEMBER 2019

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age of The Building	Date of Revaluation	2019 Net Book Value (RM'000)
279 Moo 13 Khao Hin Sorn Chachoengsao Thailand	(i) Industrial land	Freehold	758,688 m^2	–	–	25/11/2019	**330,081**
	(ii) Factory			66,780 m^2	11 - 27 years	25/11/2019	
Via Valtrighe, 5 & 6 24030 Terno d'Isola (BG); Italy	(i) Fabrication plant	–	–	48,937 m^2	1st phase - 53 years 2nd phase - 28 years	31/12/2019	**177,993**
	(ii) Staff house	–	–	396 m^2	59 years	31/12/2019 31/12/2019	
	(iii) Staff house	–	–	120 m^2	38 years	31/12/2019 31/12/2019	
Via Italia 24030 Mapello (BG) Italy	(iv) Industrial area	–	65,550 m^2	–	–	31/12/2019	
	(v) Industrial area	–	144,819 m^2	–	–	31/12/2019	
	(vi) Reserved area	–	3,225 m^2	–	–	31/12/2019	
Plot U13 Storeys Bar Road Peterborough United Kingdom	Vacant Land	Freehold	218,530 m^2	–	–	22/11/2019	**145,040**
Lot 105 & 106 Jalan Gebeng 1/6 Gebeng Industrial Estate 26080 Kuantan Pahang Darul Makmur Malaysia	(i) Industrial land	Leasehold (66 years) expires on 01/06/2064	36,420 m^2	–	–	6/11/2019	**60,000**
	(ii) Fabrication plant and office building	–	–	13,368 m^2	19 years	6/11/2019	
6204-46 Ave, Tofield, AB TOB 450 Canada	(i) Industrial land	–	457,150 m^2	–	–	8/12/2019	**52,539**
	(ii) Fabrication plant and office building	–	–	9,862 m^2	15 years	8/12/2019	

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age of The Building	Date of Revaluation	2019 Net Book Value (RM'000)
Jiangsu Province Changshu Economic Development Area- "Chang Rang Guo Yong (2002) Zi No. 192";	(i) Industrial land	Leasehold (50 years) expires on 09/07/2052	33,537 m^2	–	–	10/12/2014	**40,626**
"Shu Fangquanzheng Bixi Zi No. 10001641";	(ii) Fabrication plant and office building	Leasehold (50 years) expires on 09/07/2052	–	17,012 m^2	18 years	9/12/2014	
"Chang Guo Yong (2009) Zi No. 04329";	(iii) Industrial land	Leasehold (50 years) expires on 07/05/2057	33,333 m^2	–	–	10/12/2014	
"Shu Fangquanzheng Bixi Zi No. 10001644", China	(iv) Fabrication plant and office building	Leasehold (50 years) expires on 07/05/2057	–	23,818 m^2	13 years	9/12/2014	
Lot 75, Jalan Gebeng 1/6, Kawasan Perindustrian Gebeng, Mukim Sungai Karang 26080 Kuantan Malaysia	Land (Industrial)	Leasehold (66 years) expires on 01/06/2064	42,230 m^2	–	–	31/12/2019	**37,600**
	Fabrication Plant and Office Building	–	–	16,351 m^2	15 years	31/12/2019	
Lot 208, Jalan PBR 19 and Lots 2835, 2836 & 2837 Jalan PBR 22, Bukit Rambai Industrial Estate, Tanjong Minyak, Melaka Malaysia	(i) Industrial land	Leasehold (99 years) expires on 28/05/2094	5,857 m^2	–	–	2/12/2019	**36,800**
	(ii) Industrial land	Leasehold (99 years) expires on 28/05/2094	5,042 m^2	6,612 m^2	–	2/12/2019	
	(iii) Industrial land	Leasehold (99 years) expires on 28/05/2094	17,769 m^2	–	–	2/12/2019	
	(iv) Fabrication plant and office building	–	–	6,369 m^2	16 years	2/12/2019	
	(v) Fabrication plant and office building	–	–	9,879 m^2	28 years	2/12/2019	

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age of The Building	Date of Revaluation	2019 Net Book Value (RM'000)
Seiferitzer Allee 26 Meerane, Germany	(i) Fabrication plant and office building	Leasehold (66 years) expiring on 26/7/2071	12,000 m^2	5,806 m^2	14 years/12 years (due to extension of the building)	31/12/2019	**34,714**
Egelisstraße 21 Berlin Germany	(ii) Fabrication plant and office building (Extension on Adjacent Land)	Leasehold (66 years) expiring on 18/2/2075	10,422 m^2	5,562 m^2	11 years	31/12/2019	
Seiferitzer Allee 26 Meerane, Germany	(iii) extension on adjacent land without any building	Leasehold (66 years) expiring on 31/5/2078	16,121 m^2	–	–	31/12/2019	
Seiferitzer Allee 27 Meerane, Germany	(iv) Fabrication plant and office building	Freehold	14,757 m^2	2,150 m^2	12 years	31/12/2019	
Kawasan Industri Terpadu Kabil (KITK) Jl. Hang Kesturi I Kav. A21 Kelurahan Batu Besar, Kecamatan Nongsa Batam 29467 Indonesia	(i) Industrial land	Leasehold (30 years) expires on 13/08/2036	82,824 m^2	–	–	1/11/2019	**31,181**
	(ii) Fabrication plant and office building	–	–	20,135 m^2	13 years	1/11/2019	

ANALYSIS OF SHAREHOLDINGS
AS AT 21 MAY 2020

ANALYSIS OF SHAREHOLDINGS

Total Number of Issued Shares	:	2,644,720,755*
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share held

Note:
* Inclusive of 29,841,275 treasury shares

DISTRIBUTION OF SHAREHOLDINGS (as per Record of Depositors as at 21 May 2020)

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	1,669	4.39	76,370	Negligible
100 to 1,000	4,264	11.20	2,589,857	0.10
1,001 to 10,000	15,435	40.56	78,648,490	3.01
10,001 to 100,000	13,722	36.05	506,557,920	19.37
100,001 to less than 5% of issued shares	2,969	7.80	1,891,406,843	72.33
5% and above of issued shares	1	0.00	135,600,000	5.19
TOTAL	**38,060**	**100.00**	**2,614,879,480^**	**100.00**

Note:
^ Excluding 29,841,275 treasury shares

THIRTY LARGEST SHAREHOLDERS (as per Record of Depositors as at 21 May 2020)

No.	Name of Shareholders	No. of Shares Held	%#
1	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Inter Merger Sdn Bhd	135,600,000	5.19
2	Ooi Cheow Har	65,240,300	2.49
3	Affin Hwang Nominees (Asing) Sdn Bhd Pledged Securities Account for Aveda Assets Capital Inc.	59,753,100	2.29
4	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (TMEF)	36,000,000	1.38
5	HSBC Nominees (Asing) Sdn Bhd Exempt An for Bank Julius Baer & Co. Ltd. (Singapore Bch)	33,800,000	1.29
6	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Lee Swee Eng (M&A)	32,000,000	1.22
7	Tokio Marine Life Insurance Malaysia Bhd As Beneficial Owner (PF)	22,540,000	0.86
8	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for William Desmond York	20,000,000	0.76

THIRTY LARGEST SHAREHOLDERS (as per Record of Depositors as at 21 May 2020) (CONT'D)

No.	Name of Shareholders	No. of Shares Held	%#
9	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	19,196,500	0.73
10	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Inter Merger Sdn. Bhd.	18,232,951	0.70
11	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An for DBS Bank Ltd (SFS)	17,547,100	0.67
12	Tan Chai Hoon @ Chan Ah Keng	17,000,500	0.65
13	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Swee Eng (My0038)	16,259,404	0.62
14	Citigroup Global Markets Malaysia Sdn. Bhd. Exempt An CLR for Affin Hwang Asset Management Berhad	15,820,200	0.61
15	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An for Bank of Singapore Limited (Local)	14,373,500	0.55
16	Er Soon Puay	14,000,000	0.54
17	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lim Gaik Eng (LIM4779C)	12,993,600	0.50
18	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lee Swee Eng	12,453,000	0.48
19	Citigroup Nominees (Asing) Sdn Bhd Exempt An for UBS AG Singapore (Foreign)	12,324,000	0.47
20	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd For Affin Hwang Select Asia (Ex Japan) Quantum Fund (4579)	11,751,800	0.45
21	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Genting Utama Sdn Bhd (M&A)	10,500,000	0.40
22	CGS-CIMB Nominees (Asing) Sdn Bhd Exempt An for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)	9,814,275	0.38
23	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Yau Kong	9,500,000	0.36
24	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Rizal Bahari Bin Md Noor	9,000,000	0.34
25	RHB Nominees (Tempatan) Sdn Bhd Tan Ah Loy @ Tan May Ling	9,000,000	0.34
26	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHB INV)	8,383,000	0.32

THIRTY LARGEST SHAREHOLDERS (as per Record of Depositors as at 21 May 2020) (CONT'D)

No.	Name of Shareholders	No. of Shares Held	%#
27	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Poh Seng Kian (TJJ/KEN)	8,052,100	0.31
28	Tan Kheak Chun	8,000,000	0.31
29	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Affin ABSR EQ)	7,806,000	0.30
30	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leong Chooi Kuen	7,680,000	0.29

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders of the Company as at 21 May 2020)

	No. of Shares Held in KNM Group Berhad			
Name of Shareholders	Direct	%#	Indirect	%#
Inter Merger Sdn Bhd	158,224,651	6.05	–	0.96
Ir Lee Swee Eng	68,408,838	2.62	221,066,459 [a]	8.45
Gan Siew Liat	9,045,000	0.35	221,066,459 [a]	8.45

DIRECTORS' INTERESTS IN SHARES IN KNM GROUP BERHAD AND RELATED CORPORATION
(as per Register of Directors' Shareholdings of the Company as at 21 May 2020)

	No. of Shares Held in KNM Group Berhad			
Name of Directors	Direct	%#	Indirect	%#
Dato' Ab Halim bin Mohyiddin	2,652,500	0.10	–	–
Ir Lee Swee Eng	68,408,838	2.62	221,066,459 [a]	8.45
Dato' Dr Khalid bin Ngah	–	–	–	–
Dato' Sri Adnan bin Wan Mamat	–	–	–	–
Soh Yoke Yan	–	–	–	–
Gan Siew Liat	9,045,000	0.35	221,066,459 [b]	8.45

	Initial Capital Contribution KPS Technology & Engineering LLC			
Name of Director	Direct	%	Indirect	%#
Ir Lee Swee Eng	USD100,000	5.56	USD1,700,000 [c]	94.44

Notes:-

#	Percentage interest is based on the total ordinary shares of 2,614,879,480 (excluding 29,841,275 treasury shares held as at 21 May 2020).
a	Deemed interested by virtue of his indirect interest in IMSB, direct interest in Tegas Klasik Sdn Bhd ("TKSB"), direct interest in Aveda Assets Capital Inc. ("Aveda") 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 Aveda, and interest of her children in KNM.
c	Deemed interested by virtue of his direct and indirect interests in KNM.

KNM GROUP BERHAD (521348-H)
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** knm@knm-group.com | **www.knm-group.com**

KNM Global Contacts:

KNM Process Systems Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** sales@knm-group.com
www.knm-group.com

KNM Renewable Energy Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

Hansol KNM Greentech Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

BORSIG Boiler Systems Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** info@borsigboiler-knm.com

KNM BORSIG Services Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** info@borsigservices-knm.com

BORSIG Process Heat Exchanger GmbH
Egellsstrasse 21, D-13507 Berlin, Germany
T +49 0 30 4301 01 | **F** +49 0 30 4301 2447 | **E** info@pro.borsig.de
www.borsig.de/phe

BORSIG ZM Compression GmbH
Seiferitzer Allee 26, D-08393 Meerane, Germany
T +49 3764 5390 0 | **F** +49 3764 5390 5092 | **E** info@zm.borsig.de
www.borsig.de/zm

BORSIG Membrane Technology GmbH
Bottroper Strasse 279, D-45964 Gladbeck, Germany
T +49 0 2043 4006 01 | **F** +49 0 2043 4006 6299 | **E** info@borsig-mt.com
www.borsig.de/mt

BORSIG Service GmbH
Egellsstrasse 21, D-13507 Berlin, Germany
T +49 0 30 4301 01 | **F** +49 0 30 4301 2771 | **E** info@bs.borsig.de
www.borsig.de/bs

FBM Hudson Italiana SpA
Via Valtrighe 5 - 24030 Terno d'Isola (BG), Italy
T +39 035 494 1111 | **F** +39 035 494 1341 | **E** info@fbmhudson.com
www.fbmhudson.it

FBM-KNM FZCO
PO Box 17101, Jebel Ali Free Zone, Dubai, United Arab Emirates
(Plot 47-R-1, Jebel Ali Free Zone)
T +97 1 4 883 5681 | **F** +97 1 4 883 5860 | **E** commercial@fbm-knm.ae
www.fbm-knm.ae

KPS Technology Group LLC /
KPS Technology & Engineering LLC
16225, Park Ten Place, Suite 500, Houston, Texas 77084 USA
T +1 713 338 3408 | **F** +1 832 383 9565
E info@kps-technologygroup.com
www.kps-engr.com

KNM Special Process Equipment (Changshu) Co Ltd
No.46 Xinggang Road, Changshu Economic Development Zone,
Jiangsu Province, 215513 People's Republic of China
T +86 512 5229 1888 | **F** +86 512 5229 1878
E changshuknm@knm-changshu.com.cn

KNM Process Equipment Inc
Box 420, 6204-46 Ave, Tofield, AB T0B 4J0, Canada
T +1 780 662 3181 | **F** +1 780 662 3184 | **E** sales@knmcorp.com

Saudi KNM Ltd
Lot 4,5 Jubail Dammam Highway, Jubail Industrial City 1.31961,
Kingdom of Saudi Arabia
T +966 03 344 9640 | **F** +966 03 344 9641 | **E** knm-saudi@knm-group.com

KNM Europa BV
Boterbosstraat 2, 2820 Rijmenam Belgium
T +32 15 52 86 83 | **E** sales@knm-group.com

KNM Projects (Thailand) Co Ltd
825, Phairojkijja Building, 12th Floor Unit B,
Bangna-Trad Road, Khwaeng Bangna, Khetr Bangna, Bangkok 10260, Thailand
T +662 361 4757 / 4758 / 4759 | **F** +662 744 3088 |
E sales@knm-group.com

Impress Ethanol Co Ltd
825, Phairojkijja Building, 12th Floor Unit B,
Bangna-Trad Road, Khwaeng Bangna, Khetr Bangna, Bangkok 10260, Thailand
T +662 361 4757 / 4758 / 4759 | **F** +662 744 3088 | **E** sales@knm-group.com

KNM Project Services Limited
Second Floor, West Wing, Peterscourt, City Road,
Peterborough PE1 2SP, United Kingdom
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

Global Green Energy Corporation Ltd
Fort Anne, Douglas, Isle of Man IM1 5PD
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

Peterborough Green Energy Ltd
Ruthlyn House, 90 Lincoln Road, Peterborough, PE1 2SP, United Kingdom
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com