Annual Report & CG Report

KNM GROUP BERHAD

Annual Report for Financial Year Ended	31 Dec 2020
Subject	Annual Report & CG Report - 2020

Please refer attachment below.

Attachments

KNM - AR 2020 (Part 1).pdf
2.6 MB

KNM - AR 2020 (Part 2).pdf
708.1 kB

KNM Group Berhad - CG Report 2020.pdf
598.5 kB

KNM GROUP BERHAD
(521348-H)

ANNUAL REPORT 2020

World Class Process Equipment Manufacturer
and Turnkey Solutions Provider

VISION

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

MISSION

To be 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
Non-Independent Non-Executive Chairman

GAN SIEW LIAT
Executive Vice Chairman

TAN KOON PING
(Appointed on 9 July 2020)
Group Chief Executive Officer/Executive Director

DATO' DR KHALID BIN NGAH
Senior Independent Non-Executive Director

SOH YOKE YAN
Independent Non-Executive Director

MOHD RIZAL BAHARI BIN MD NOOR
(Appointed on 25 November 2020)
Non-Independent Non-Executive Director

BOARD COMMITTEES

AUDIT COMMITTEE MEMBERS

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

NOMINATION COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

Dato' Dr Khalid Bin Ngah
Dato' Ab Halim Bin Mohyiddin, DPMS
Soh Yoke Yan
Gan Siew Liat
Mohd Rizal Bahari Bin Md Noor

ESOS COMMITTEE MEMBERS

Dato' Dr Khalid Bin Ngah
Soh Yoke Yan
Gan Siew Liat
Mohd Rizal Bahari Bin Md Noor

GROUP COMPANY SECRETARY

Hani Syamira Binti Abdul Hamid
LS 0009872
Practising Cert No. 201908003098
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, Malaysia

Malaysia Building Society Berhad
Tingkat 11 Wisma MBSB
48 Jalan Dungun,
Damansara Heights
50490 Kuala Lumpur Malaysia

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.
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

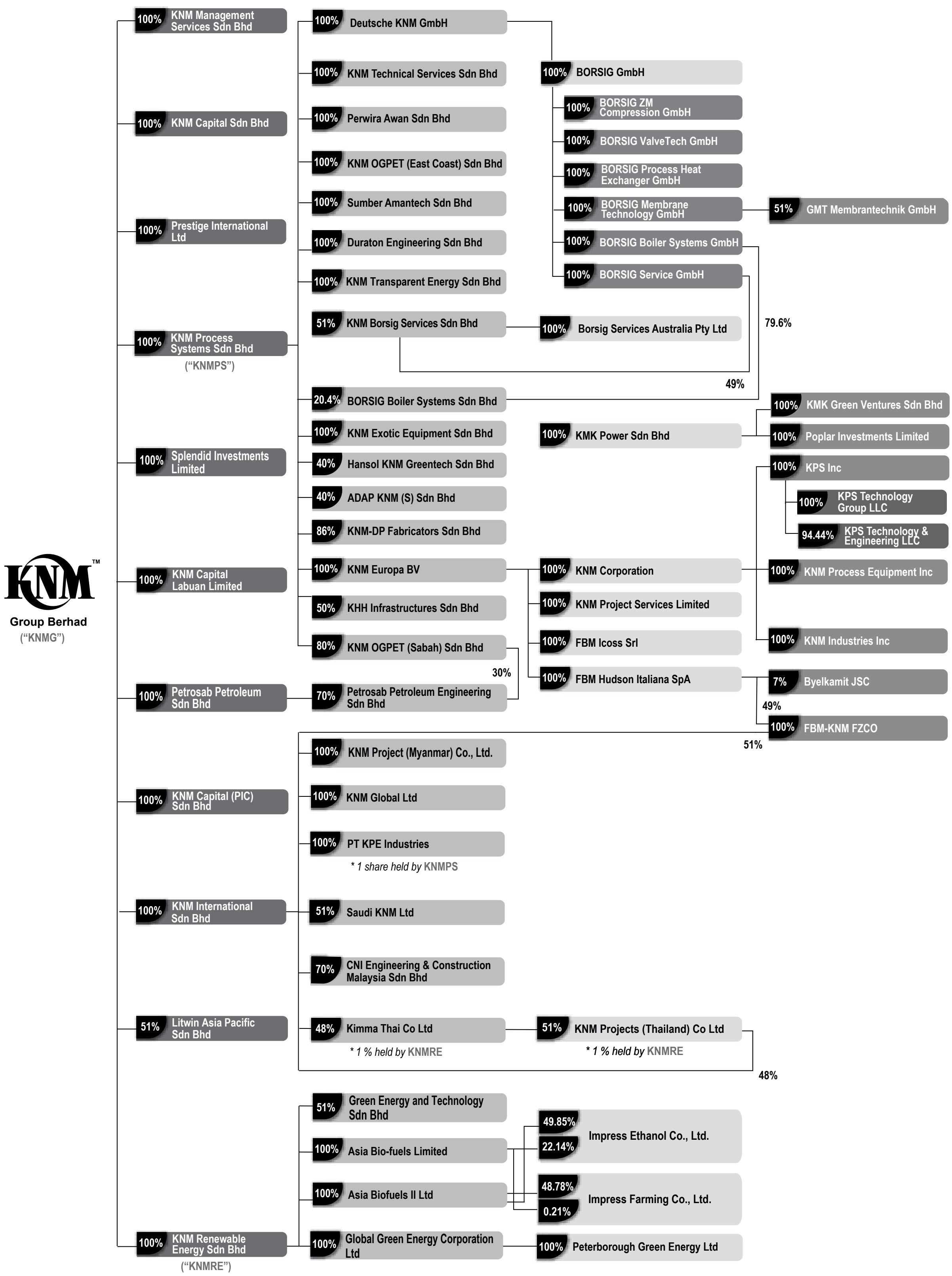
Incorporated on 22 July 2000 as a private company limited by shares. Converted to a public company limited by shares on 12 September 2000.

STOCK EXCHANGE LISTING

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

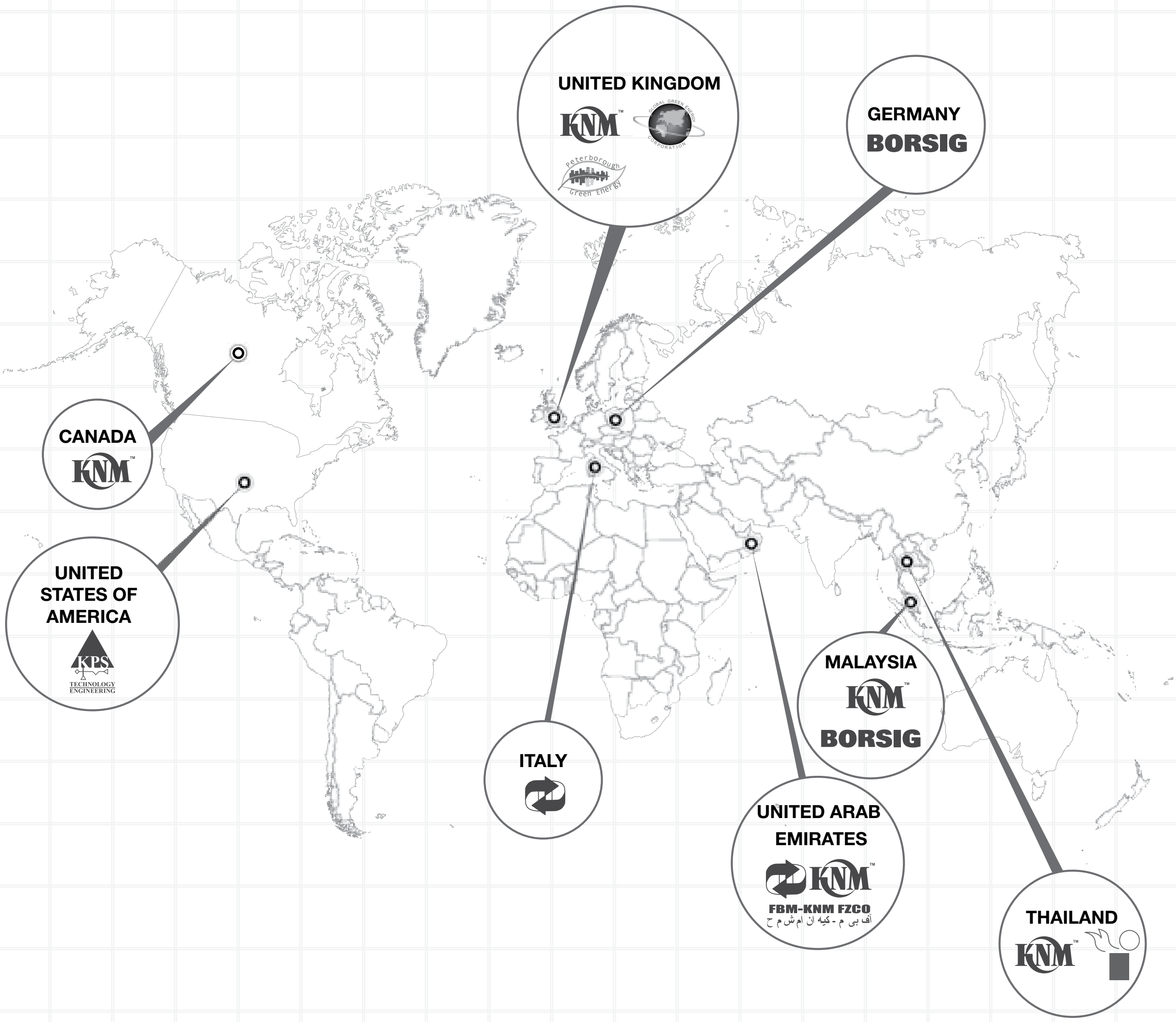
CORPORATE STRUCTURE

KNM Group's Corporate Structure as at 22 April 2021



KNM AT A GLANCE

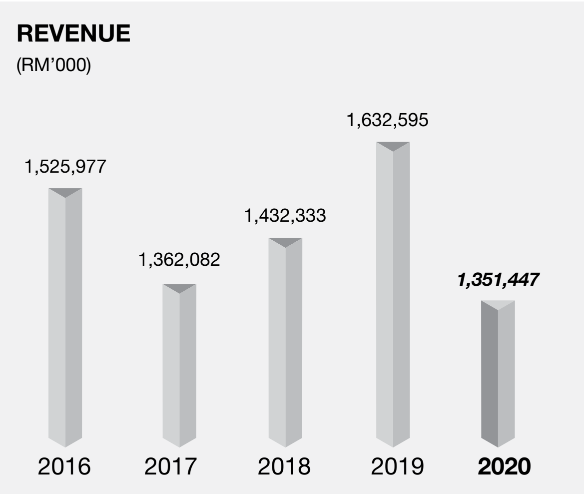
GLOBAL PRESENCE

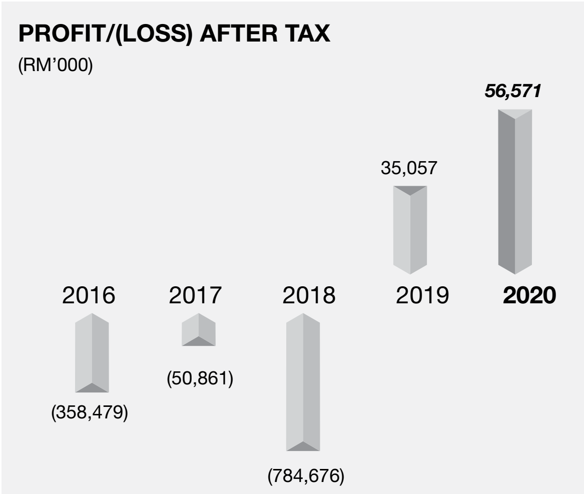


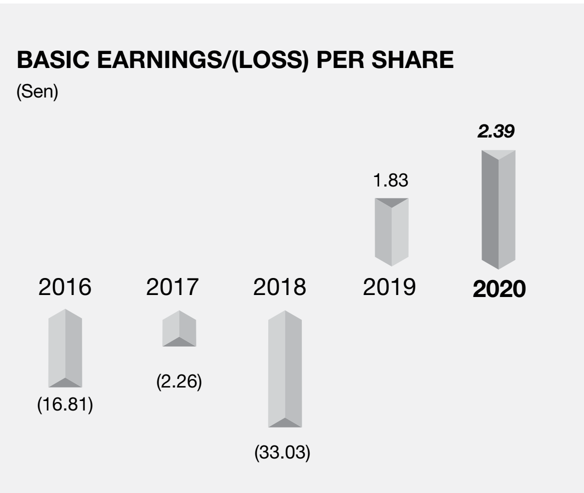
5-YEAR GROUP FINANCIAL HIGHLIGHTS

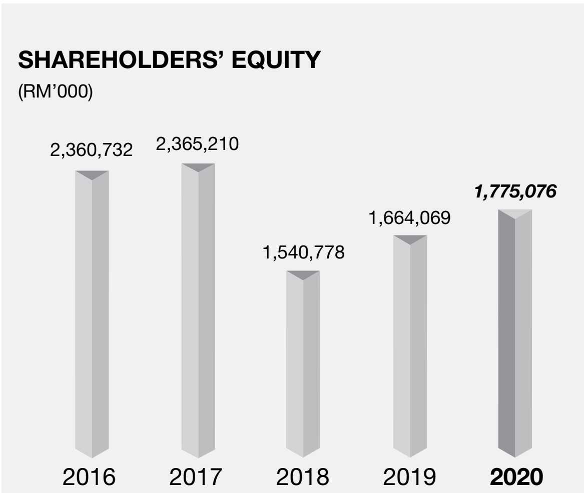
	2020	2019	2018	2017 (Restated*)	2016 (Restated*)
Revenue RM'000	1,351,447	1,632,595	1,432,333	1,362,082	1,525,977
Profit /(Loss) Before Tax (RM'000)	81,137	70,414	(412,352)	(36,600)	(352,867)
Profit /(Loss) After Tax (RM'000)	56,571	35,057	(784,676)	(50,861)	(358,479)
Earnings/(Loss) Before Interest, Taxes, Depreciation and Amortisation (RM'000)	244,984	239,780	(249,475)	109,304	(217,474)
Shareholders' Equity (RM'000)	1,775,076	1,664,069	1,540,778	2,365,210	2,360,732
Basic Earnings/(Loss) Per Share (Sen)	2.39	1.83	(33.03)	(2.26)	(16.81)
Net Assets Per Share	0.60	0.64	0.66	1.10	1.11

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









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 2020 ("FYE2020").

PREVAILING INDUSTRY LANDSCAPE

In 2020, the world faced an unprecedented COVID-19 pandemic which disrupted supply chains and economic activities worldwide, resulting in depressed crude oil prices due to weak global demand arising from the lockdowns and travel restrictions imposed by governments. While the crude oil price had gradually increased since last quarter of 2020 as markets responded to news of COVID-19 vaccination rollouts and the curb on oil production from Organisation of the Petroleum Exporting Countries and its allies, the recent resurgence of COVID-19 in Asia countries casts uncertainties on future oil and gas industry recovery path.

We observe that the global energy industry leaders are changing their business models by transiting to low-carbon and clean energy; and building resilience by applying more digital technologies prompted by the drastic change in operating environment caused by the COVID-19 pandemic. Accordingly, we are also adapting our business operations to the new operating environment, strengthened our engagement with consumers and business partners by leveraging on digital communication and respond swiftly to the changing needs of our stakeholders.

FINANCIAL PERFORMANCE OF FYE2020

Our Group is not immuned to the COVID-19 impacts. However, with concerted effort of our employees and business partners, overall we were able to operate with minimal disruption during FYE2020. While the Group reported a lower revenue as compared with previous year, the Group has achieved a remarkable improvement of profit after tax of RM56.57 million, which is the highest since FYE2012. The commendable performance was resulted from the streamlining exercises carried out by the Group, including leaner operation costs after the rightsizing of manpower and disposal of non-performing subsidiary in China.

OUTLOOK

We foresee that the short term outlook of the underlying industries of our businesses e.g. oil & gas, petrochemical and energy, will remain challenging as recovery of the disruption from the COVID-19 pandemic is largely depending on the roll-out speed of vaccination to majority of the population and stability of the crude oil price. We will continue to do our best to manage these risk factors.

Meanwhile, we will continue to ensure the safety of our people, the continued supply of our products and services to our customers and support communities with our sustainable business practices.

RECOGNITION AND ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to Ir Lee Swee Eng who retired as the Group Chief Executive Officer on 9 July 2020 for his contributions to our Group during his tenure. I also would like to congratulate Mr Tan Koon Ping being our new Group Chief Executive Officer on board on 9 July 2020 and I believe that with his experience and dedication, he will lead KNM to a new era with the continuous support from dedicated teams in KNM.

Not to forget to introduce and welcome our new board member appointed on 25 November 2020, Encik Mohd Rizal Bahari.

Last but not least, on behalf of the Board, I would like to extend my 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 dedication to duties and responsibilities despite periodic work disruptions from the Movement Control Order and business challenges amid the Covid-19 pandemic and volatile market conditions.

MANAGEMENT DISCUSSION & ANALYSIS

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.

2020 has been a very challenging year with the world facing an unprecedented health crisis due to COVID-19 virus outbreak and its continuous resurgence, where it changed the conducts and patterns of businesses and human livelihood globally.

Aside from the depressed economy activities caused by the pandemic, the slump in oil demand and oil price where the average Brent Crude price per barrel declined from US$58 in July 2019 to US$20 in March 2020, have caused many oil & gas majors deferred their planned capital investments. As a result, the midstream and oil & gas related service sectors suffered tremendously as well. The Organisation of the Petroleum Exporting Countries ("OPEC") and its allies agreed massive production cuts up to 10% of global crude oil supplies subsequently in April 2020, had helped to flatten the curve of inventory builds up and to stabilize the world's crude oil price going forward into the year 2021.

Despite the extraordinary challenges in 2020, we continue in leveraging on our strong fundamentals in technology competency, quality assurance, customer satisfaction and long-term relationship; and continue to carry out our Group's rationalisation strategy which began in 2017, including monetising non-core businesses of our Group and exited non-profitable markets. Consequently, our Group demonstrated strong resilience in delivering commendable results in FYE2020.

OVERVIEW OF FINANCIAL PERFORMANCE

Amid the infectious pandemic, our Group's revenue reduced by 17% from RM1.63 billion in the financial year ended 31 December 2019 ("FYE2019") to RM1.35 billion in FYE2020 mainly due to low revenue recognition from Asia & Oceania Segment affected by the temporary closure of operations in China and Malaysia following the lockdown restrictions and nationwide Movement Control Order ('MCO"), coupled with the low bio-ethanol production in our Thailand's operations. Consequently, our Group registered a marginal lower gross profit of approximately RM290.71 million in FYE2020 as compared with RM293.78 million in FYE2019.

Despite negative impacts on the top line performance in FYE2020, the gross profit margin had improved from 18% in FYE2019 to 22% in FYE2020 with tighter cost management. Consequently, our Group had attained a higher profit before tax of approximately RM81.14 million in FYE2020 as compared with RM70.41 million in FYE2019. The improvement in profitability was mainly attributable to leaner operational costs, disposal of a non-performing operation in China and a lower finance cost as a result of repayment of borrowings during the year under review.

SEGMENTAL PERFORMANCE

Europe Segment

Our Europe Segment retained its position as the pillar of our Group. Despite this Segment achieved a lower revenue recognition of approximately RM1.11 billion in FYE2020, down by 12% year-on-year, our fabrication facilities in Germany, United Arab Emirates and Italy have proven being the most resilience against the current economic contraction as the production and plant utilisation remained high. It was noticeable that the COVID-19 positive cases reported in FYE2020 were less than 6% of the total employees in this Segment since the implementation of the COVID-19 health protocols and other necessary precautionary actions at the workplace.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

This Segment achieved a higher gross profit margin ("GPM") of 22% in FYE2020 as compared with 20% in FYE2019, despite lower gross profit at RM242.51 million as compared with RM254.82 million in FYE2019. The improvement in the GPM was mainly attributable to better project profit margins and lower production overhead incurred during the year under review.

This Segment achieved a lower Earnings Before Interest, Taxes, Amortisation and Depreciation ("EBITDA") of approximately RM155.04 million in FYE2020 as compared with RM183.13 million in FYE2019, mainly due to unrealised exchange loss recorded in this Segment.

Asia & Oceania Segment

Our Asia & Oceania Segment was not spared from a challenging backdrop of 2020. Our fabrication facilities in China and Malaysia were closed down temporary in early 2020 in compliance with the lockdown orders imposed by the governments of the respective countries in order to curb the COVID-19 outbreak. The loss in production time and the depressed market conditions have resulted in a slower revenue recognition in FYE2020 in this Segment.

The production of our bio-ethanol plant in Thailand was also substantially lower in FYE2020 due to the lockdowns, coupled the significant increase in the cassava chip prices in the second half of 2020 driven by high demand from China and limited supply caused by cassava deceases. As such, our local management team had taken various cost control measures including reducing ethanol production, initiate contract farming and sourcing from cheaper and stable supply channels in the long run in order to reduce the cost of ethanol production and operating losses in FYE2020.

This Segment achieved higher gross profit and gross profit margin of approximately RM49.29 million and 21% respectively in FYE2020 as compared with RM39.69 million and 11% respectively in FYE2019 on the back of our Group's mitigation plans to weather through this crisis including implementation of pay cut ranging from 20% to 50% per month in Malaysia for a period of three months during FYE2020 and divestment of non-performing operation in China on 30 September 2020. Consequently, this Segment achieved a higher EBITDA of approximately RM93.42 million in FYE2020 as compared with RM61.79 million in FYE2019 despite our Group had prudently recognised a full impairment on the goodwill arising from acquisition of our Thailand bio-ethanol operation of RM31.17 million due to unsatisfied past performance of our bio-ethanol plant. The setback from this impairment had been offset with unrealised gain in exchange in FYE2020.

The construction and services sectors, comprising the supply of process equipment, project management and engineering services, remained as a core revenue contributor of our Group. These sectors had contributed 98% of the total revenue of our Group in FYE2020. The revenue contribution from renewable energy sector in FYE2020 was not significant mainly due to a low bio-ethanol production in Thailand. The waste to energy plant in United Kingdom and the additional 300,000 litre per day bio-ethanol production facilities are currently under development.

FINANCIAL POSITION

Total Assets

At 31 December 2020, the total assets of our Group was marginally lower at RM3.86 billion as compared with RM3.90 billion at 31 December 2019 mainly due to a lower cash and bank balance as a result of a net loan repayment of RM105.01 million during the year. It was noticeable that the trade and contract receivables had improved by RM29.01 million from RM566.55 million at 31 December 2019 to RM595.56 million at 31 December 2020 on the back of higher percentage of completion achieved in projects in Europe Segment at the end of FYE2020.

Total Liabilities

Total liabilities of our Group was lower at RM2.11 billion at 31 December 2020 as compared with RM2.25 billion at 31 December 2019. The decline in total liabilities was mainly due to repayment of borrowings as well as payments made to trade and contract creditors for timely delivery of projects.

Liquidity and Gearing Ratio

Our Group's borrowings were reduced by RM105.01 million from RM1.47 billion at 31 December 2019 to RM1.36 billion at 31 December 2020. Consequently, the gearing ratio of our Group had improved from 0.88x at 31 December 2019 to 0.77x at 31 December 2020.

As at 31 December 2020, the Group's current liabilities exceeded its current assets by RM211.78 million mainly due to the fixed rate Guaranteed Thai Baht Bond of approximately RM369.92 million ("Thai Baht Bond") maturing on 18 November 2021. The Directors acknowledged the current liquidity exposure of the Group and has successfully obtained new banking facility subject to fulfilment of conditions set out in the letter of offer, subsequent to the year end which is adequate to enable the Group to meet their obligations as and when they fall due. The Directors have also appointed consultants to explore the opportunities to monetarise the Group's investments overseas and its non-core assets. In addition, the Directors continue to implement appropriate strategies so that our Group will continue be profitable and enjoyed continuous supports from its shareholders and creditors.

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

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

KEY RISK	DESCRIPTION	MITIGATION MEASURES
Financial	Financial risk involves the ability of the Group or the Company to meet its obligations under the credit facilities when they fall due. The Group's ability to arrange adequate bank and other borrowings for its business and future plans depends on a number of factors that are beyond its control, including general economic and political conditions; the terms on which financial institutions are willing to extend credit to the Group, such as the amount of the loan and the time within which such a loan is made available to it, the availability of other sources of debt or equity financing; and fiscal policy changes. In the event that the Group is not able to secure liquidity and adequate financial resources, its business and financial position will be adversely affected.	• Our Group constantly reviews and explores the opportunities to monetarise its investments portfolios and non-core assets, as well as the options for refinancing or renewing the existing credit facilities to ensure adequate resources to continue in operational existence for the foreseeable future.

OUTLOOK

Construction and services

The crude oil price has been more stable in 2021 with Brent crude oil prices rose 39% in the first quarter of 2021 compared to the same period the previous year (*source: S&P Global*).

In its May 2021 Monthly Oil Market Report, the International Energy Agency (IEA) revised up its 2021 global oil demand forecast by 5.4 million barrels per day ("b/d") in 2021 to 96.4 million b/d, as compared with a decline of 8.7 million b/d last year. The upward revision was backed by improved macroeconomic outlook, along with stronger prompt indicators. There are still lingering concerns over the strength of the recovery in demand growth due to the number of COVID-19 cases surging in Europe and some major oil consuming countries such as India and Brazil *(source: International Energy Agency)*.

In its April update of the World Economic Outlook, the IMF raised its forecasts for 2021 and 2022 global GDP growth to +6% and +4.4% respectively, but noted divergent recoveries and a high degree of uncertainty. Not surprisingly, the biggest upgrade was for the US, given its swift vaccine rollout and hefty stimulus packages on the way. China was also revised slightly higher.

The global petrochemicals market is expected to grow from USD365.01 billion in 2020 to USD429.11 billion in 2021 at a compound annual growth rate ("CAGR") of 17.6%. The growth is mainly due to the companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The market is expected to reach USD477.85 billion in 2025 at a CAGR of 3% (*source: The Business Research Company, 10 March 2021*).

Based on the above-mentioned trends, our Group envisaged its business and earning visibility to gradually recover from the slowdown caused by the global outbreak of COVID-19 commencing from second half of 2021. In addition, our Group believes that COVID-19 and the oil downturn have accelerated long-term trends such energy transition to low-carbon solutions and digital transformation. With the strategies already put in place by the management, our Group is ready to capitalise these new business opportunities.

Nevertheless, the Company remains cautious and aims to maintain its profitability during this challenging period by improving its operational efficiency through process improvement and operational savings from leaner outfit.

PROFILE OF DIRECTORS

DATO' AB HALIM BIN MOHYIDDIN, DPMS

Non-Independent Non-Executive Chairman
Aged 75 **I** Male **I** 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 and Non-Independent Non-Executive Chairman on 29 April 2013 and 18 June 2020 respectively.

Dato' Ab Halim 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 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 a Board member of MISC Berhad

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

GAN SIEW LIAT

Executive Vice Chairman
Aged 60 **I** Female **I** Malaysian

Madam Gan Siew Liat was appointed as an Executive Director of KNM Group Berhad on 14 June 2003 and subsequently redesignated as Executive Vice Chairman on 9 July 2020.

Madam Gan 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 Inter Merger Group as its Administration Manager.

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

Madam Gan also sits on the boards of the subsidiaries of KNM Group Berhad.

PROFILE OF DIRECTORS
(CONT'D)

TAN KOON PING

Group Chief Executive Officer /Executive Director
Aged 51 I Male I 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 in Germany as well as the Chairman of FBM Group in Italy. Subsequently on 9 July 2020, he was appointed as the Group Chief Executive Officer/Executive Director of the Company.

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

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

DATO' DR KHALID BIN NGAH

Senior Independent Non-Executive Director
Aged 74 I Male I 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 redesignated 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 Geology from Oklahoma State University, United States of America, in 1975 he completed his doctorate PhD degree in Geology from the Imperial College, University of London, United Kingdom, under the Petronas sponsorship in 1987.

Dato' Dr Khalid first served with the Malaysian Geological Survey Department as the State Geologist for Negeri Sembilan before moving to Petronas, the 1997. He was actively involved in the development of national oil and gas policies leading to the development of PSC contract documents.

Dato' Dr Khalid 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 53 **I** Female **I** 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 a 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.

Madam Soh 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 boards of several other private limited companies.

Madam Soh is not a Director of any other public listed companies.

Madam Soh is the Chairman of the Audit Committee and a member of Nomination Committee, Remuneration Committee and ESOS Committee of the Company.

MOHD RIZAL BAHARI BIN MD NOOR

Non-Independent Non-Executive Director
Aged 50 **I** Male **I** Malaysian

En Mohd Rizal Bahari Bin Md Noor was appointed to the Board of KNM Group Berhad as an Independent Non-Executive Director on 25 November 2020 and subsequently redesignated as a Non-Independent Non-Executive Director on 2 December 2020.

En Mohd Rizal graduated with an LLB (Hons) Degree from the University of Newcastle Upon Tyne, United Kingdom in 1993. In 1994, he completed his Certificate of Legal Practice and was admitted to the Malaysian Bar in 1995. He has also completed Level 2 (Certificate) of the Chartered Association of Certified Accountants in 1994. En Mohd Rizal started his career as a Corporate Advisory of Malaysian International Merchant Bankers Berhad from 1996 to 1999. Thereafter, he joined Securities Commission as Executive from 1999 to 2003. Currently, he is practicing law in Messrs Bahari & Bahari.

Presently, he is also a board member of Carimin Petroleum Berhad.

En Mohd Rizal is a member of Remuneration Committee and ESOS Committee of the Company.

En Mohd Rizal also sits on the boards of the subsidiaries of KNM Group Berhad.

Notes:-

1. All Directors have no conflict of interests with the Company.
2. 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

WONG TOH SING

Group Chief Financial Officer
Aged 55 I Male I Malaysian

Mr Wong Toh Sing was appointed as the Chief Executive Officer of FBM Group on 4 June 2018. Subsequently on 9 July 2020, he was appointed as the Group Chief Financial Officer.

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

He is a member of Malaysian Institute of Accountants Since 1996.

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

JÜRGEN STEGGER

Managing Director,
BORSIG Group
Aged 54 I Male I German

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

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

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 the subsidiaries of BORSIG Group. He is not a Director of any public or public listed companies.

FLAVIO PORRO

Group General Counsel
Aged 50 I Male I 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 the subsidiaries of KNM Group Berhad. He is not a Director of any public or public listed companies.

CHUA THIAM CHYE

Chief Operating Officer
(Process Equipment Division, Malaysia)
Aged 54 I Male I Malaysian

Mr Chua Thiam Chye was appointed 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 the subsidiaries of KNM Group Berhad. He is not a Director of any public or public listed companies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board upholds the value of good governance and supports the need to cultivate an ethical and good corporate governance culture in the Group to promote accountability and build a sustainable business. It stands guided by the principles set forth in the Malaysian Code of Corporate Governance 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 corporate website at www.knm-group.com ("corporate website").

THE BOARD

Role and Principal Responsibilities

The Company is headed by the Board who leads and plays a key role in driving the overall performance of its Group by setting up the strategic objectives and direction of the Group, reviewing the adequacy and integrity of the Group's risk management and internal control systems, 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 the 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 have or may have an impact on the Group's businesses are taken into account when necessary.

The Board Charter may be gleaned from the Company's 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 composition was changed from five (5) Directors to six (6) Directors so that to ensure the effectiveness of the Board. The change of Board composition was due to the appointment of replacement for the retirement of existing Group Chief Executive Officer/Executive Director and the appointment of an additional Non-Independent Non-Executive Director. Of the six (6) Directors, two (2) are Executive Directors, two (2) are Non-Independent No Executive Director and the rest are Independent Non-Executive Directors. The Independent Directors made up of one-third (1/3) of the Board. In addition, of the 6 Directors, 2 are female Directors and the remaining are male Directors. As such, the feminine gender has made up one-third (1/3) of the Board. The Board composition in compliance with Bursa MMLR and The Code.

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

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

The Independent Non-Executive Directors are independent of management and are free from any and all business or other relationship which may materially affect or interfere with the exercise of their independent judgment. The role of the Non-Executive Directors is to constructively review and help develop proposals on strategy, scrutinise the performance of management in meeting agreed objectives, as well as monitoring the reporting of the Group's performance including satisfying themselves on the integrity of financial information, financial control and risk management systems that have been put in place by the Company, are effective. Any queries or concerns regarding the Group may be conveyed to 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 fulfill their obligations by inter alia, attending and participating actively in the Board and Board Committee meetings, general meetings of the Company and such other events or functions organised by the Company.

Appointments to the Board and Re-election of Directors

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

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

Independence

The Board 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 view 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 interests of the Company in safeguarding the interests of the minority shareholders.

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

In the event the Board continues to retain the Independent Director after the 12 years' tenure, an 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, seven (7) 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	7/7	100
Ir Lee Swee Eng *(retired on 9 July 2020)*	4/4	100
Gan Siew Liat	7/7	100
Tan Koon Ping *(appointed on 9 July 2020)*	3/3	100
Dato' Dr Khalid Bin Ngah	7/7	100
Soh Yoke Yan	7/7	100
Mohd Rizal Bahari Bin Md Noor *(appointed on 25 November 2020)*	1/1	100

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

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

The Group Chief Executive Officer/Executive Director assisted by the Company Secretary, undertakes primary responsibility for organising information necessary for the Board to deal with at Board meetings as well as the circulation of Board papers to all Board members in a timely manner to facilitate effective deliberation of matters brought up in meetings. During the course of a meeting, proposals put forth by management to the Board for the Board's deliberation and decision are provided with written reports and supporting documents with due facts, analysis and recommendations. The 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 adequately briefed on issues raised at Board and Board Committees meetings. All discussions, decisions and conclusions are duly recorded in the minutes of meeting. Such minutes are subsequently circulated to ensure that all Directors are kept well informed of the Board's and Board Committees' activities and recommendations. These minutes are kept by the Company 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 her duties.

THE BOARD COMMITTEES

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

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

Audit Committee

The Audit Committee comprises three (3) members, two (2) of whom are Independent Directors and the remaining is a Non-Independent Non-Executive Director. The Audit Committee is chaired by an Independent Non-Executive Director who is a member of the Malaysian Institute of Accountants. The duties of the Audit Committee include inter alia, reviewing the Group's accounting policies, financial reporting procedures, the Group's system of internal controls, status of the Group's risks and approval of the annual internal audit plan. In addition, all the Audit Committee members are able to read, analyse and interpret the quarterly results and year-end financial statements from the external auditors in order to effectively discharge their functions.

The Company's internal and external auditors do attend the Audit Committee meetings and they have the opportunity to raise matters or concerns independently or separately with the Audit Committee without the presence of 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, one (1) of whom are Non-Independent Non-Executive Directors and the rest are Independent Non-Executive Directors. It is chaired by a Non-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 five (5) times and the attendance of each member at the meetings is as set out below:-

	Number of meetings attended	**%**
Dato' Ab Halim Bin Mohyiddin (Chairman)	5/5	100
Dato' Dr Khalid Bin Ngah	5/5	100
Soh Yoke Yan	5/5	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 directors;

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

iii) recommending for the Board's approval:-
  a) the retiring director(s) to be re-elected; 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 two (2) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and the Executive Vice Chairman. 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 external advice where necessary. With the availability of Directors remuneration policy and market survey information from external sources or human resources consultants, the Remuneration Committee ensures that the remuneration packages recommended are appropriate and competitive. All recommendations of the Remuneration Committee in respect of remuneration packages of all directors and the Executive Directors are recommended to the Board for approval.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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 link remuneration to performance and benchmark the remuneration against that of the market surveys conducted by external sources or human resource consultants periodically.

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

The Remuneration Committee met four (4) times 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)	4/4	100
Dato' Ab Halim Bin Mohyiddin	4/4	100
Ir Lee Swee Eng *(retired on 9 July 2020)*	2/2	100
Soh Yoke Yan	4/4	100
Gan Siew Liat *(appointed on 21 July 2020)*	1/1	100
Mohd Rizal Bahari Bin Md Noor *(appointed on 25 November 2020)*	NA	NA

ESOS Committee

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

The ESOS Committee met five (5) 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)	5/5	100
Soh Yoke Yan	5/5	100
Gan Siew Liat	5/5	100
Mohd Rizal Bahari Bin Md Noor *(appointed on 25 November 2020)*	1/1	100

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors' Remuneration

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

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

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

The Board will subsequently recommend the total Directors' fees and other benefits payable to Directors to the shareholders for approval at the annual general meeting of the Company. Specific details of the remuneration of the Directors for the 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
RM10,000 to RM20,000		1	1
RM200,001 to RM250,000		3	3
RM600,001 to RM650,000	1		1
RM1,450,001 to RM1,500,000	1		1
RM1,500,001 to RM2,000,000	1		1
Total	**3**	**4**	**7**

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
RM300,001 to RM350,000	1
RM350,001 to RM400,000	1
RM450,001 to RM500,000	1
RM900,001 to RM1,000,000	1
RM1,950,001 to RM2,000,000	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 employees. The Company is committed to ensure that its Directors receive continuous education and further training updates from time to time. The Board shall, on a continuous basis, evaluate and determine the training needs of its members and subject matters of training that aid the Directors in the discharge of their duties as Directors.

All the current Directors of the Company have attended and completed the Mandatory Accreditation Programme and will undergo continuous training and education programmes from time to time to equip and keep themselves abreast of the latest developments in order to discharge their duties and responsibilities more effectively. A brief description of the various trainings and 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	10 February 2020 PETRONAS Group Berhad	Corporate Liability Training
	26 August 2020	Anti Bribery & Anti Corruption Policy & Guidelines [refresher & awareness program]
	26 August 2020	Whistleblowing Policy & Guidelines [refresher & awareness program]
Dato' Dr Khalid Bin Ngah	26 August 2020	Anti Bribery & Anti Corruption Policy & Guidelines [refresher & awareness program]
	26 August 2020	Whistleblowing Policy & Guidelines [refresher & awareness program]
Soh Yoke Yan	26 August 2020	Anti Bribery & Anti Corruption Policy & Guidelines [refresher & awareness program]
	26 August 2020	Whistleblowing Policy & Guidelines [refresher & awareness program]
Gan Siew Liat	26 August 2020	Anti Bribery & Anti Corruption Policy & Guidelines [refresher & awareness program]
	26 August 2020	Whistleblowing Policy & Guidelines [refresher & awareness program]
Tan Koon Ping	26 August 2020	Anti Bribery & Anti Corruption Policy & Guidelines [refresher & awareness program]
	26 August 2020	Whistleblowing Policy & Guidelines [refresher & awareness program]

ACCOUNTABILITY AND AUDIT

Financial Reporting

Shareholders are provided with fair assessments on the Company's financial performance and prospects vide timely issuance of all quarterly reports, annual audited financial statements and announcements on significant developments affecting the Company in compliance with Bursa MMLR and/or the Companies Act, 2016 ("the Act") (wherever applicable). The financial statements for the financial year ended 31 December 2020 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 from material misstatements. The external auditors assess the accounting principles used and significant estimates made by Directors in addition to evaluate the overall presentation of the financial statements.

Internal Controls and Internal Audit Functions

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

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

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

The Company's Internal Audit function is competently and adequately resourced to fulfil its purpose and perform its activities. It is currently managed and performed in-house and fortified with the assistance of an independent external firm of professional internal auditors, and the costs attributable to the discharge of duties and performance of the Internal Audit function of the Company for the financial year under review is RM84,000 (2019: RM150,000). In addition, the costs amounting to approximately RM321,000 (2019: RM247,380) were incurred for the operation process review in respect of the financial year ended 31 December 2020.

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

Relationship with the Auditors

The Company maintains a transparent and professional relationship with its internal and external auditors at all times. Under its terms of reference, the 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 Bursa MMLR, Bursa Malaysia's Corporate Disclosure Guide and the Code in making all material disclosures to the shareholders and investors.

SHAREHOLDERS

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

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

Investor Relations

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

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

Annual General Meeting

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

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

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

ADDITIONAL COMPLIANCE INFORMATION

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

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

(a) Bursa Securities Berhad had vide its letter dated 7 October 2020, approved the listing of and quotation for up to 269,184,800 new ordinary shares in the Company to be issued ("Private Placement I"), pursuant to the proposed private placement of up to 10% of the issued ordinary shares in the Company.

On 20 November 2020, the Company completed the Private Placement I by raising a total of RM44,548,916 for a total 269,184,800 new ordinary shares issued. As of the date of this report, the proceeds raised have been fully utilised as below:-

Proposed utilisation of proceeds	Proposed utilisation (based on actual amount raised) RM'000
Payment for procurement of raw materials and consumables, payment to sub-contractor/ suppliers for fabrication and site works, professional services and logistic expenses	43,369
Expenses for the Private Placement I	1,180
Total	**44,549**

(b) Bursa Securities Berhad had vide its letter dated 20 January 2021, approved the listing of and quotation for up to 296,923,400 new ordinary shares in the Company to be issued ("Private Placement II"), pursuant to the proposed private placement of up to 10% of the issued ordinary shares in the Company.

On 3 February 2021, the Company had completed the Private Placement II by raising a total of RM51,961,595 for a total 296,923,400 new ordinary shares issued. As of the date of this report, the proceeds raised have been fully utilised as below:-

Proposed utilisation of proceeds	**Proposed utilisation (based on actual amount raised) RM'000**
Payment for procurement of raw materials and consumables, payment to sub-contractor/ suppliers for fabrication and site works, professional services and logistic expenses	30,662
Repayment of bank borrowings	20,000
Expenses for the Private Placement II	1,300
Total	**51,962**

2. Related Party Transactions

All related party transactions for Financial Year 2020 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 Bursa MMLR. The Audit Committee will review all related party transactions and report the same to the Board.

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

3. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the external auditors and its affiliates in connection with services rendered to the Group and/or the Company for the financial year ended 31 December 2020 were as follows:-

	Company (RM)	**Group (RM)**
• **Audit services**		
- Messrs KPMG PLT	180	581
- Affiliates of KPMG PLT in overseas	-	2,209
- Other auditors	-	106
• **Non-audit services**		
- Messrs KPMG PLT*	10	10
- Affiliates of KPMG PLT in Malaysia**	9	106
- Affiliates of KPMG PLT in overseas***	-	444
- Other auditors**	-	119
Total	**199**	**3,575**

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 2020 or which were entered into since the end of the previous financial year.

5. Contracts Related to Loans

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

SUSTAINABILITY REPORT

What's KNM in 2020

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

1,161 active suppliers from **38** countries

Total procurement value **491** RM million

2,100 employees

10,739 training hours

12 manufacturing plants in **8** countries

Revenue
1,351 RM million

Total assets
3,858 RM million

Solid waste generated
2,840 metric tonnes

Solid waste recycled
78%

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 Berhad and its subsidiaries ("the Group") for the financial 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 are faced by the Group, the ways of responding the matters and topics most concerning the stakeholders in tandem with its growth aspirations.

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

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

SUSTAINABILITY THROUGH COVID-19 PANDEMIC

With the emergence of COVID-19 pandemic, business sustainability and protecting our own employees, our customers and other stakeholders safe become upmost important at this trying times. The recovery of COVID-19 pandemic is yet to be certain and it will take a while for the norms to resume. But our commitment toward economic, environmental and social sustainability will continue. The Group strives to mitigate, adapt and prevent further adverse impact that may be caused by COVID-19 pandemic towards the Group's business operations throughout this challenging times.

In addition to the operational procedures as mandated by the local governments, the executive managers in the respective business units of the Group have also set out rules and measures to protect our employees, including stringent hygiene policy, restriction of mass gathering and physical meetings, and frequently disinfect the workplaces. Notices were given to the employees to create awareness on the seriousness of the COVID-19 outbreak with advices on the precautionary actions to be taken.

In response to the COVID-19 pandemic, we took additional steps to make workplaces safe for employees and contractors, for example our employees practice social distancing and wear mask in the offices and factories.

As lockdowns caused by the COVID-19 pandemic disrupted the movement of people, we have increased our use of digital technology, such as virtual meetings and remote access for employees to work from home. This technology enabled us to continue to carry out our business and to meet safety requirements.

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.

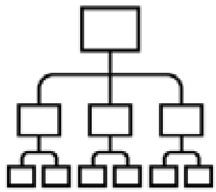
The Group maintains good visibility and constantly interacts with its stakeholders such as investors, investment analysts, fund managers, bankers, government bodies and its corporate clients through a variety of channels, whereby accurate and concise information on the Group is provided through briefings, 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 key engagements with the Group's customers, business partners, industries practitioners, investors and shareholders is set out in the table hereunder:

Stake holders	Methods of Engagement	Frequency	Focus
Principal Partners & Suppliers	Prequalification, registrations, exhibitions, congress, seminars, conference	As and when required	Operational & business performance; quality & compliance; health & safety
Customers	• Marketing - Exhibitions, Congress, Conference • Customer Satisfaction Survey • Customer feedback / complaints channel by emails, phone-in and face to face meetings. • Customer visit / audit to manufacturing facilities. • Face to face technical and commercial meeting	Project by project	• Product & service quality and delivery • Qualification of manufacturing facilities • Commercial terms & conditions
Industry Practitioners	Meeting of environmental experts hosted by Chamber of Commerce and Industry in Germany	3 times per annum	Environmental updates and sharing of industrial knowledge
Investors & Shareholders	• Annual general meeting • Analysts meeting • Announcements to Bursa Malaysia Securities Berhad • KNM corporate website	• Annually • As and when required • As and when required • As and when required	Performance, future strategies and any important updates of the Group,

SUSTAINABILITY GOVERNANCE STRUCTURE



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

The SC undertakes periodic reviews to ensure various sustainability issues across the organisation are addressed. Any decision made by KNM Board shall then be cascaded downwards to the GCEO/ED 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 2020.

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 in 8 countries with 12 manufacturing plants producing leading edge process equipment products, delivering value to its customers through comprehensive design, project management and process equipment manufacturing capabilities. The Group offers a broad range of products and services under renowned brands of KNM, BORSIG and FBM Hudson with industry experience spanning over 200 years.

The Group aligns its brands, technologies and product portfolio to meet the challenges and create value to its customers' sustainability. The value and capability the Group delivered to its customers are enabled by its approximately 2,100 dedicated employees who are committed to making a positive impact on the Group, its customers and communities.

Recurring Income from Green 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, most of the Group's revenue is derived from the supply of process equipment and project related services. KNM Group is seeking opportunities in making strategic investments to grow and diversify its existing contract / project based income towards recurring income for sustainable growth in the long term. Accordingly, the Group has formulated its strategy to diversify into the renewable 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 businesses to 50% of its consolidated revenue. KNM is currently a project owner and developer of a bio-ethanol plant in Thailand and a waste to energy plant in United Kingdom.

Renewable energy and environmental control businesses are not new to the Group. For instance, the Group via its indirect wholly-owned subsidiary, Membrane Technology GmbH, for the past 16 years, has been offering its customers innovative membrane technology solutions used to address environmental concerns relating to gas emission controls and volatile organic compound recovery.

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.

Energy Efficiency

The Group works continuously to improve the efficiency of its production sites. This includes monitoring of electricity and water usage, enhance efficiency of the equipment through regular and smart scheduling of maintenance, and increase the use renewable energy sources.

Within the Group, our plants in Europe are leading with reduction in electricity consumption of approximately 6% in 2020 as compared with previous year. In December 2020, KNM's subsidiary, KNM Process Systems Sdn Bhd ("KNMPS") had successfully obtained the approval from Sustainable Energy Development Authority for 606.48kWp (424.53kWac) quota allocation which allows excess solar panel generated energy to be exported back to the grid on a "one-on-one" offset basis. This means that every 1kWh exported to the grid will be offset against 1kWh consumed from the grid. Thus, the installation of solar panels is estimated to generate savings of approximately 40% over KNMPS's total electricity bills.

Since 2019, the Group 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 addition, our subsidiaries in Europe are also subject to energy audit in accordance with EN 16247-1 standard which consists of systematic examination and analysis of the energy usage of a plant, organisation etc. with the aim of identifying and documenting energy efficiency potentials.

In KNM's head office, we have implemented No Lift Day where employees are encouraged to take the staircase instead of lift in the office every Friday. This initiative saves electricity consumption and promote more healthy exercise to the employees.

Water Consumption

A water saving initiative undertaken at our facilities was the use of rainwater to reduce the amount of potable water used. Furthermore, to improve water monitoring, we installed water meters at production processes to identify and to assess the efficiency of each manufacturing process in order to introduce water saving methods.

In 2020, initiatives taken by our European and United Arab Emirates subsidiaries have yielded positive results with reduction in water consumption of 9% and 23% respectively as compared with 2019. The Group will evaluate the initiatives taken and adopt these initiatives where possible to our operations in other countries.

Sustainable Waste Management

We are committed to reduce waste and pollutants while conserving resources and recycling materials at our production sites. We also managed our waste responsibly and ensured proper storage as well as disposal to reduce impact on the environment.

In 2020, our process equipment fabrication plants generated approximately 2.8 million metric tonnes of solid waste of which 78% were recycled. KNM continues to explore best practices to improve the implementation of waste management.

SOCIAL

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

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 safety and fire prevention practices, heightening safety awareness, conducting safety courses and trainings to minimise loss time injury hours at its production facilities.

The Group considers that the management of health, safety and environment is crucial in improving 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.

In 2020, the Group placed upmost emphasis in preventing chains of COVID-19 infection from occurring at our plants. Overall, we were able to keep the number of COVID-19 infections among our employees significantly low at approximately 3% of total employees.

The other health and safety activities conducted by the Group are as below:

- "No Smoking" in office compound

  This activity prevents the pollution to the working environment and to create a friendly working environment to employees, in addition to maintain the good health of the employees

- Fire Drill

  Fire drill exercise is conducted every year to guide the employees on fire evacuation procedures during fire incident. Fire drill exercise was not conducted in 2020 due to COVID-19 health restriction.

Ethics and Business Conduct

We uphold culture of ethics and integrity. 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 independent advisory firm in governance, risk & compliance to assist us to roll out anti-corruption and anti-bribery awareness programmes to its employees in various countries. Such programmes will also be incorporated into the Group's internal audit compliance as well. Following the implementation, we have released a new Anti-Bribery and Corruption ("ABC") and whistle blower policy this year to ensure that our employees and others who work with us, including suppliers and contractors understand their responsibilities to comply with KNM Group's zero tolerance for bribery and corruption within the organisation. These policies are available publicly and easily accessible on our corporate website. During the reporting year, all the employees in Malaysia had completed the ABC training.

Our risk management and policies help us to maintain a sound risk management system to ensure significant risks are identified and adequately managed. We are committed to provide the highest standard of data security and privacy to safeguard personal data and privacy of our customers, employees and other stakeholders.

We do not condone lobbying practices, nor do we make any political contributions. There were also no significant incidents of non-compliance with any relevant environmental and socio-economic laws or regulations in locations where we operate.

Human Capital Development

The Group organised inhouse and external training programmes as part of 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. The global COVID-19 pandemic has restricted the training options available in 2020 to mostly online mode. In 2020, the Group's employees in various countries had attended approximately 10,739 training hours.

Succession Planning & Talent Development

For the purpose of smooth succession of senior executives and risk management, the Group has drawn up a succession plan as a strategic move to develop future leaders, and to ensure continuity of the vision and commitment of the Group to its shareholders, customers and society, and maintain consistent management culture. Succession plan is a process designed to ensure that the Group identifies and develops a talent pool of employees through mentoring, training and job rotation. The succession plan includes identifying key positions, leadership traits suitable for the said key positions, assessing the readiness of the executives to be promoted, creating individual development plans and regular review and 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 sustainable growth.

Employees' Share Option Scheme ("ESOS")

The Group believes that it is important for its employees to share the success of its business. By doing this, it improves the motivation to its employees and creates a sense of belonging of the employees in the Group. Since 2014, KNM has granted a total of approximately 342 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 activities such as 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.

During the year, we have made donations in cash and in kind to support activities and projects primarily related to related to education, culture and social causes. In Thailand, as part of our response to COVID-19 pandemic, we have also donated 23,800 litres of ethanol produced by our ethanol plant to hospital and various governmental departments for sanitising purpose.

MARKETPLACE

Annual General Meeting

KNM recognises the importance of Annual General Meetings ("AGM"s) as a forum in which shareholders are entitled, as a matter of law, to raise any matters relevant to the affairs and business of KNM and to engage with the elected directors and management. By attending AGMs and participating actively, shareholders can promote openness, integrity and accountability of the Board of Directors in order to enhance good corporate governance and at the same time to protect their interests. AGMs will also give the Board of Directors an avenue and opportunity to explain KNM's vision, strategies and the Group's performance.

Thanks to advancements in digital technology and high-speed internet, in 2020 our AGM was conducted virtually. Virtual AGM has been particularly useful during the COVID-19 pandemic, when large meetings are not encouraged, at the same time enable our shareholders from out of town to attend and participate virtually. We received encouraging feedbacks and questions from the shareholders.

For the engagements between boards and shareholders at AGMs to be meaningful, the directors and management are ready to provide responses to questions posed by shareholders. Shareholders are also encouraged to provide us with feedback to improve the conduct of virtual meetings.

The Group's supplier base is one of its most important resources. With the Group's global presence in 8 countries, we understand that sustainable business mean conducting its business responsibly and working closely together with its business partners globally. In 2020, the Group has incurred approximately RM490 million on goods and services from more than 1,161 suppliers in 38 countries. These are mainly for the purchase of raw materials, parts, consumables, tools, equipment and services.

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 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 2020.

MEMBERS, MEETINGS HELD AND ATTENDANCE OF MEMBERS

The members of the Committee are totally Non-Executive Directors, with a majority of them being independent directors and they comprise of three (3) in numbers. The attendance of each member at the six (6) meetings held during the financial year ended 31 December 2020 is as follows: -

Name of member	Designation	Directorship of the member	Attendance
Soh Yoke Yan	Chairman	Independent Non-Executive Director	6/6 (100%)
Dato' Ab Halim bin Mohyiddin	Member	Non-Independent Non-Executive Chairman	6/6 (100%)
Dato' Dr Khalid Bin Ngah	Member	Senior Independent Non-Executive Director	6/6 (100%)

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

SUMMARY OF WORKS DURING THE YEAR

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

1. reviewed and adopted the internal audit plan for 2021, 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;
11. reviewed and approved the Proposed Recurrent Related Party Transactions of a revenue or trading nature; and
12. verified the ESOS allocation proposed by ESOS Committee.

INTERNAL AUDIT FUNCTIONS

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

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

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

During the FYE 2020, the scope of internal audit comprises both core and support functions of certain operating units in the Group, namely production, maintenance management, inventory management, quality assurance & control, health, safety & environmental management, procurement, sales & marketing, human resources and finance.

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

The costs amounting to approximately RM70,000 (2019: RM 82,540) were incurred for the internal audit functions in respect of the financial year ended 31 December 2020.

The costs amounting to approximately RM265,000 (2019: RM314,840) were incurred for the operation process review in respect of the financial year ended 31 December 2020.

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 Chief Executive 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 independent.

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

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

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

- The Financial Authority Limits are 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 and its sub-committees. The Board reviewed and monitored the achievements of the Group's performance on a quarterly basis.

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

- Enhancement of the Group's policies and guidelines in relation to subsection (5) of the new section 17A of Malaysian Anti-Corruption Commission Act 2009 (MACC Act) introduced via Section 4 of the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

- Enhancement of the Standard Operating Procedures.

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

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

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

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

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

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

ASSOCIATES AND JOINT VENTURES

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

ASSURANCE

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

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

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the year attributable to:		
Owners of the Company	64,199	3,916
Non-controlling interests	(7,628)	–
	56,571	3,916

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	
Dato' Dr. Khalid Bin Ngah	
Gan Siew Liat	
Soh Yoke Yan	
Tan Koon Ping	(Appointed on 9 July 2020)
Mohd Rizal Bahari Bin Md Noor	(Appointed on 25 November 2020)
Ir Lee Swee Eng	(Retired on 9 July 2020)

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:

Abdulllatif Mohammed Salem Al Barrak	
Arnold Mendoza	
Carsten Birk	
Chen Xu	
Chew Fook Sin	
Chew Fun Sing	
Chua Thiam Chye	
Dr. Thomas Beeskow	
Filippo Molinari	
Flavio Porro	
Gregory Douglas Mallam	
Guo Zhiqiang	
Ir Lee Swee Eng	
Johan Nor Zaimi Bin Johari	
Johannes Wilhelmus Petrus Jansen	
Jürgen Stegger	
Marcus Friedrichs	
Mohammed Nasser Hazza Al Fehaid Al Subaei	
Mohd Yusoff Bin Kotok	
Mohd Zaini Bin Buang	
Naushad Ally Sohoboo	
Oliver Kuehner	
Ong Kuan Ming	
Ramesh A/L Arunasalam	
Ronald Gerardo Gualy	
Thanika Chintanapunt	
Wong Toh Sing	
Marlito Manuel	(Appointed on 1 January 2020)
Markus Becker	(Appointed on 19 January 2021)
Vandana Jhupsee-Ramooah	(Appointed on 31 January 2021)
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	(Resigned on 4 June 2020)
Dato' Mat Isa Bin Kadir	(Resigned on 9 July 2020)
Jacky Antoine Valenza	(Resigned on 29 September 2020)
Dato' Sri Adnan Bin Wan Mamat	(Resigned on 28 October 2020)
Sandeep Fakun	(Resigned on 31 January 2021)
Dr. Timo Bauer	(Resigned on 31 March 2021)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020
(CONT'D)

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:

Shareholdings in which Directors have interests in the Company	**Number of ordinary shares**			
	At 1.1.2020 / date of appointment	**Bought**	**Sold**	**At 31.12.2020**
Direct interests				
Dato' Ab. Halim Bin Mohyiddin	2,652,500	–	–	2,652,500
Gan Siew Liat	9,045,000	30,000,000	–	39,045,000
Tan Koon Ping	2,000,000	8,500,000	(3,000,000)	7,500,000
Dato' Dr. Khalid Bin Ngah	2,000,000	–	(2,000,000)	–
Mohd Rizal Bahari Bin Md Noor	9,150,000	–	–	9,150,000
Indirect interests				
Gan Siew Liat	381,475,297(1)	101,000,000	(203,000,000)	279,475,297(1)
Tan Koon Ping	–	2,000,000	(2,000,000)	–

Warrantholdings B 2015/2020 of the Company in which Directors have interests	**Number of Warrant B**			
	At 1.1.2020	**Bought**	**Expired on 21.04.2020**	**At 31.12.2020**
Direct interests				
Dato' Ab. Halim Bin Mohyiddin	204,375	–	(204,375)	–
Gan Siew Liat	874,375	–	(874,375)	–
Indirect interests				
Soh Yoke Yan	10,000	–	(10,000)	–
Gan Siew Liat	6,297,950(1)	–	(6,297,950)	–

Employee share option scheme ("ESOS") options of the Company in which Directors have interests	**Number of ESOS Options**			
	At 1.1.2020 / date of appointment	**Granted**	**Cancelled**	**At 31.12.2020**
Expiring on 24.7.2022				
Direct interests				
Dato' Ab. Halim Bin Mohyiddin	3,081,810	513,635	(3,595,445)	–
Dato' Dr. Khalid Bin Ngah	2,287,692	381,282	(2,668,974)	–
Soh Yoke Yan	2,287,692	381,282	(2,668,974)	–
Gan Siew Liat	15,787,692	2,631,282	(18,418,974)	–
Tan Koon Ping	9,593,574	1,598,929	(11,192,503)	–
Indirect interests				
Gan Siew Liat	19,209,378(1)	3,201,563	(22,410,941)	–

DIRECTORS' INTERESTS (CONTINUED)

Employee share option scheme ("ESOS") options of the Company in which Directors have interests (continued)	At 1.1.2020 /date of appointment	Number of ESOS Options Granted	Exercised	At 31.12.2020
Expiring on 19.4.2022				
Direct interests				
Dato' Ab. Halim Bin Mohyiddin	2,300,000	–	–	2,300,000
Soh Yoke Yan	2,000,000	–	–	2,000,000
Gan Siew Liat	40,000,000	–	(30,000,000)	10,000,000
Tan Koon Ping	16,000,000	–	(6,000,000)	10,000,000
Indirect interests				
Gan Siew Liat	75,000,000[(2)]	–	(50,000,000)	25,000,000

(1) Deemed interested by virtue of her indirect interest in Inter Merger Sdn. Bhd., interest of her spouse in Tegas Klasik Sdn. Bhd., Aveda Assets Capital Inc and interest of her spouse and children in KNM Group Berhad.

(2) Deemed interested by virtue of interest of her spouse and children in KNM Group Berhad.

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 31 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 ESOS issued by the Company.

ISSUE OF SHARES AND DEBENTURES

On 7 October 2020, Bursa Malaysia Securities Berhad approved the listing of and quotation of up-to 269,184,800 new ordinary shares of the Company to be issued via private placement to eligible investors. The private placement was completed on 26 October 2020 and 20 November 2020 with the issuance of 26,684,800 new ordinary shares at RM0.170 and 242,500,000 at RM0.165 respectively.

During the financial year, the Company also issued an additional 91,976,200 new ordinary shares at RM0.11 per share to the eligible employees pursuant to the Company's ESOS.

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

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

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

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

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

Grant date	Expiry date	Exercise price RM	At 1.1.2020	Granted and allocated	Exercised during the year	Lapsed during the year	Forfeited/ cancelled	At 31.12.2020
25.7.2014	24.7.2022	0.65	18,225,732	–	–	(1,227,223)	(16,998,509)	–
25.7.2015	24.7.2022	0.65	17,672,232	–	–	(1,031,836)	(16,640,396)	–
25.7.2016	24.7.2022	0.65	17,750,105	–	–	(972,768)	(16,777,337)	–
25.7.2017	24.7.2022	0.65	17,665,060	–	–	(949,714)	(16,715,346)	–
25.7.2018	24.7.2022	0.65	17,858,294	–	–	(975,456)	(16,882,838)	–
25.7.2019	24.7.2022	0.65	16,543,540	–	–	(829,273)	(15,714,267)	–
25.8.2020	24.7.2022	0.65	–	17,223,350	–	(32,400)	(17,190,950)	–
			105,714,963	17,223,350	–	(6,018,670)	(116,919,643)	–
27.3.2019	19.4.2022	0.11	166,680,000	–	(91,976,200)	–	(664,000)	74,039,800
			272,394,963	17,223,350	(91,976,200)	(6,018,670)	(117,583,643)	74,039,800

SHARE BUY-BACK

As at 31 December 2020, 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 2020 is 2,969,234,280 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 29.

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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020
(CONT'D)

SIGNIFICANTS EVENT DURING THE YEAR

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

EVENT SUBSEQUENT TO YEAR END

The significant event subsequent to year end is disclosed in Note 38 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

....
Tan Koon Ping
Director

Kuala Lumpur,

Date : 31 May 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Assets					
Property, plant and equipment	3	1,517,621	1,501,530	–	–
Right-of-use assets	4	48,911	57,907	–	–
Goodwill	5	902,467	869,316	–	–
Other intangible assets	5	416,278	412,434	–	–
Interests in subsidiaries	6	–	–	2,019,451	2,000,087
Investments in associates	7	47	–	–	–
Investments in joint ventures	8	–	–	–	–
Other investments	9	187	174	–	–
Deferred tax assets	10	82	65	–	–
Total non-current assets		2,885,593	2,841,426	2,019,451	2,000,087
Inventories	11	96,912	99,020	–	–
Current tax assets		3,553	6,591	729	409
Contract assets	12	303,075	205,032	–	–
Trade and other receivables	13	292,489	361,513	320,377	280,766
Derivative financial assets	14	1,119	418	–	–
Cash and cash equivalents	15	275,297	343,653	72	269
		972,445	1,016,227	321,178	281,444
Asset classified as held for sale	16	–	40,626	–	–
Total current assets		972,445	1,056,853	321,178	281,444
Total assets		3,858,038	3,898,279	2,340,629	2,281,531
Equity					
Share capital		2,005,665	1,924,046	2,005,665	1,924,046
Treasury shares		(53,425)	(53,425)	(53,425)	(53,425)
Reserves		(177,164)	(206,552)	(102,549)	(65,854)
Equity attributable to owners of the Company	17	1,775,076	1,664,069	1,849,691	1,804,767
Non-controlling interests		(22,824)	(14,215)	–	–
Total equity		1,752,252	1,649,854	1,849,691	1,804,767

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(CONT'D)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Liabilities					
Loans and borrowings	18	650,701	1,008,218	–	374,954
Lease liabilities		37,834	41,415	–	–
Long term payables	20	7,721	7,560	97,437	98,777
Long service leave liability		6,940	6,884	–	–
Deferred tax liabilities	10	218,366	207,786	–	–
Total non-current liabilities		921,562	1,271,863	97,437	473,731
Loans and borrowings	18	711,903	459,393	369,921	–
Lease liabilities		11,996	12,345	–	–
Current tax liabilities		33,293	33,716	–	–
Contract liabilities	12	93,522	113,741	–	–
Trade and other payables	21	330,896	355,681	23,580	3,033
Derivative financial liabilities	14	2,614	1,686	–	–
Total current liabilities		1,184,224	976,562	393,501	3,033
Total liabilities		2,105,786	2,248,425	490,938	476,764
Total equity and liabilities		3,858,038	3,898,279	2,340,629	2,281,531

The notes on pages 60 to 157 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Continuing operations					
Revenue	22	1,343,270	1,615,281	3,871	3,785
Contract costs recognised as an expense		(1,036,563)	(1,209,459)	–	–
Cost of sales		(16,534)	(111,200)	–	–
Gross profit		290,173	294,622	3,871	3,785
Administrative expenses		(147,041)	(157,373)	(6,004)	(9,317)
Other income		121,167	109,012	1,318	4,228
Other operating expenses		(130,729)	(99,817)	(2,500)	(11,639)
Results from operating activities	23	133,570	146,444	(3,315)	(12,943)
Finance costs	24	(59,223)	(63,036)	(17,668)	(17,518)
Finance income	25	780	660	24,899	24,068
Profit/(Loss) before tax		75,127	84,068	3,916	(6,393)
Tax expense	26	(24,566)	(35,357)	–	–
Profit/(Loss) from continuing operations		50,561	48,711	3,916	(6,393)
Discontinued operation					
Profit/(Loss) from discontinued operation, net of tax	27	6,010	(13,654)	–	–
Profit/(Loss) for the year		56,571	35,057	3,916	(6,393)
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedge		(342)	1,202	–	–
Foreign currency translation differences for foreign operations		76,153	(36,771)	–	–
Hedge of net investment in subsidiaries		(84,803)	(37,110)	–	–
Revaluation of property, plant and equipment		(224)	103,547	–	–
Share of gain of equity-accounted investees		106	1,365	–	–
Other comprehensive (expense)/ income for the year, net of tax		(9,110)	32,233	–	–
Total comprehensive income/ (expense) for the year		47,461	67,290	3,916	(6,393)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit/(Loss) attributable to:					
Owners of the Company		64,199	45,525	3,916	(6,393)
Non-controlling interests		(7,628)	(10,468)	–	–
Profit/(Loss) for the year		56,571	35,057	3,916	(6,393)
Total comprehensive income/(expense) attributable to:					
Owners of the Company		56,070	78,297	3,916	(6,393)
Non-controlling interests		(8,609)	(11,007)	–	–
Total comprehensive income/ (expense) for the year		47,461	67,290	3,916	(6,393)
Basic earnings per ordinary share (Sen)					
from continuing operations		2.17	2.38		
from discontinued operation		0.22	(0.55)		
	28	2.39	1.83		
Diluted earnings per ordinary share (Sen)					
from continuing operations		2.15	2.33		
from discontinued operation		0.22	(0.54)		
	28	2.37	1.79		

The notes on pages 60 to 157 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company										
	Non-distributable										
Group	Share capital RM'000	Treasury shares RM'000	Revaluation reserve RM'000	Translation reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Warrant reserve RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 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 gain 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 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				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (CONT'D)

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

The notes on pages 60 to 157 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	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	Accumulated losses RM'000	Total RM'000
At 1 January 2019	1,883,498	(53,425)	18,893	27,468	(110,268)	1,766,166
Loss/Total comprehensive expense 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 private placement	37,536	–	–	–	–	37,536
- Share issuance arising from ESOS	3,012	–	–	–	–	3,012
Total transactions with owners of the Company	40,548	–	4,446	–	–	44,994
At 31 December 2019/1 January 2020	1,924,046	(53,425)	23,339	27,468	(116,661)	1,804,767
Profit and total comprehensive income for the year	–	–	–	–	3,916	3,916
Contributions by and distributions to owners of the Company						
- Own shares sold	349	978	–	–	–	1,327
- Own shares acquired	–	(978)	–	–	–	(978)
- Share-based payment	–	–	786	–	–	786
- Share issuance arising from private placement	43,685	–	–	–	–	43,685
- Share issuance arising from ESOS	10,117	–	–	–	–	10,117
- Warrant expired	27,468	–	–	(27,468)	–	–
- Share options cancelled	–	–	(20,321)	–	6,392	(13,929)
Total transactions with owners of the Company	81,619	–	(19,535)	(27,468)	6,392	41,008
At 31 December 2020	2,005,665	(53,425)	3,804	–	(106,353)	1,849,691
	Note 17.1	Note 17.2	Note 17.5	Note 17.7		

The notes on pages 60 to 157 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from operating activities					
Profit/(Loss) before tax:					
Continuing operations		75,127	84,068	3,916	(6,393)
Discontinued operation		6,010	(13,654)	–	–
		81,137	70,414	3,916	(6,393)
Adjustments for:					
Amortisation of intangible assets		29,239	30,187	–	–
Change in fair value of:					
- Other investments		–	74	–	–
- Forward contracts		(230)	(792)	–	–
Depreciation of property, plant and equipment		22,035	24,278	–	–
Depreciation of right-of-use assets		5,369	6,173	–	–
Gain on disposal of:					
- Property, plant and equipment		(241)	(255)	–	–
- Investment in subsidiaries		(5,932)	–	–	–
- Asset classified as held for sale		–	(2,853)	–	–
Interest expense		60,175	63,976	17,665	17,516
Interest income		(780)	(660)	(24,899)	(24,068)
Inventories written down to net realisable value		–	1,042	–	–
Reversal of:					
- Foreseeable losses		(17,711)	(9,867)	–	–
- Re-organisation expense		(16,722)	(24,924)	–	–
- Warranty		(5,865)	(6,510)	–	–
Provision for/(Reversal of) impairment loss on:					
- Property, plant and equipment (Note 3.6)		–	2,834	–	–
- Late delivery charges		1,200	511	–	–
- Goodwill		31,170	–	–	–
- Interests in subsidiaries		–	–	40	(44,000)
- Trade receivables		(4,351)	11,064	–	–
- Amounts due from joint ventures		(3,222)	(422)	(222)	222
- Amounts due from subsidiaries		–	–	1,211	55,368
Share-based payments	19	786	4,446	331	2,741
Unrealised loss/(gain) on foreign exchange		9,636	33,121	(960)	(4,902)
Write offs:					
- Goodwill		–	14,268	–	–
- Property, plant and equipment		320	3	–	–
- Trade receivables		192	1,667	–	–
- Amount due from subsidiaries		–	–	136	–
Operating profit /(loss) before changes in working capital		186,205	217,775	(2,782)	(3,516)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(CONT'D)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Changes in working capital:					
Inventories		6,683	38,044	–	–
Contract assets		(119,429)	(67,961)	–	–
Contract liabilities		12,049	(86,199)	–	–
Trade and other receivables		85,444	14,645	1,927	10,033
Trade and other payables		35,922	(49,076)	40	(1,244)
Cash generated from/(used in) operations		206,874	67,228	(815)	5,273
Tax (paid)/refunded		(21,665)	(9,983)	(320)	1,064
Interest paid		(457)	(343)	–	–
Interest received		780	660	–	–
Net cash generated from/(used in) operating activities		185,532	57,562	(1,135)	6,337
Cash flows from investing activities					
Acquisition of other intangible assets		(2,245)	(43)	–	–
Acquisition of property, plant and equipment	(i)	(8,936)	(13,767)	–	–
Acquisition of subsidiaries, net of cash inflow		–	1,557	–	–
Change in pledged deposits		12,467	(21,511)	–	–
Proceeds from disposal of property, plant and equipment		968	1,337	–	–
Proceeds from disposal of asset classified as held for sale		–	20,746	–	–
Disposal of discontinued operation		(238)	–	–	–
Advances to subsidiaries		–	–	(39,744)	(33,446)
Net cash generated from/(used in) investing activities		2,016	(11,681)	(39,744)	(33,446)
Cash flows from financing activities					
Interest paid		(58,746)	(62,411)	(13,469)	(13,394)
Payments for lease liabilities		(10,815)	(16,912)	–	–
Net proceeds from disposal of treasury shares		349	–	349	–
Net (repayments of)/proceeds from					
- Bills payable		(8,982)	8,641	–	–
- Hire purchase liabilities		(6,151)	(2,742)	–	–
- Term loans, bond and revolving credits		(63,184)	(17,719)	–	–
Proceed from share issuance arising from private placement		43,685	37,536	43,685	37,536
Proceeds from share issuance arising from ESOS		10,117	3,012	10,117	3,012
Net cash (used in)/generated from financing activities		(93,727)	(50,595)	40,682	27,154

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(CONT'D)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Net increase/(decrease) in cash and cash equivalents		93,821	(4,714)	(197)	45
Effect of foreign currency translation		(152,958)	(86,218)	–	–
Cash and cash equivalents at beginning of year		290,111	381,043	269	224
Cash and cash equivalents at end of year	(ii)	230,974	290,111	72	269

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:

Group	Bills payable RM'000	Term loans RM'000	Revolving credits RM'000	Hire purchase liabilities RM'000
At 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 2019/1 January 2020	58,998	1,231,712	152,121	18,762
Acquisition of property, plant and equipment	–	–	–	5,440
Disposal of subsidiary	–	(24,477)	–	–
Net (repayments)/proceeds	(8,982)	12,402	(75,586)	(6,151)
Unrealised loss on foreign exchange	2,073	7,153	–	–
Effect of foreign currency translation	(830)	(17,345)	(824)	(1,128)
At 31 December 2020	51,259	1,209,445	75,711	16,923

	Lease liabilities RM'000
Adjustment on adoption of MFRS16	71,858
Payment of lease liabilities	(16,912)
Effect of foreign currency translation	(1,186)
At 31 December 2019/1 January 2020	53,760
Acquisition of right-of-use assets	9,843
Payment of lease liabilities	(10,815)
Effect of foreign currency translation	(2,958)
At 31 December 2020	49,830

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(CONT'D)

Reconciliation of liabilities arising from financing activities (continued)

	Fixed rate Guaranteed Thai Baht Bond	
	2020	2019
Company	RM'000	RM'000
At 1 January	374,954	345,669
Amortisation effect of borrowing costs	17,665	17,518
Unrealised (gain)/loss on foreign exchange	(9,229)	25,161
Interest paid	(13,469)	(13,394)
At 31 December	369,921	374,954

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 RM78,945,000 (2019: RM70,927,000) of which RM60,386,000 (2019: RM53,794,000) was self-constructed assets, RM5,440,000 (2019: RM3,366,000) was acquired by means of hire purchase and RM4,183,000 (2019: Nil) was a leasehold land reclassified from right-of-use 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	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	15	238,759	295,670	72	269
Deposits with licensed banks	15	36,538	47,983	–	–
Less: Pledged deposits	15	(35,057)	(47,524)	–	–
		240,240	296,129	72	269
Less: Bank overdrafts	18	(9,266)	(6,018)	–	–
		230,974	290,111	72	269

NOTES TO THE FINANCIAL STATEMENTS

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 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 2020 do not include other entities.

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

These financial statements were authorised for issuance by the Board of Directors on 31 May 2021.

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 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

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

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions Beyond 30 June 2021*

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

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

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

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

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

(b) Basis of measurement

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

As at 31 December 2020, the Group's current liabilities exceeded its current assets by RM211,779,000 and the Company's current liabilities exceeded its current assets by RM72,323,000. A fixed rate Guaranteed Thai Baht Bond was issued in 2016 with a tenure of 5 years and is due for repayment by 18 November 2021. These conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The Directors acknowledged the current liquidity exposure of the Group and the Company and have reviewed the operational cash flow projections as part of the going concern assessment. Subsequent to the year end, the Group and the Company have successfully obtained a new banking facility which is adequate to enable the Group and the Company to meet their obligations as and when they fall due. The new banking facility is subject to fulfillment of conditions set out in the letter of offer. The Directors have also appointed consultants to explore the opportunities to monetarise the Group's investments overseas and its non core assets. The Directors have a reasonable expectation that the Group and the Company will be able to meet their liabilities and will have adequate resources to continue in operational existence for the foreseeable future based on their ability to drawdown the new banking facilities and the continued financial support from lenders.

On this basis, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

Accordingly, the financial statements of the Group and of the Company do not include any adjustments relating to the classification and recoverability of recorded assets amounts or the classification and additional amounts of liabilities that may be necessary if the Group and the Company are unable to continue as going concerns.

(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.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

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

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

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

- Note 3 - Revaluation of properties

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

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

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

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

- Note 22 - Construction contracts revenue, costs and profits

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iv) Loss of control

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

(v) Associates

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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 (CONTINUED)

(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 (CONTINUED)

(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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) Fair value through profit or loss (continued)

On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts (continued)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

(a) Cash flow hedge (continued)

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

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

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

(b) Hedge of a net investment

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

(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.

(vii) Offsetting

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(iii) Depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

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

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

(e) Leases

(i) Definition of a lease

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(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 recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or leases of low-value assets. The Group recognises the lease payments associated with these leases as expenses on a straight-line basis over the lease term.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

(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.

(b) As a lessor

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

(f) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(iii) Subsequent expenditure

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

(iv) Amortisation

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Contract assets/Contract liabilities (continued)

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.

(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 (CONTINUED)

(l) Impairment (continued)

(i) Financial assets (continued)

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.

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(ii) Other assets (continued)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Long service leave liability

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

(iv) Share-based payment transactions

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

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

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

(o) Provisions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue and other income

(i) Revenue from contracts with customers

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

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

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

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

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

Construction contracts

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Revenue and other income (continued)

(ii) Dividend income

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

(iii) Management fee

Management fee is recognised on an accrual basis.

(iv) Interest income

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

(q) Borrowing costs

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

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.

(s) Discontinued operation

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

(t) Earnings per ordinary share

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

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

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

(u) Operating segments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Contingencies

(i) Contingent liabilities

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

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

(ii) Contingent assets

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

(w) Fair value measurements

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

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

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

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

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

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 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 2019/1 January 2020	339,989	712,675	10,531	612,797	17,652	131,617	379,655	2,204,916
Additions	4,202	34	148	7,911	1,129	5,045	60,476	78,945
Disposals	–	–	–	(3,503)	(1,553)	(2,409)	–	(7,465)
Reclassification	–	–	–	1,356	–	–	(1,356)	–
Write-offs	–	–	(757)	(3,820)	(65)	(26,395)	(99)	(31,136)
Effect of movements in exchange rates	9,924	(353)	(2,333)	(22,340)	424	3,940	(17,818)	(28,556)
At 31 December 2020	354,115	712,356	7,589	592,401	17,587	111,798	420,858	2,216,704

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Land RM'000	Buildings RM'000	Building improve-ments RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 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

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Land RM'000	Buildings RM'000	Building improve-ments RM'000	Plant and machineries RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
At 1 January 2020								
Accumulated depreciation	–	34,273	2,845	508,820	13,833	110,255	–	670,026
Accumulated impairment loss	5,296	7,618	–	2,844	–	57	17,545	33,360
	5,296	41,891	2,845	511,664	13,833	110,312	17,545	703,386
Depreciation for the year	1,005	25,870	757	21,910	1,352	7,253	–	58,147
Disposals	–	–	–	(2,933)	(1,477)	(2,328)	–	(6,738)
Write-offs	–	–	(724)	(3,800)	(65)	(26,227)	–	(30,816)
Effect of movements in exchange rates								
Accumulated depreciation	(14)	(831)	(2,652)	(24,462)	353	3,161	–	(24,445)
Accumulated impairment loss	4	(120)	–	(16)	–	(1)	(318)	(451)
At 31 December 2020								
Accumulated depreciation	991	59,312	226	499,535	13,996	92,114	–	666,174
Accumulated impairment loss	5,300	7,498	–	2,828	–	56	17,227	32,909
	6,291	66,810	226	502,363	13,996	92,170	17,227	699,083
Carrying amounts								
At 1 January 2019	284,750	549,610	7,759	136,979	4,787	22,341	288,358	1,294,584
At 31 December 2019/1 January 2020	334,693	670,784	7,686	101,133	3,819	21,305	362,110	1,501,530
At 31 December 2020	347,824	645,546	7,363	90,038	3,591	19,628	403,631	1,517,621

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Depreciation charge for the year is allocated as follows:

	Note	Group 2020 RM'000	Group 2019 RM'000
Construction work-in-progress	12.1	36,112	33,415
Profit or loss	23	22,035	24,278
		58,147	57,693

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 follows:

	Group 2020 RM'000	Group 2019 RM'000
Freehold land	217,822	211,234
Leasehold land	9,626	5,909
Buildings	454,568	482,790
	682,016	699,933

3.3 Security

Certain freehold land, leasehold land and buildings of subsidiaries costing/valued at RM448,323,000 (2019: RM467,824,000) are charged to financial institutions as security for credit facilities granted to the subsidiaries (Note 18).

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.4 Assets acquired under hire purchase

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

	Group	
	2020 RM'000	**2019 RM'000**
Freehold land	5,732	5,324
Buildings	10,473	11,569
Plant and machineries	18,616	24,608
Motor vehicles	1,285	2,768
	36,106	44,269

3.5 Capital work-in-progress

Included in carrying amounts of capital work-in-progress are costs of self-constructed assets of RM359,625,000 (2019: RM316,656,000).

During the financial year, RM5,900,000 (2019: 8,632,000) of general borrowing cost has been capitalised into the capital work-in-progress with a capitalisation rate at 8.6% (2019: 5.6%).

3.6 Impairment loss

In the previous financial year, an impairment loss of RM2,834,000 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

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	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 / 1 January 2020	35,175	22,289	3,018	3,792	7,954	72,228
Additions	6,544	1,056	–	1,657	586	9,843
Derecognition*	(4,183)	(1,287)	–	–	(8)	(5,478)
Effect of movements in exchange rates	(579)	1,202	228	341	514	1,706
At 31 December 2020	36,957	23,260	3,246	5,790	9,046	78,299

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
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/ 1 January 2020	3,237	6,131	617	1,728	2,608	14,321
Depreciation for the year	3,577	6,651	582	1,765	2,119	14,694
Derecognition*	–	(339)	–	–	–	(339)
Effect of movements in exchange rates	(211)	471	61	187	204	712
At 31 December 2020	6,603	12,914	1,260	3,680	4,931	29,388
Carrying amounts						
At 1 January 2019	31,465	21,476	2,465	3,266	7,968	66,640
At 31 December 2019 / 1 January 2020	31,938	16,158	2,401	2,064	5,346	57,907
At 31 December 2020	30,354	10,346	1,986	2,110	4,115	48,911

* Derecognition of the right-of-use assets during the financial year ended 31 December 2020 is as a result of termination of the lease contract and a transfer of a leasehold land of RM4,183,000 under right-of use assets to property, plant and equipment upon transfer of the land title to a subsidiary of the Group.

4. RIGHT-OF-USE ASSETS (CONTINUED)

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

		Group	
	Note	**2020 RM'000**	**2019 RM'000**
Construction work-in-progress	12.1	9,325	8,448
Profit or loss	23	5,369	6,173
		14,694	14,621

4.2 Revaluation

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

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

4.3 Extension options

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

4.4 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant 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 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 2019/1 January 2020	872,110	841,217	1,713,327
Additions	–	2,245	2,245
Effect of movements in exchange rates	64,321	64,624	128,945
At 31 December 2020	936,431	908,086	1,844,517
Amortisation and impairment loss			
At 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 2019/1 January 2020			
Accumulated amortisation	–	428,783	428,783
Accumulated impairment loss	2,794	–	2,794
	2,794	428,783	431,577
Amortisation for the year	–	29,239	29,239
Impairment loss	31,170	–	31,170
Effect of movements in exchange rates	–	33,786	33,786
At 31 December 2020			
Accumulated amortisation	–	491,808	491,808
Accumulated impairment loss	33,964	–	33,964
	33,964	491,808	525,772
Carrying amounts			
At 1 January 2019	895,461	456,049	1,351,510
At 31 December 2019/1 January 2020	869,316	412,434	1,281,750
At 31 December 2020	902,467	416,278	1,318,745
	Note 5.1	Note 5.2	

5. INTANGIBLE ASSETS (CONTINUED)

5.1 Goodwill

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

5.2 Other intangible assets

Other intangible assets comprise technology including patents and software, customers related intangibles including customer contracts and supply agreement and marketing related intangibles including tradenames. The intangible assets with finite useful lives are amortised over their useful lives ranging from 1 to 20 years. Tradenames of RM280,563,000 (2019: RM260,567,000) with indefinite useful lives are tested for impairment annually or shorter if there is an indication of impairment.

5.3 Amortisation

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

5.4 Impairment testing for cash-generating units containing goodwill

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

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

	Group	
	2020 **RM'000**	**2019** **RM'000**
Germany unit	902,467	838,146
Thailand unit	–	31,170
	902,467	869,316

<u>Germany unit</u>

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% (2019: 14%).

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 7.91% (2019: 8.26%).

5. INTANGIBLE ASSET (CONTINUED)

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

Germany unit (continued)

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

The estimates are particularly sensitive in the following areas:-

- An increase of 1.00% (2019: 1.36%) in the discount rate used would result in an impairment loss of RM54.0 million (2019: RM21.7 million).
- A decrease of 2.00% (2019: 3.00%) in the EBITDA margin used would result in an impairment loss of RM55.6 million (2019: RM20.9 million).

Thailand unit

The recoverable amount of the CGU of the bio-ethanol division/plant in Thailand 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.

(iii) The pre-tax discount rate used is 8.46% (2019: 8.70%); and the terminal growth rate is 1.81% (2019: 2.60%).

During the financial year ended 31 December 2020, due to current unfavorable business environment, the Group has fully impaired the carrying amount of the goodwill which arose from the acquisition of the Thailand unit of RM31,170,000 (2019: Nil).

6. INTERESTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares - at cost	1,658,930	1,658,930
Amounts receivable from subsidiaries	386,061	366,657
Less: Impairment loss	(25,540)	(25,500)
	2,019,451	2,000,087

6. INTERESTS IN SUBSIDIARIES (CONTINUED)

The amounts due from subsidiaries relate to advances which are unsecured, non-repayable and interest free except for RM360,829,000 (2019: RM366,657,000) due from a subsidiary which is subject to interest at rate of 6.25% (2019: 6.25%) per annum. As these advances are for capital investment purpose and not repayable within the next twelve months after reporting date, these advances are recognised as the Company's interests in subsidiaries.

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

Non-controlling interests in subsidiaries

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

2020	**Impress Ethanol Co., Ltd.** RM'000	**Other subsidiaries with immaterial NCI** RM'000	**Total** RM'000
NCI percentage of ownership interest and voting interest	28%		
Carrying amount of NCI	(11,332)	(11,492)	(22,824)
Profit allocated to NCI	(11,665)	4,037	(7,628)
Summarised financial information before intra-group elimination			
As at 31 December 2020			
Non-current assets	572,664		
Current assets	16,560		
Non-current liabilities	(484,781)		
Current liabilities	(144,878)		
Net liabilities	(40,435)		
Year ended 31 December 2020			
Revenue	17,953		
Loss for the year	(41,660)		
Total comprehensive expense	(41,660)		
Cash flows used in operating activities	(1,969)		
Cash flows used in investing activities	(16,441)		
Cash flows used in financing activities	(1,882)		
Net decrease in cash and cash equivalents	(20,292)		
Dividends paid to NCI	–		

In previous financial year, non-controlling interests of certain subsidiaries was not material to the Group.

7. INVESTMENTS IN ASSOCIATES

	Group 2020 RM'000	Group 2019 RM'000
Unquoted shares - at cost	47	–
Share of post-acquisition reserve	–	–
	47	–

Details of the associates are as follows:

Name of company	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	Effective ownership interest and voting interest 2019 %
ADAP KNM (S) Sdn. Bhd. ^$	Dormant	Malaysia	49	–
Konsortium AHHK Sdn. Bhd. ^#~	Dormant	Malaysia	–	21
Impress Farming Co., Ltd ^	Plantation and distributor of cassava	Thailand	49	49

^ Equity-accounted using management accounts as at 31 December 2020.
\# Direct interest owned by the Company.
~ The associate was wound up on 8 April 2020.
$ The associate was incorporated on 22 July 2020.

8. INVESTMENTS IN JOINT VENTURES

	Group 2020 RM'000	Group 2019 RM'000
Unquoted shares – at cost	1,702	1,734
Share of post-acquisition reserve	(1,545)	(1,540)
Effect of movements in exchange rates	55	18
Less: Impairment loss	(212)	(212)
	–	–

8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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 2020 %	2019 %
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.

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.

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

8. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	Group 2020 RM'000	Group 2019 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 profit for the year	–	–
Group's share of other comprehensive income	–	–
Group's share of total comprehensive income	–	–

9. OTHER INVESTMENTS

	Group 2020 RM'000	Group 2019 RM'000
Non-current		
Financial assets measured at fair value through profit or loss		
- Unquoted shares	187	174

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group						
Property, plant and equipment	6,197	5,508	(22,950)	(22,281)	(16,753)	(16,773)
Revaluation*	714	9,058	(218,898)	(214,967)	(218,184)	(205,909)
Provisions	7,727	9,212	–	–	7,727	9,212
Other items	2,345	1,222	(51)	–	2,294	1,222
Tax loss carry-forward and unutilised capital allowances	6,632	4,527	–	–	6,632	4,527
Tax assets/(liabilities)	23,615	29,527	(241,899)	(237,248)	(218,284)	(207,721)
Set off of tax	(23,533)	(29,462)	23,533	29,462	–	–
Net tax assets/(liabilities)	82	65	(218,366)	(207,786)	(218,284)	(207,721)

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

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Unrecognised deferred tax assets

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax loss carry-forwards	673,884	642,498	5,791	3,356
Unutilised capital allowances	45,651	40,025	–	–
Other incentives	1,355,763	1,355,763	–	–
Other deductible temporary differences	130,136	113,120	–	–
	2,205,434	2,151,406	5,791	3,356

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

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Subject to expiry in:				
- Year of Assessment 2021	4,743	4,833	–	–
- Year of Assessment 2022	4,825	4,917	–	–
- Year of Assessment 2023	1,221	1,244	–	–
- Year of Assessment 2024	1,912	1,948	–	–
- Year of Assessment 2025	450,208	476,158	2,294	2,294
- Year of Assessment 2026	14,658	14,396	1,062	1,062
- Year of Assessment 2027	24,180	–	2,435	–
- Year of Assessment 2034	141	141	–	–
- Year of Assessment 2035	9	9	–	–
- Year of Assessment 2036	2,886	2,886	–	–
- Year of Assessment 2037	4,343	4,343	–	–
- Year of Assessment 2038	4,044	4,044	–	–
- Year of Assessment 2039	46	46	–	–
- Year of Assessment 2040	4,090	–	–	–
	517,306	514,965	5,791	3,356
Not subject to expiry	156,578	127,533	–	–
	673,884	642,498	5,791	3,356

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

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Movement in temporary differences during the year

Group	At 1.1.2019 RM'000	Recognised in profit or loss (Note 26) RM'000	Recognised in other comprehensive income RM'000	Effect of movements in exchange rates RM'000	At 31.12.2019 /1.1.2020 RM'000	Recognised In profit or loss (Note 26) RM'000	Recognised in other comprehensive income RM'000	Effect of movements in exchange rates RM'000	At 31.12.2020 RM'000
Property, plant and equipment	(16,548)	(429)	–	204	(16,773)	258	–	(238)	(16,753)
Revaluation*	(184,190)	4,705	(31,715)	5,291	(205,909)	(3,814)	71	(8,532)	(218,184)
Provisions	11,420	(1,913)	–	(295)	9,212	(968)	–	(517)	7,727
Other items	3,867	(2,663)	–	18	1,222	2,532	–	(1,460)	2,294
Tax loss carry-forward and unutilised capital allowance	2,521	2,104	–	(98)	4,527	1,706	–	399	6,632
	(182,930)	1,804	(31,715)	5,120	(207,721)	(286)	71	(10,348)	(218,284)

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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

11. INVENTORIES

	Group 2020 RM'000	2019 RM'000
At cost:		
Raw materials	54,182	15,917
Tools and consumables	23,700	37,639
Work-in-progress	374	27,208
Finished goods	1,133	1,713
	79,389	82,477
At net realisable value:		
Raw materials	17,523	16,543
	96,912	99,020
Recognised in profit or loss:		
Inventories written down to net realisable value	–	1,042

12. CONTRACT ASSETS/(LIABILITIES)

	Note	Group 2020 RM'000	2019 RM'000
Contract assets	12.1	303,075	205,032
Contract liabilities	12.1	(93,522)	(113,741)

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

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

12.1 Construction work-in-progress

	Group 2020 RM'000	2019 RM'000
Aggregate costs incurred to date	3,279,862	4,444,512
Add: Attributable profits	749,634	721,561
Less: Foreseeable losses	(9,863)	(27,574)
Less: Impairment loss	(11,547)	(27,462)
	4,008,086	5,111,037
Less: Progress billings	(3,798,533)	(5,019,746)
	209,553	91,291
Represented by:		
Contract assets	303,075	205,032
Contract liabilities	(93,522)	(113,741)
	209,533	91,291

12. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

12.1 Construction work-in-progress (continued)

Additions to aggregate costs incurred during the year include:

	Note	Group 2020 RM'000	Group 2019 RM'000
Depreciation of property, plant and equipment	3.1	36,112	33,415
Depreciation of right-of-use assets	4.1	9,325	8,448
Hire of plant and machinery		5,803	10,789
Staff costs		224,997	221,095

13. TRADE AND OTHER RECEIVABLES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Trade					
Trade receivables		188,126	246,821	–	–
Amounts due from					
- subsidiaries	13.1	–	–	6,402	4,241
- joint ventures	13.1	4,816	3	–	–
- related parties	13.2	11,672	11,635	–	–
		204,614	258,459	6,402	4,241
Non-trade					
Amounts due from					
- subsidiaries	13.1	–	–	313,665	274,288
Other receivables	13.3	20,590	44,185	1	1,828
Deposits	13.4	7,641	10,566	3	3
Prepayments	13.5	59,644	48,303	306	406
		87,875	103,054	313,975	276,525
		292,489	361,513	320,377	280,766

13.1 Amounts due from subsidiaries and joint ventures

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

The amounts due from joint ventures are unsecured, interest free and repayable on demand except for RM25,591,000 (2019: RM23,997,000) which is subject to interest rate at 4.35% (2019: 4.35%) per annum. This amount was fully impaired in prior year and an impairment loss of RM3,222,000 was reversed in the current financial year.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

13.2 Amounts due from related parties

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

13.3 Other receivables

Included in other receivables of the Group are Goods and Services Tax ("GST") and Value Added Tax ("VAT") receivables amounting to RM9,337,000 (2019: RM18,469,000) and Nil (2019: RM127,000) respectively. Included in other receivables of the Company is Goods and Services Tax ("GST") receivable amounting to Nil (2019: RM127,000).

13.4 Deposits

Included in deposits of the Group are rental deposit for a building of RM165,000 (2019: 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 RM40,284,000 (2019: RM18,415,000).

14. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2020			2019		
	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")	22,870	84	(2,614)	33,234	138	(1,686)
Derivatives used for hedging	11,883	1,035	–	16,468	280	–
	34,753	1,119	(2,614)	49,702	418	(1,686)

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

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances	238,759	295,670	72	269
Short-term deposits with licensed banks	36,538	47,983	–	–
	275,297	343,653	72	269

Included in the deposits placed with licensed banks of the Group is RM35,057,000 (2019: RM47,524,000) pledged for bank facilities granted to the subsidiaries of the Company.

16. ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2020 RM'000	2019 RM'000
Land	–	11,368
Building	–	29,258
	–	40,626

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

17. CAPITAL AND RESERVES

17.1 Share capital

	Group and Company			
	2020		2019	
	Number of shares 2020 '000	Amount 2020 RM'000	Number of shares 2019 '000	Amount 2019 RM'000
Issued and fully paid shares:				
At 1 January	2,631,414	1,924,046	2,369,437	1,883,498
Issuance arising from private placement (Note 17.1a)	269,185	43,685	234,600	37,536
Issuance arising from ESOS (Note 17.1b)	91,976	10,117	27,377	3,012
Transfer of warrant reserve upon expiry of Warrant B	–	27,468	–	–
Net gain on disposal of treasury shares	–	349	–	–
At 31 December	2,992,575	2,005,665	2,631,414	1,924,046

17. CAPITAL AND RESERVES (CONTINUED)

17.1 Share capital (Continued)

(a) During the previous 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 previous 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 ESOS.

(c) During the financial year, the Company issued 269,184,800 new ordinary shares via a private placement to eligible investors for a net cash consideration of RM43,685,000.

(d) During the financial year, the Company also issued an additional 91,976,200 new ordinary shares at RM0.11 per share to the eligible employees pursuant to the Company's ESOS.

17.2 Treasury shares

On 9 March 2020, the Company repurchased 6,500,000 shares at an average price of RM0.150 and subsequently on 29 December 2020, the Company resold 6,500,000 shares at an average price of RM0.205.

As at 31 December 2020, the Company held 23,341,275 (2019: 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 2020 is 2,969,234,280 (2019: 2,608,073,281) 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

All warrant granted has expired on 21 April 2020.

18. LOANS AND BORROWINGS

		Note	Group 2020 RM'000	Group 2019 RM'000
Non-current				
Floating rate term loans	- secured	18.2	113,087	94,162
	- unsecured	18.3	164,772	205,817
Fixed rate term loans	- secured	18.2	19,385	17,973
	- unsecured	18.3	330,105	301,003
Revolving credits	- secured	18.4	10,525	–
Floating rate hire purchase liabilities		18.6	530	1,295
Fixed rate hire purchase liabilities		18.6	12,297	13,014
Fixed rate Guaranteed Thai Baht Bond		18.7	–	374,954
			650,701	1,008,218
Current				
Bank overdrafts	- secured	18.1	9,266	6,018
Bills payable	- secured	18.1	46,063	27,732
	- unsecured		5,196	31,266
Floating rate term loans	- secured	18.2	56,581	69,418
	- unsecured	18.3	98,878	90,371
Fixed rate term loans	- secured	18.2	1,273	24,927
	- unsecured	18.3	55,443	53,087
Revolving credits	- secured	18.4	15,302	65,632
	- unsecured	18.5	49,884	86,489
Floating rate hire purchase liabilities		18.6	864	867
Fixed rate hire purchase liabilities		18.6	3,232	3,586
Fixed rate Guaranteed Thai Baht Bond		18.7	369,921	–
			711,903	459,393
			1,362,604	1,467,611

	Note	Group 2020 RM'000	Group 2019 RM'000
Non-current			
Fixed rate Guaranteed Thai Baht Bond	18.7	–	374,954
Current			
Fixed rate Guaranteed Thai Baht Bond	18.7	369,921	–
		369,921	374,954

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 of the Company (see Note 3.3).

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

18. LOANS AND BORROWINGS (CONTINUED)

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

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

In respect of the Group for the financial year ended 31 December 2020:

a. Minimum consolidated total net worth of RM1.5 billion (2019: RM1.5 billion).

b. The Group's consolidated debt to equity shall not be more than 1.0 time (2019: 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 (2019: 0.4 time).

d. The Group's consolidated EBITDA over interest expense shall not be less than 2.0 times (2019: 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 2020 shall exceed a ratio of 4.5 times (2019: 4.5 times).

b. Maintenance of leverage ratio of not more than 2.25 times (2019: 2.25 times) for the financial year ended 31 December 2020.

c. Working capital cover ratio for periods ending on or after 31 December 2020 shall be equal to or more than 120% (2019: 120%).

d. Minimum equity for the financial year ended 31 December 2020 shall not be less than 30% (2019: 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.

In respect of another foreign subsidiary, the covenant to be assessed annually in connection with the term loan is the Debt Service Cover Ratio ("DSCR") of the subsidiary shall not be less than 1.25 times (2019: 1.25 times). The DSCR was 0.39 as at 31 December 2020. Consequently, the term loan has been classified as a current liability and the subsidiary has obtained a waiver letter from the bank subsequent to the year end.

18. LOANS AND BORROWINGS (CONTINUED)

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

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

Significant covenants in connection with the unsecured term loans of a foreign subsidiary include the following:

(i) The DSCR of the subsidiary shall not be less than 1.25 times (2019: 1.25 times).

(ii) The Group's consolidated total borrowings to equity (excluding intangible assets and goodwill) shall not be more than 3.0 times (2019: 3.0 times) at all times.

The consolidated total borrowings to equity (excluding intangible assets and goodwill) was 3.14 as at 31 December 2020. Consequently, the term loan has been classified as a current liability.

18.4 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 DSCR of the subsidiary shall not be less than 1.25 times (2019: 1.25 times).

(ii) The Group's consolidated total borrowings to equity (excluding intangible assets and goodwill) shall not be more than 1.5 times (2019: 1.5 times) at all times.

The consolidated total borrowings to equity (excluding intangible assets and goodwill) was 3.14 as at 31 December 2020. Consequently, the revolving credit has been classified as a current liability as at 31 December 2020. At the date of this report, the revolving credits have been fully settled in May 2021 in accordance with the stipulated repayment schedule.

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

18.6 Hire purchase liabilities

Hire purchase liabilities are payable as follows:

Group	2020 Future minimum lease payments RM'000	2020 Interest RM'000	2020 Present value of minimum lease payments RM'000	2019 Future minimum lease payments RM'000	2019 Interest RM'000	2019 Present value of minimum lease payments RM'000
Less than one year	4,589	(493)	4,096	5,064	(611)	4,453
Between one and five years	9,081	(1,136)	7,945	10,105	(1,289)	8,816
More than five years	5,295	(413)	4,882	6,068	(575)	5,493
	18,965	(2,042)	16,923	21,237	(2,475)	18,762

The hire purchase liabilities are subject to interest at rates ranging from 1.13% to 7.47% (2019: 2.16% to 7.47%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

18. LOANS AND BORROWINGS (CONTINUED)

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

The significant covenants, among others:

i) The Group's consolidated debt to equity shall not be more than 1.0 time (2019: 1.0 time) at all times.

ii) Secured assets of a subsidiary cover at least 1.2 times (2019: 1.2 times) the proceeds from the issuance of the Bond.

19. EMPLOYEE BENEFITS

Share-based payment arrangement

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

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
Options granted on 25.7.2020	17,251	Employee in service on grant date	2 years
	147,664		

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

	2020 Exercise price	2020 Number of options '000	2019 Exercise price	2019 Number of options '000
Outstanding at 1 January	RM0.65	105,715	RM0.65	91,168
Granted during the year	RM0.65	17,251	RM0.65	17,384
Lapsed during the year	RM0.65	(6,018)	RM0.65	(2,837)
Forfeited/Cancelled during the year	RM0.65	(116,948)	RM0.65	–
Outstanding at 31 December	RM0.65	–	RM0.65	105,715
Vested and exercisable at 31 December	RM0.65	–	RM0.65	105,715

19. EMPLOYEE BENEFITS (CONTINUED)

Share-based payment arrangement (continued)

a) Options allocated on 25.7.2014 (continued)

The options allocated on 25 July 2014 was at an exercise price of RM0.65 and a weighted average contractual life of 8 years.

The fair value of services received in return for share options granted was 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	**2020**	**2019**
Fair value at grant date	RM0.008	RM0.067
Weighted average share price	RM0.20	RM0.35
Share price at grant date	RM0.22	RM0.42
Expected volatility	58.06%	74.46%
Option life	1.8 years	2.4 years
Expected dividends	0.00%	0.00%
Risk-free interest rate	1.84%	3.01%

All share options allocated on 25 July 2014 have been cancelled on 24 September 2020 as the shares of the Company have predominantly been trading below the exercise price of RM0.65.

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	194,338	Employee in service on grant date	3 years

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

	2020		**2019**	
	Exercise price	**Number of options '000**	**Exercise price**	**Number of options '000**
Outstanding at 1 January	RM0.11	166,680	RM0.11	–
Granted during the year	RM0.11	–	RM0.11	194,338
Forfeited/Cancelled during the year	RM0.11	(664)	RM0.11	(281)
Exercised during the year	RM0.11	(91,976)	RM0.11	(27,377)
Outstanding at 31 December	RM0.11	74,040	RM0.11	166,680
Vested and exercisable at 31 December	RM0.11	45,411	RM0.11	67,901

The options outstanding at 31 December 2020 have an exercise price of RM0.11 and a weighted average contractual life of 3 years.

19. EMPLOYEE BENEFITS (CONTINUED)

Share-based payment arrangement (continued)

b) Options allocated on 27.3.2019 (continued)

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

Fair value of share options and assumptions	**2020**	**2019**
Fair value at grant date	RM0.025	RM0.025
Weighted average share price	RM0.11	RM0.11
Share price at grant date	RM0.12	RM0.12
Expected volatility	77.71%	77.71%
Option life	2 years	2 years
Expected dividends	0.00%	0.00%
Risk-free interest rate	3.01%	3.01%

Value of employee services received for issue of share options

	Group		**Company**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Total expense recognised as share-based payments	786	4,446	331	2,741

The total expense for the year is not fully recognised in the profit or loss of the Company as RM455,000 (2019: RM1,705,000) 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 to a subsidiary of RM97,437,000 (2019: RM98,777,000) which is unsecured, interest free and not repayable within next twelve months after reporting date.

21. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Trade					
Trade payables		228,301	224,866	–	–
Non-trade					
Amounts due to					
- subsidiaries	21.1	–	–	21,255	747
- associates	21.1	1,766	1,727	–	–
- joint ventures	21.1	1,038	838	–	–
- related parties	21.1	10,586	10,826	–	299
Other payables	21.2	36,488	41,613	1,122	807
Accrued expenses	21.3	52,717	75,811	1,203	1,180
		102,595	130,815	23,580	3,033
		330,896	355,681	23,580	3,033

21.1 Amounts due to subsidiaries, associates, joint ventures and related parties

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

21.2 Other payables

Included in other payables of the Group are Sales and Services Tax ("SST") and Value Added Tax ("VAT") payable amounting to RM4,011,000 (2019: RM4,649,000).

21.3 Accrued expenses

Included in accrued expenses of the Group are provision for warranty and re-organisation expense of RM6,685,000 (2019: RM12,188,000) and Nil (2019: RM17,924,000) respectively. Provision for warranty is made for remedies required for certain construction contracts, whereas provision for re-organisation expense was related to accrued expenses to streamline the Group's non-performing operations.

22. REVENUE

Group	Continuing Operations 2020 RM'000	Continuing Operations 2019 RM'000	Discontinued Operation 2020 RM'000	Discontinued Operation 2019 RM'000	Total 2020 RM'000	Total 2019 RM'000
Construction contract						
- In time	180,199	242,445	–	–	180,199	242,445
- Over time	1,104,553	1,271,395	8,177	17,314	1,112,730	1,288,709
Sales of goods	57,328	99,797	–	–	57,328	99,797
Management fees	18	–	–	–	18	–
Services	1,172	1,644	–	–	1,172	1,644
	1,343,270	1,615,281	8,177	17,314	1,351,447	1,632,595
Major products and services lines						
- Construction contracts	1,067,132	1,486,496	8,177	17,314	1,075,309	1,503,810
- Renewable energy	35,437	99,797	–	–	35,437	99,797
- Others	240,701	28,988	–	–	240,701	28,988
	1,343,270	1,615,281	8,177	17,314	1,351,447	1,632,595

Company	2020 RM'000	2019 RM'000
Management fees	3,871	3,785
Major products and services lines		
- Others	3,871	3,785

22. REVENUE (CONTINUED)

Nature of goods and services provided

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

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

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

- For construction contracts, the Group recognises construction contracts revenue based on the percentage of completion method, determined based on surveys of work performed/completion of a physical proportion of contract work. Judgements is required in the estimation of physical proportion of contract work. Where actual differs from the estimated physical proportion, such difference will impact the revenue recognised.

23. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Results from operating activities is arrived at after charging:				
Auditors' remuneration:				
Audit fees:				
KPMG in Malaysia:				
- Current year	581	596	180	180
- Prior year	71	133	38	74
Overseas affiliates of KPMG in Malaysia	2,209	2,087	–	–
Other auditors	106	229	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. RESULTS FROM OPERATING ACTIVITIES (CONTINUED)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Results from operating activities is arrived at after charging (continued):				
Non–audit fees:				
KPMG in Malaysia	10	10	10	10
Local affiliates of KPMG in Malaysia	106	146	9	9
Overseas affiliates of KPMG in Malaysia	444	502	–	–
Other auditors	119	150	–	–
Depreciation of property, plant and equipment (Note 3.1)	22,035	24,278	–	–
Depreciation of right-of-use assets (Note 4.1)	5,369	6,173	–	–
Amortisation of intangible Assets (Note 5)	29,239	30,187	–	–
Bad debts written off	192	1,667	–	–
Goodwill written off	–	14,268	–	–
Change in fair value of other investments	–	74	–	–
Impairment loss on:				
- Goodwill	31,170	–	–	–
- Interest in a subsidiary	–	–	40	–
- Amounts due from joint ventures	–	–	–	222
- Amounts due from subsidiaries	–	–	1,211	55,368
- Property, plant and equipment (Note 3.6)	–	2,834	–	–
- Trade receivables	–	11,064	–	–
Written off:				
- Amounts due from subsidiaries	–	–	136	–
Inventories written down to net realisable value (Note 11)	–	1,042	–	–
Personnel expenses:				
- Contribution to Employees' Provident Fund	10,112	9,799	–	–
- Share-based payments	786	4,446	331	2,741
- Wages, salaries and others	81,826	89,264	–	–
Property, plant and equipment written off	320	3	–	–
Provision for late delivery charges	1,200	511	–	–
and after crediting:				
Gain on disposal:				
- Property, plant and equipment	241	255	–	–
- Asset classified as held for sale	–	2,853	–	–
- Discontinued operation	5,932	–	–	–
Gain on fair value of forward contracts	230	792	–	–
Reversal of provision for:				
- Warranty	5,865	6,510	–	–
- Foreseeable loss (Note 12.1)	17,711	9,867	–	–
- Re-organisation expenses	16,722	24,924	–	–
Reversal of impairment loss:				
- Amounts due from joint ventures	3,222	422	222	–
- Interest in a subsidiary	–	–	–	44,000
- Trade receivables	4,351	–	–	–
Expenses arising from leases:				
Expense relating to short-term leases	17,119	22,298	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. FINANCE COSTS

Group	Continuing Operations 2020 RM'000	Continuing Operations 2019 RM'000	Discontinued Operation 2020 RM'000	Discontinued Operation 2019 RM'000	Total 2020 RM'000	Total 2019 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	61,779	66,897	3,324	4,489	65,103	71,386
Interest expense on lease liabilities	972	1,222	–	–	972	1,222
Other finance costs	2,372	3,549	–	–	2,372	3,549
	65,123	71,668	3,324	4,489	68,447	76,157
Recognised in profit or loss	59,223	63,036	3,324	4,489	62,547	67,525
Capitalised on qualifying assets:						
- property plant and equipment	5,900	8,632	–	–	5,900	8,632
	65,123	71,668	3,324	4,489	68,447	76,157

Company	2020 RM'000	2019 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss	17,665	17,516
Other finance costs	3	2
Recognised in profit or loss	17,668	17,518

25. FINANCE INCOME

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised cost:	780	660	24,899	24,068
Recognised in profit or loss	780	660	24,899	24,068

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

26. TAX EXPENSE

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Income tax expense				
- Current year	31,898	35,917	–	–
- (Over)/Under provision in prior year	(7,618)	1,244	–	–
	24,280	37,161	–	–
Deferred tax expense				
- Current year	2,888	(5,765)	–	–
- (Over)/Under provision in prior year	(2,602)	3,961	–	–
	286	(1,804)	–	–
Total tax expense	24,566	35,357	–	–
Reconciliation of tax expense				
Profit/(Loss) for the year	56,571	35,057	3,916	(6,393)
Total tax expense	24,566	35,357	–	–
Profit/(Loss) before tax	81,137	70,414	3,916	(6,393)
Income tax using Malaysian tax rate of 24% (2019: 24%)	19,473	16,900	940	(1,534)
Effect of tax rates in foreign jurisdictions*	10,579	6,970	–	–
Non-deductible expenses	18,330	10,209	528	3,890
Tax exempt income	(26,563)	(21,014)	(2,052)	(2,830)
Effect of deferred tax assets not recognised	12,967	17,209	584	474
Utilisation of previously unrecognised temporary differences	–	(122)	–	–
	34,786	30,152	–	–
(Over)/Under provision in prior year				
- Income tax expense	(7,618)	1,244	–	–
- Deferred tax expense	(2,602)	3,961	–	–
	24,566	35,357	–	–

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

27. DISCONTINUED OPERATION

On 30 September 2020, the Group had disposed the entire interest in FBM Hudson (Asia) Sdn. Bhd. and KNM Special Process Equipment (Changshu) Co., Ltd.. Both of these companies' operations were not discontinued operation or asset classified as held for sale as at 31 December 2019 The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation from the continuing operations in line current year's presentation. The disposal of the companies is to streamline the Group business.

Profit/(Loss) attributable to the discontinued operation was as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Results of discontinued operation		
Revenue	8,177	17,314
Expenses	(8,099)	(30,968)
Results from operating activities	78	(13,654)
Gain on disposal of discontinued operation	5,932	–
Profit/(Loss) for the year	6,010	(13,654)
Included in results from operating activities are:		
Depreciation of property, plant and equipment	170	1,175

The profit of RM6,010,000 (2019: loss of RM13,654,000) from the discontinued operation is attributable entirely to the owners of the Company.

	Group	
	2020 RM'000	**2019 RM'000**
Cash flows used in disposal of subsidiaries		
Net cash used in operating activities	(1,529)	(16,488)
Net cash generate from investing activities	665	–
Net cash generated from financing activities	639	11,354
Effect on cash flows	(225)	(5,134)

	2020 RM'000
Effect of disposal on the financial position of the Group	
Property, plant and equipment	44,712
Other intangible asset	2
Inventories	27
Contract assets	30,368
Trade and other receivables	2,981
Cash and bank balances	238
Borrowing	(24,477)
Current tax liabilities	(4,923)
Contract liabilities	(17,062)
Trade and other payables	(29,857)
Translation reserve	(7,941)
Net liabilities	(5,932)

27. DISCONTINUED OPERATION (CONTINUED)

	2020 RM'000
Effect of disposal on the financial position of the Group (continued)	
Gain on disposal of subsidiaries	5,932
Consideration received, satisfied in cash	–
Cash and cash equivalents disposed of	(238)
Net cash outflow	(238)

28. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2020 is based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit/(Loss) attributable to ordinary shareholders

Group	Continuing Operations RM'000	Discontinued Operation RM'000	Total RM'000
2020			
Profit attributable to ordinary shareholders	58,189	6,010	64,199
2019			
Profit/(Loss) attributable to ordinary shareholders	59,179	(13,654)	45,525

	Group	
	2020 '000	2019 '000
Issued ordinary shares at beginning of the year	2,631,414	2,369,437
Share issuance arising from private placement	31,977	138,832
Effect of treasury shares held	(28,581)	(23,341)
Share issuance arising from ESOS	47,436	4,661
Weighted average number of ordinary shares	2,682,246	2,489,589

	Group	
	2020 Sen	2019 Sen
From continuing operations	2.17	2.38
From discontinued operation	0.22	(0.55)
Basic earnings per ordinary share	2.39	1.83

28. EARNINGS PER ORDINARY SHARE – GROUP (CONTINUED)

Diluted earnings/(loss) per ordinary share

The calculation of diluted earnings/(loss) per ordinary share at 31 December 2020 is based on the profit/(loss) attributable to ordinary shareholders. There is no adjustment required to the basic profit/(loss) attributable to ordinary shareholders from the dilutive potential ordinary shares.

	Group	
	2020	**2019**
	'000	**'000**
Weighted average number of ordinary shares	2,682,246	2,489,589
Effect of ESOS share options issued	28,186	51,902
Weighted average number of ordinary shares	2,710,432	2,541,491

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options is based on quoted market prices for the period during which the options were outstanding.

	Group	
	2020	**2019**
	Sen	**Sen**
From continuing operations	2.15	2.33
From discontinued operation	0.22	(0.54)
Diluted earnings per ordinary share	2.37	1.79

29. CONTINGENT LIABILITIES

	Company	
	2020	**2019**
	RM'000	**RM'000**
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries		
- Secured	473,303	486,221
- Unsecured	480,334	522,328
	953,637	1,008,549

30. COMMITMENTS

	Group	
	2020 RM'000	2019 RM'000
Capital commitments:		
Property, plant and equipment		
- Contracted but not provided for in the financial statements	154,796	1,096,452

31. RELATED PARTIES

Identity of related parties

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

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

Controlling related party relationships are as follows:

(i) Its subsidiary companies as disclosed in Note 35.
(ii) Its associates as disclosed in Note 7.
(iii) Its joint ventures as disclosed in Note 8.
(iv) The substantial shareholders of the Company, Inter Merger Sdn. Bhd..
(v) Inter Merger Sdn. Bhd. and IM Bina Sdn. Bhd., companies in which the Director, Gan Siew Liat and her spouse have substantial financial interest.
(vi) Tofield Realty Development Corporation, a wholly-owned subsidiary of Asiavertek Sdn. Bhd. in which the Director, Gan Siew Liat and her spouse have substantial financial interest.
(vii) KPS Technology & Engineering LLC, a company in which Gan Siew Liat's spouse 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:

31. RELATED PARTIES (CONTINUED)

		Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
A.	**Subsidiaries**				
	Management fees received	–	–	(3,871)	(3,785)
	Loan interest received	–	–	(24,899)	(24,068)
	ESOS payable/(charged)	–	–	11,770	(214)
B.	**Joint ventures**				
	CNI Engineering & Construction Malaysia Sdn. Bhd.				
	Manpower supply	–	608	–	–
	Contract billing receivable	–	187	–	–
	Interest payable	1,083	758	–	–
C.	**Related parties**				
	Inter Merger Sdn. Bhd.				
	Rental of premises	809	810	–	–
	Administrative charges	258	265	38	–
	IM Bina Sdn. Bhd.				
	Contract billing payable	425	120	–	–
D.	**Key management personnel Directors**				
	- Fees	804	750	804	750
	- Remuneration	3,590	3,717	3,590	3,717
	- Employee benefits (including estimated monetary value of benefit-in-kind)	38	18	38	18
	- Share-based payments	331	2,741	331	2,741
		4,763	7,226	4,763	7,226
	Subsidiaries directors				
	- Remuneration	7,995	8,256	–	–
	- Short-term employee benefits	364	401	–	–
	- Share-based payments	240	323	–	–
		8,599	8,980	–	–
	Other key management personnel				
	- Remuneration	2,276	3,031	–	–
	- Share-based payments	83	270	–	–
		2,359	3,301	–	–
		15,721	19,507	4,763	7,226

31. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

Significant related party balances related to the above transactions are disclosed in Notes 6, 13, 20 and 21.

32. FINANCIAL INSTRUMENTS

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL");
- Mandatorily required by MFRS 9; and
(b) Amortised cost ("AC").

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	Derivatives used for hedging RM'000
2020				
Financial assets				
Group				
Other investments	187	–	187	–
Trade and other receivables, less prepayments and GST receivable	223,508	223,508	–	–
Derivative financial assets	1,119	–	84	1,035
Cash and cash equivalents	275,297	275,297	–	–
	500,111	498,805	271	1,035
Company				
Trade and other receivables, less prepayments	320,071	320,071	–	–
Cash and cash equivalents	72	72	–	–
	320,143	320,143	–	–
2019				
Financial assets				
Group				
Other investments	174	–	174	–
Trade and other receivables, less prepayments and GST receivable	294,741	294,741	–	–
Derivative financial assets	418	–	138	280
Cash and cash equivalents	343,653	343,653	–	–
	638,986	638,394	312	280
Company				
Trade and other receivables, less prepayments and GST receivable	280,233	280,233	–	–
Cash and cash equivalents	269	269	–	–
	280,502	280,502	–	–

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.1 Categories of financial instruments (continued)

2020	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial liabilities			
Group			
Loan and borrowings	(1,362,604)	(1,362,604)	–
Trade and other payables, less SST and VAT payable	(326,885)	(326,885)	–
Derivative financial liabilities	(2,614)	–	(2,614)
	(1,692,103)	(1,689,489)	(2,614)
Company			
Loan and borrowing	(369,921)	(369,921)	–
Trade and other payables	(121,017)	(121,017)	–
	(490,938)	(490,938)	–

	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, less SST and VAT payable	(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)	–

32.2 Net gains and losses arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net gains/(losses) arising on:				
Financial assets measured at fair value through profit or loss	230	792	–	–
Financial assets measured at amortised cost	77,977	(16,989)	16,551	54,109
Financial liabilities measured at amortised cost	(50,638)	6,812	(9,741)	(43,666)
	27,569	(9,385)	6,810	10,443
Net gain/(loss) on impairment of financial assets at amortised cost	7,573	(10,642)	(1,029)	(11,590)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.3 Financial risk management objectives and policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Foreign currency risk
- Interest rate risk

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from its exposure to fluctuations in financial risks.

32.4 Credit risk

The Group's exposure to credit risk arises mainly from external counter-party risk on contracts and on monetary financial assets; whilst, at Company level mainly from internal counter-party risk on financial guarantees, loans and advances extended to its subsidiaries.

The Group's objective on credit risk management is to avoid significant exposure to any individual counter-party and to minimise concentration of credit risk. The Group achieves this through its operating units' practices on credit assessment, and performs central monitoring such as on credit risk concentration, credit evaluation, and credit impairment; whilst, the business units are responsible for their respective day-to-day credit risk management.

Policies and processes

Policies and processes in managing credit risk varies with the classes of counter-parties as outlined below:

(i) <u>Contract customers</u>

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Policies and processes (continued)

(ii) Financial institutions

The Group places its funds in banks in over 14 (2019: 15) 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) (2019: 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 RM18,539,000 (2019: RM13,589,000) in respect of trade receivables of RM188,126,000 (2019: RM246,821,000). The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

Credit risk exposures and concentration

The Group's credit risks are mainly on its contract assets and financial assets relating to receivables, and cash and bank balances as summarised in the table below for both the Group and Company level.

	Maximum exposure	
	2020	**2019**
	RM'000	**RM'000**
Group		
Financial assets		
Trade receivables	188,126	246,821
Contract assets	303,075	205,032
Amounts due from joint ventures and related parties	16,488	11,638
Other receivables and deposits	18,894	36,282
Short-term deposits with licensed banks	36,538	47,983
Cash and cash equivalents	238,759	295,670
	801,880	843,426
Company		
Financial assets		
Amounts due from subsidiaries	320,067	278,529
Other receivables and deposits	4	1,704
Cash and cash equivalents	72	269
	320,143	280,502

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Trade receivables and contract assets

Concentration of credit risk

The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period by geographic location was:

	2020		2019	
	RM'000	**%**	**RM'000**	**%**
Asia and Oceania	86,576	18	112,300	25
Europe	404,625	82	339,491	75
America	–	–	62	–
	491,201	100	451,853	100

Recognition and measurement of impairment loss

Most orders are construction contracts and specific in nature. The Group assesses the credit risk of each customer individually based on project status and past trend of payments.

The Group does not maintain ageing for contract assets. For trade receivables, the Group uses ageing analysis as the primary reporting tool to monitor the credit quality of trade receivables. Amounts past due 60 days are monitored more regularly on the collection efforts.

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	**Impairment loss allowance RM'000**	**Net RM'000**
Group			
2020			
Not past due	141,343	–	141,343
Past due 0 – 30 days	19,187	–	19,187
Past due 31 – 60 days	11,875	–	11,875
Past due 61 – 120 days	14,514	–	14,514
Past due more than 120 days	44,430	(43,223)	1,207
	231,349	(43,223)	188,126

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss (continued)

The ageing of trade receivables as at the end of the reporting period was (continued):

	Gross RM'000	Impairment loss allowance RM'000	Net RM'000
Group			
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

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 2020 RM'000	Group 2019 RM'000
At 1 January	71,712	87,856
Impairment loss (reversed)/recognised	(4,351)	11,064
Impairment loss written off	(20,013)	(26,475)
Disposal of a subsidiary	(5,405)	–
Effect on the movement of exchange rate	1,280	(733)
At 31 December	43,223	71,712

Amounts due from subsidiaries, joint ventures and related parties

Risk management objectives, policies and processes for managing the risk

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

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

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Risk management objectives, policies and processes for managing the risk (continued)

Amounts due from subsidiaries, joint ventures and related parties (continued)

Using internal information available, the Group and the Company assume that there is a significant increase in credit risk when the counterparty's financial position deteriorates significantly, and consider receivables to be in default when the counterparties are not able to pay when demanded.

Recognition and measurement of impairment loss

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for amounts due from subsidiaries, joint ventures and a related party. The Group and the Company do not specifically monitor the ageing of these receivables.

	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
2020			
Group			
Low credit risk	11,672	–	11,672
Credit impaired	33,325	(28,509)	4,816
	44,997	(28,509)	16,488
Company			
Low credit risk	320,067	–	320,067
Credit impaired	159,522	(159,522)	–
	479,589	(159,522)	320,067
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

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Amounts due from subsidiaries, joint ventures and related parties (continued)

Recognition and measurement of impairment loss (continued)

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

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At 1 January	32,154	32,576	158,533	108,085
Impairment loss written off	–	–	–	(5,142)
Impairment loss (reversed)/ recognised	(3,222)	(422)	989	55,590
Effect on the movement in exchange rate	(423)	–	–	–
At 31 December	28,509	32,154	159,522	158,533

Other receivables and deposits

Other receivables mainly relate to transactions outside trade activities and advances provided to employees. The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. At each reporting date, the Group and the Company assess whether any of the other receivables are credit impaired.

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

	Group	
	2020 RM'000	**2019 RM'000**
At 1 January	21,825	23,617
Impairment loss written off	(21,825)	(1,563)
Effect on the movement of exchange rate	–	(229)
At 31 December	–	21,825

Credit risks on deposits are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group and the Company manage the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.4 Credit risk (continued)

Cash and cash equivalents

The cash and bank balances are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

32.5 Liquidity risk

The Group's exposure to liquidity risk primarily arises from its capabilities to meet its financial obligations, principally its trade payables, loans and borrowings, as and when it falls due. The Group's liquidity risk management objective is to ensure that all foreseeable funding commitments can be met as and when due in a cost-effective manner.

Policies and Processes

The Group leverages on the Company as the public listed parent company to support 4 (four) (2019: 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

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (continued)

Maturity analysis

The table below set out the contractual maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on undiscounted contractual payment – which would be met with a combination of matching maturity financial assets, operational cash inflows, and roll-over of current liabilities such as trade facilities.

	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
Group							
2020							
Non-derivative financial liabilities							
Term loans – secured							
- CAD	20,949	2.25	26,197	3,074	5,829	13,612	3,682
- EUR	21,468	1.65 – 2.52	23,238	2,095	2,060	5,367	13,716
- RM	127,891	7.25 – 7.81	142,937	37,055	67,469	33,342	5,071
- USD	20,018	2.32	20,811	5,481	15,330	–	–
Term loans – unsecured							
- EUR	569,004	1.80 - 11.50	691,108	127,764	474,485	83,995	4,864
- USD	80,194	4.29 - 10.50	81,059	81,059	–	–	–
Guaranteed Thai Baht Bond							
- THB	369,921	3.00	378,361	378,361	–	–	–
Revolving credits – secured							
- USD	25,827	3.00 - 4.75	26,461	15,725	10,736	–	–
Revolving credits – unsecured							
- EUR	49,884	0.81 - 3.50	49,946	49,946	–	–	–
Bills payable – secured							
- RM	46,063	4.25 – 5.52	48,605	48,605	–	–	–

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

	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
Group							
2020							
Non-derivative financial liabilities (continued)							
Bills payable – unsecured							
- THB	5,196	4.75	5,443	5,443	–	–	–
Hire purchase and lease creditors							
- EUR	15,401	1.13 – 3.75	17,368	3,790	3,006	5,277	5,295
- RM	1,194	2.73 – 4.11	1,258	754	255	249	–
- THB	328	4.18 –7.47	339	45	294	–	–
Bank overdrafts – secured							
- RM	7,927	4.02 – 8.15	8,451	8,451	–	–	–
- THB	1,339	7.13	1,434	1,434	–	–	–
Lease liabilities							
- EUR	17,693	0.96 – 3.00	19,849	9,697	4,148	3,466	2,538
- RM	5,207	4.00 – 7.65	6,495	1,094	1,295	4,106	–
- AED	26,595	5.00	34,315	3,311	3,543	10,630	16,831
- THB	335	8.00	439	439	–	–	–
Trade and other payables	341,546		341,546	326,885	14,661	–	–
	1,753,980		1,925,660	1,110,508	603,111	160,044	51,997

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

	Net cash flows RM'000		Contractual cash flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Group							
2020							
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	34		27,067	27,067	–	–	–
- Inflow	–		(27,033)	(27,033)	–	–	–
	34		34	34	–	–	–
			1,925,694	1,110,542	603,111	160,044	51,997

	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
Group							
2019							
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 Bond							
- THB	374,954	3.00	386,749	18,447	368,302	–	–

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

	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
Group							
2019							
Non-derivative financial liabilities (continued)							
Revolving credits – secured							
- USD	65,632	4.50 – 5.35	67,175	67,175	–	–	–
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	–	–	–

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

	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
Group							
2019							
Non-derivative financial liabilities (continued)							
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	–	–
	1,886,847		2,158,606	897,262	566,925	631,498	62,921

	Net cash flows RM'000	Contractual cash flows RM'000	Less than 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
Derivative financial liabilities						
Forward exchange contracts (gross settled):						
- Outflow	–	49,361	49,361	–	–	–
- Inflow	(122)	(49,483)	(49,483)	–	–	–
	(122)	(122)	(122)	–	–	–
		2,158,484	897,140	566,925	631,498	62,921

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (continued)

Maturity analysis (continued)

	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
Company					
2020					
Non-derivative financial liabilities					
Borrowing	369,921	3.00	378,361	378,361	–
Trade and other payables	121,017	–	121,017	121,017	–
Financial guarantee	–	–	945,489	945,489	–
	490,938		1,444,867	1,444,867	–
2019					
Non-derivative financial liabilities					
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

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.5 Liquidity risk (continued)

Financial guarantees

The Group and the Company provide guarantees relating to borrowings and performance obligation of joint ventures and subsidiaries of RM529,663,000 (2019: RM561,237,000) and RM945,489,000 (2019: RM1,000,225,000) respectively.

The Group and the Company monitor these guarantees on an ongoing basis. At reporting date, there was no indication that any group entities would default on repayment and performance obligation. The financial guarantees have not been recognised since the fair value on initial recognition was not material.

32.6 Foreign currency risk

The Group operates in 16 (2019: 17) countries and is exposed to various currencies that gives rise to foreign exchange (FX) risk from the translation of its foreign investments and from FX transactions on its sales and purchases denominated in foreign currency. The Group's main foreign currency exposure is in USD Dollar ("USD"), EUR Dollar ("EUR"), Thai Baht ("THB") and Ringgit Malaysia ("RM"). RM exposure is attributed to certain subsidiaries located in Malaysia but adopting USD as their functional currency. 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Foreign currency risk (continued)

The table below sets out the Group's significant financial assets' and liabilities' FX exposure based on the notional or contractual amount for USD, EUR, THB and RM which is different from the reporting functional currency of the respective subsidiaries.

	Denominated in			
	USD RM'000	**EUR RM'000**	**THB RM'000**	**RM RM'000**
Group				
2020				
Trade receivables	28,858	444	–	–
Other receivables	222	826	–	5,914
Cash and bank balances	3,614	97	16	1,775
Deposits with licensed banks	–	–	–	6,016
Trade payables	(4,188)	(44,035)	–	(30,730)
Other payables and accruals	–	–	(135)	(1,540)
Term loans	(75,594)	(330,105)	(369,921)	(53,988)
Hire purchase liabilities	–	–	–	(1,194)
Lease liabilities	–	–	–	(5,185)
Bills payable	–	–	–	(46,063)
Forward exchange contracts	(1,655)	(267)	–	–
Net exposure in the statement of financial position	(48,743)	(373,040)	(370,040)	(124,995)
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 banks	–	–	–	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)

	USD RM'000	**THB RM'000**
Company		
2020		
Cash and bank balances	–	16
Trade and other receivables	5,187	457,461
Borrowing	–	(369,921)
Long term payables	(74,327)	–
Net exposure in the statement of financial position	(69,140)	87,556

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.6 Foreign currency risk (continued)

	USD RM'000	THB RM'000
Company		
2019		
Cash and bank balances	–	20
Trade and other receivables	5,285	439,852
Borrowing	–	(374,954)
Long term payables	(75,734)	–
Net exposure in the statement of financial position	(70,449)	64,918

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group				
USD	(66,319)	(70,521)	2,437	(2,734)
EUR	(81,815)	(73,585)	18,652	15,223
THB	(2,049)	(84)	18,502	18,754
RM	–	–	6,250	3,004

	Profit or loss	
	2020 RM'000	2019 RM'000
Company		
USD	3,457	3,522
THB	(4,378)	(3,246)

A 5 percent weakening of RM against the USD, EUR and THB at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

32.7 Interest rate risk

The Group's interest rate risk arises from its interest-bearing financial instruments that could impact fair value and future cash-flows due to fluctuation in market interest rates. The Group's objective on interest rate risk management is to achieve a balance in re-pricing risk and the optimisation of pricing whilst ensuring sufficient liquidity to meet funding needs.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.7 Interest rate risk (continued)

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**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Financial assets	36,538	47,983	–	–
Financial liabilities	(791,656)	(788,544)	(369,921)	(374,954)
Lease liabilities	(49,830)	(53,760)	–	–
	(804,948)	(794,321)	(369,921)	(374,954)
Floating rate instruments				
Financial liabilities	(570,948)	(679,067)	–	–
	(570,948)	(679,067)	–	–

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**
2020		
Floating rate instruments	(1,427)	1,427
2019		
Floating rate instruments	(1,698)	1,698

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.8 Cash flow hedge

The Group entered into forward cash flow hedge of its expected proceeds/ payments from/to accounts receivables and accounts payables.

The following depicts the expected cash flow streams associated with the hedges undertaken and period affecting profit or loss:

	Net cash flows RM'000	Expected cash flows RM'000	Under 1 year RM'000
Group			
2020			
Proceeds from accounts receivables			
- inflow	364	6,235	6,235
- outflow	–	(5,871)	(5,871)
2019			
Proceeds from accounts receivables			
- inflow	194	12,980	12,980
- outflow	–	(12,786)	(12,786)

During the year, a net loss of RM342,000 (2019: net gain of RM1,202,000) was recognised in other comprehensive income. An ineffective net gain of RM70,000 (2019: RM183,000) was recognised in profit or loss during the financial year.

32.9 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.

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.9 Fair value of financial instruments (continued)

Other than those mentioned above, the table below analyses financial instruments carried at fair value and those not carried at fair value for which fair values are disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	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
2020										
Group										
Financial assets										
Forward exchange contracts	–	1,119	–	1,119	–	–	–	–	1,119	1,119
Financial liabilities										
Forward exchange contracts	–	(2,614)	–	(2,614)	–	–	–	–	(2,614)	(2,614)
Fixed rate term loans	–	–	–	–	–	–	(406,499)	(406,499)	(406,499)	(406,206)
Fixed rate hire purchase liabilities	–	–	–	–	–	–	(15,745)	(15,745)	(15,745)	(15,529)
Long term payables	–	–	–	–	–	–	(7,721)	(7,721)	(7,721)	(7,721)
Long service leave liability	–	–	–	–	–	–	(6,940)	(6,940)	(6,940)	(6,940)
	–	(2,614)	–	(2,614)	–	–	(436,905)	(436,905)	(439,519)	(439,010)
Company										
Financial liabilities										
Long term payables	–	–	–	–	–	–	(97,437)	(97,437)	(97,437)	(97,437)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.9 Fair value of financial instruments (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2019										
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 Bond	–	–	–	–	–	–	(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 Bond	–	–	–	–	–	–	(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)

32. FINANCIAL INSTRUMENTS (CONTINUED)

32.9 Fair value of financial instruments (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward exchange contracts is assessed using the quoted market price obtained from Reuters or licensed financial institutions.

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2019: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs (e.g. changes in market interest rates) for the financial assets and liabilities. The fair values were determined using discounted cash flows based on current market rate at reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting year.

Interest rates used to determine fair value

	2020	2019
Group		
Fixed rate term loans	1.83% – 11.50%	2.52% – 18.00%
Fixed rate Guaranteed Thai Baht Bond	4.54%	4.98%
Fixed rate hire purchase liabilities	1.24% – 7.47%	2.11% – 7.47%
Company		
Fixed rate Guaranteed Thai Baht Bond	4.54%	4.98%

Sensitivity analysis and inter-relationship between unobservable inputs and fair value measurement

The fair values would increase if the interest rates are higher. The Directors are of the view that the changes are not significant and hence the sensitivity analysis is not presented.

33. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure a strong and sustainable capital base that can support the current and future business needs of the Group.

In support of that, the Group aims to manage within the limit of existing debt to equity ratio (DER) covenant.

As at 31 December 2020, the Group recorded a DER of 0.78 (2019: 0.89) as compared to the financial covenants of not exceeding 1.00 time (2019: 1.00 time). The Group is also required to maintain certain financial covenant ratios as disclosed in Note 18.

	Group	
	2020 **RM'000**	**2019** **RM'000**
Total loans and borrowings (Note 18)	1,362,604	1,467,611
Total equity	1,752,252	1,649,854
DER	0.78	0.89

34. OPERATING SEGMENT

The Group's resources allocation is assessed on a quarterly basis or as needed basis in accordance to the business performance and requirements of the respective geographical's operating unit as reviewed and determined by the Group's Chief Operating Decision Maker ("CODM") whom is also the Chief Executive Officer of the Group. Hence, segment information is presented by geographical locations that the Group operates in. The format of the geographical segments is based on the Group's operation management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Reporting on segmental profit, assets and liabilities include items directly attributable to geographical segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The segments are classified into geographical presence as follows:

Geographical segment	**Countries**
Asia and Oceania	Malaysia, Thailand, Indonesia, Myanmar, Australia and Mauritius
Europe	Germany, Italy, United Arab Emirates, United Kingdom, British Virgin Islands, Netherlands, Saudi Arabia, and Isle of Man
America	United States of America and Canada

34. OPERATING SEGMENT (CONTINUED)

Geographical segments

	Asia and Oceania		Europe		America		Consolidated	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	240,527	366,582	1,110,920	1,262,440	–	3,573	1,351,447	1,632,595
Cost of sales	(191,233)	(326,894)	(868,408)	(1,007,621)	(1,099)	(4,300)	(1,060,740)	(1,338,815)
Gross profit/(loss)	49,294	39,688	242,512	254,819	(1,099)	(727)	290,707	293,780
Administration expenses and others	16,094	(6,506)	(159,134)	(143,162)	(4,763)	(6,833)	(147,803)	(156,501)
Operating profit/(loss)	65,388	33,182	83,378	111,657	(5,862)	(7,560)	142,904	137,279
Add: Depreciation and amortisation	28,031	28,606	71,658	71,469	2,391	2,426	102,080	102,501
Segment profit/(loss)	93,419	61,788	155,036	183,126	(3,471)	(5,134)	244,984	239,780
Less: Depreciation and amortisation							(102,080)	(102,501)
							142,904	137,279
Finance costs							(62,547)	(67,525)
Finance income							780	660
Profit before tax							81,137	70,414

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.

34. OPERATING SEGMENT (CONTINUED)

Geographical segments (continued)

Reconciliation of reportable segment profit or loss

	Group	
	2020 RM'000	2019 RM'000
Total profit for reportable segments before tax	81,137	70,414
(Gain)/Loss on discontinued operation	(6,010)	13,654
Consolidated profit (excluding tax and discontinued operations)	75,127	84,068

	Asia and Oceania		Europe		America		Consolidated	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Segment assets	878,233	1,030,179	2,914,807	2,802,612	64,998	65,488	3,858,038	3,898,279
Segment liabilities	645,439	821,331	1,431,961	1,399,075	28,386	28,019	2,105,786	2,248,425
Capital expenditure	41,694	22,303	39,496	48,667	–	–	81,190	70,970
Depreciation and amortisation charged to profit or loss	28,031	28,606	71,658	71,469	2,391	2,426	102,080	102,501
Non-cash (income)/expenses other than depreciation and amortisation	(99,904)	(15,436)	17,727	(13,428)	16	966	(82,161)	(27,898)

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

35. SUBSIDIARIES

The principal activities of the subsidiaries, their places of incorporation and the interests of KNM Group Berhad are as follows:

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
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	100

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
Subsidiaries of the Company (continued)				
Litwin Asia Pacific Sdn. Bhd.**	Dormant	Malaysia	51	51
Prestige International Ltd.	Provision of funding and treasury services and all related functions	Labuan	100	100
KNM Capital (PIC) Sdn. Bhd. @	Dormant	Malaysia	100	100
Splendid Investments Limited @	Dormant	Labuan	100	100
Subsidiary of 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	94
Subsidiaries of KNM Process Systems Sdn. Bhd.				
KNM OGPET (East Coast) Sdn. Bhd.**@	Property investment	Malaysia	100	100
Duraton Engineering Sdn. Bhd.**@	Provision of non-destructive testing services	Malaysia	100	100
Perwira Awan Sdn. Bhd.**	Property investment	Malaysia	100	100
KNM Technical Services Sdn. Bhd. @	Provision of project management and technical services	Malaysia	100	100
Sumber Amantech Sdn. Bhd. @	Provision of project management and technical services	Malaysia	100	100
KNM OGPET (Sabah) Sdn. Bhd. **@	Investment holding	Malaysia	80	80

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
Subsidiaries of KNM Process Systems Sdn. Bhd. (continued)				
KNM Exotic Equipment Sdn. Bhd. @	Design, manufacture, assembly and commissioning of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries	Malaysia	100	100
KNM Europa BV ^	Investment holding, financing, marketing and business development services to the related companies of KNM Group in Europe	Netherlands	100	100
KNM BORSIG Services Sdn. Bhd. @	Contractor for oil and gas industries and provision of technical services	Malaysia	100	100
Deutsche KNM GmbH *	Investment holding	Germany	100	100
KNM-DP Fabricators Sdn. Bhd. **@	Dormant	Malaysia	86	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

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
Subsidiaries of KNM Renewable Energy Sdn. Bhd. (continued)				
Asia Biofuels II Ltd.*@	Investment holding	Republic of Mauritius	100	100
Subsidiaries of KNM International Sdn. Bhd.				
FBM Hudson (Asia) Sdn. Bhd. **@+	Investment holding and provision of management and consultancy services	Malaysia	-	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 asset holding company and shall own the land, manufacturing plant and machinery in relation to the Group's intended manufacturing facility at the Kabil Industrial Estate in Batam, Indonesia	Indonesia	100	100
Saudi KNM Ltd. @^	Dormant	Saudi Arabia	51	51

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
Subsidiary of KNM International Sdn. Bhd. (continued)				
KNM Project (Myanmar) Co. Ltd. **@	Repair and installation of machinery and equipment and construction of buildings	Myanmar	100	100
Subsidiary of KNM BORSIG Services Sdn. Bhd.				
BORSIG Services Australia Pty. Ltd. @^	Contractor for the oil and gas industry and provision of technical and maintenance services	Australia	100	100
Subsidiary of KNM Exotic Equipment Sdn. Bhd.				
KMK Power Sdn. Bhd. @	Investment holding	Malaysia	100	100
Subsidiaries of KNM Europa BV				
FBM Hudson Italiana SpA*	Design and manufacture of air-cooled heat exchangers, specialty shell and tube heat exchangers and process gas waste heat boilers for the oil, gas, petrochemical and desalination industries	Italy	100	100
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

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
Subsidiary of KNM Europa BV (continued)				
KNM Project Services Limited **	Project management and services and provision of process technology for oil and gas, biomass, biofuels, waste to energy and power plants as well as provision of turnkey services including operation and maintenance services	United Kingdom	100	100
Subsidiary of FBM Hudson (Asia) 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
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
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
Subsidiary of KMK Power Sdn. Bhd.				
Poplar Investments Limited **@	Investment holding	Isle of Man	100	100
KMK Green Ventures Sdn. Bhd. @	Dormant	Malaysia	100	100

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
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
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

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
Subsidiaries of BORSIG GmbH (continued)				
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
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

35. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
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

For financial year 2020:
- * 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 2020.
- \+ The Company has disposed its entire shareholdings on 30 September 2020
- % The subsidiary is in the progress of striking-off.
- \# The company has merged with Borsig GmbH on 1 January 2020.

<u>Kimma Thai Co, Ltd.</u>

Although the Group owns less than half of the ownership interest in Kimma Thai Co., Ltd. and less than half of the voting power of this entity, the Directors have determined that the Group controls this entity. By virtue of an agreement with its other investor, the Group has de facto control over Kimma Thai Co., Ltd. on the basis that the Group has the ability to direct the activities of Kimma Thai Co., Ltd. that significantly affect the return of Kimma Thai Co., Ltd..

36. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST

On 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.

36. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST (CONTINUED)

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

Identifiable assets acquired and liabilities assumed	**Group 2019 RM'000**
Property, plant and equipment (Note 3)	14,768
Right-of-use of assets (Note 4)	3,875
Trade receivables	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)
	–

37. SIGNIFICANT EVENTS DURING THE YEAR

37.1 On 29 September 2020, the Company had announced its intention to undertake a private placement of up to 269,184,800 new ordinary shares in the Company, representing not more than 10% of the issued ordinary shares in the Company. Subsequently on 7 October 2020, Bursa Malaysia Securities Berhad approved the listing of and quotation of up-to 269,184,800 new ordinary shares of the Company to be issued via private placement to eligible investors. The private placement was completed on 26 October 2020 and 20 November 2020 with the issuance of 26,684,800 new ordinary shares at RM0.170 and 242,500,000 at RM0.165 respectively which made up of 269,184,800 new ordinary shares in aggregate.

37.2 On 30 September 2020, the Group disposed the entire interest in FBM Hudson (Asia) Sdn. Bhd. and KNM Special Process Equipment (Changshu) Co., Ltd. to streamline the Group business.

38. EVENT SUBSEQUENT TO YEAR END

On 21 January 2021, the Company had announced its intention to undertake a private placement of up to 296,923,400 new ordinary shares in the Company, representing not more than 10% of the issued ordinary shares in the Company. Subsequently on 3 February 2021, Bursa Malaysia Securities Berhad approved the listing of and quotation of up-to 296,923,400 new ordinary shares of the Company to be issued via private placement to eligible investors. The private placement was completed on 21 January 2021 with the issuance of 296,923,400 new ordinary shares at RM0.175.

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 60 to 158 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 2020 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

....

Tan Koon Ping
Director

Kuala Lumpur,

Date: 31 May 2021

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Wong Toh Sing, the officer primarily responsible for the financial management of KNM Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 60 to 158 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Wong Toh Sing, at Kuala Lumpur in the Federal Territory on 31 May 2021.

....

Wong Toh Sing

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KNM GROUP BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of KNM Group Berhad, which comprise the statements of financial position as at 31 December 2020 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 60 to 158.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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. **<u>Assessment of the Group's and of the Company's ability to continue as going concerns</u>**

   As at 31 December 2020, the Group and the Company had net current liabilities of RM211,779,000 and RM72,323,000 respectively. A fixed rate Guaranteed Thai Baht Bond was issued in 2016 with a tenure of 5 years and is due for repayment by 18 November 2021.

   After considering management's plans and circumstances stated in Note 1(b) to the financial statements, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

   The above are key audit matters as the determination of whether a material uncertainty exists related to the Group's and the Company's ability to continue as going concerns requires the exercise of significant judgements based on available information that may be inherently uncertain and could be subject to management bias.

Key Audit Matters (continued)

1. <u>Assessment of the Group's and of the Company's ability to continue as going concerns (continued)</u>

How the matter was addressed in our audit

Our audit procedures included, among others, included an evaluation of the Group's and the Company's plan, which include monetisation of the Group's investments overseas and its non core assets, for the next twelve months from the financial year.

We read the letter of offer for a new financing facility from a bank that outlined the proposed financing arrangement which will be used to repay the fixed rate Guaranteed Thai Baht Bond. We also discussed with management and challenged management's assessment of the continued financial support from lenders by reading correspondence between the Group and the lenders to identify potential indication of banking facilities withdrawal.

We also evaluated the adequacy and appropriateness of the disclosure of the management's plans made in the assessment of going concerns.

2. <u>Valuation of Goodwill and Other Intangible Assets</u>

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 RM902,467,000 (2019: RM869,316,000) and RM416,278,000 (2019: RM412,434,000) respectively as at 31 December 2020. 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.

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, growth of earnings before interest, depreciation and amortisation, 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.

Key Audit Matters (continued)

3. Construction Contracts Revenue, Construction Contracts Profits and Recoverability of Contract Assets

Refer to *Note 1(d) – Use of estimates and judgements, Note 2(p)(i) – Revenue from contracts with customers, Note 2(i) – Contract assets/Contract liabilities, Note 12 – Contract assets/Contract liabilities and Note 22 – Revenue,* to the financial statements.

Judgement is particularly required to determine the number of performance obligations, method of allocating transaction price to each performance obligation, determination of whether revenue is to be recognised over time or at a point in time.

The Group has construction contracts with targeted completion periods ranging from 12 to 36 months. In accordance with MFRS 15, construction contracts revenue is recognised over time based on output method, which is determined by reference to surveys of work performed or completion of a physical proportion of contract work. Judgement is required in the estimation of physical proportion of contract work completed. Where actual differs from the estimated physical work completion, such difference will also impact the contract costs and profits recognised. Due to the level of judgement involved, this is one of the key judgemental area that our audit is concentrated on.

How the matter was addressed in our audit

Our audit procedures included, among others, understanding the process activities undertaken by the Group and appropriateness of the Group's accounting policies on construction contracts revenue. We evaluated the Group's transition approach and the practical expedients applied. We used a variety of quantitative and qualitative factors to select construction contracts with a higher risk of material error based on their size or complexity for testing.

We read correspondences and minutes of meeting with customers, selected signed contracts and read key clauses to identify relevant contractual terms covering damages and variation orders and determined whether these were considered in accordance with the requirements of MFRS 15. This included inspection of amount of revenue agreed in signed contracts and approved variation orders.

In assessing reasonableness of construction contracts revenue, we evaluated reasonableness of the Group's output method, by obtaining documentations to support the stage of completion of physical contract work performed, and evaluated against the requirements of MFRS 15, *Revenue from Contracts with Customers*. We also compared the Group's stage of completion to our calculation if stage of completion was based on input method or actual contract costs incurred.

We also visited sites for certain material projects and held discussions with site personnel to gauge the reasonableness of the Group's estimation of stage of completion of physical contract work performed.

In assessing reasonableness of construction contracts profits, we evaluated the reasonableness of budgeted costs of each material project by comparing to prior year budgets and actual overhead costs incurred in similar completed projects.

In assessing recoverability of amount due from contract customers, for projects that appear to be behind schedule, we compared maximum damages exposure against provision made by the Group and inspected subsequent billings and payments. We also inspected minutes and correspondences with customers, and corroborated the findings by obtaining assessments from operational and technical management personnel to evaluate the reasonableness of the Group's assessment.

We also assessed the completeness, accuracy and appropriateness of disclosures made in the financial statements in accordance with the requirements of MFRS 15.

Key Audit Matters (continued)

4. 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 2020, 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.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KNM GROUP BERHAD
(CONT'D)

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.

- 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 35 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Tai Yoon Foo
Approval Number: 02948/05/2022 J
Chartered Accountant

Petaling Jaya

Date: 31 May 2021

LIST OF TOP 10 MAJOR PROPERTIES

HELD BY THE GROUP AS AT 31 DECEMBER 2020

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age Of The Building	Date of Acquisition / Revaluation	2020 Net Book Value (RM'000)
279 Moo 13 Khao Hin Sorn, Chachoengsao Thailand	(i) Industrial land	Freehold	758,688 m^2	–	–	25/11/2019	310,145
	(ii) Factory			66,780 m^2	12 – 28 years	25/11/2019	
Via Valtrighe, 5 & 6 24030 Terno d'Isola (BG); Italy	(i) Fabrication plant	–	–	48,937 m^2	54 years (First Phase) 29 years (Second phase)	31/12/2019	187,897
	(ii) Staff house	–	–	396 m^2	60 years	31/12/2019	
	(iii) Staff house	–	–	120 m^2	39 years	31/12/2019	
Via Italia 24030 Mapello (BG) Italy	(iv) Industrial area	–	65,550 m^2	–	–	31/12/2019	
	(v) Industrial area	–	144,819 m^2	–	–	31/12/2019	
	(vi) Reserved area	–	3,225 m^2	–	–	31/12/2019	
Plot U13 Storey's Bar Road Peterborough United Kingdom	Vacant land	Freehold	218,530 m^2	–	–	22/11/2019	154,096
Seiferitzer Allee 26 Meerane, Germany	(i) Fabrication plant and office	Leasehold (66 years) expiring on 26/7/2071	12,000 m^2	5,806 m^2	15 years/13 years (due to extension of the building)	31/12/2019	75,507
Egelisstraβe 21 Berlin Germany	(ii) Fabrication plant and office (extension on adjacent land)	Leasehold (66 years) expiring on 18/2/2075	10,422 m^2	5,562 m^2	12 years/11 years	31/12/2019	
Seiferitzer Allee 26 Meerane, Germany	(iii) Extension on adjacent land without building	Leasehold (66 years) expiring on 31/5/2078	16,121 m^2	–	–	31/12/2019	
Seiferitzer Allee 27 Meerane, Germany	(iv) Fabrication plant and office	Freehold	14,757 m^2	2,150 m^2	13 years	31/12/2019	
Lot 105 & 106 Jalan Gebeng 1/6 Gebeng Industrial Estate 26080 Kuantan Pahang Darul Makmur Malaysia	(i) Industrial land	Leasehold (66 years) expires on 1/6/2064	36,420 m^2	–	–	6/11/2019	58,420
	(ii) Fabrication plant and office building	–	–	13,368 m^2	20 years	6/11/2019	

LIST OF TOP 10 MAJOR PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2020 (CONT'D)

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age Of The Building	Date of Acquisition / Revaluation	2020 Net Book Value (RM'000)
Jebel Ali Free Zone, Dubai, UAE	Fabrication plant and office building	Leasehold expires on 31/10/2030 (Renewable for every 10th years)	90,000 m^2	23,000 m^2	29 years	10/10/2019	55,975
6204-46 Ave, Tofield, AB TOB 450 Canada	(i) Industrial land	–	457,150 m^2	–	–	8/12/2019	49,795
	(ii) Fabrication plant and office building	–	–	9,862 m^2	16 years	8/12/2019	
Lot 75, Jalan Gebeng 1/6, Kawasan Perindustrian Gebeng, Mukim Sungai Karang 26080 Kuantan, Malaysia	(i) Industrial land	Leasehold (66 years) expires on 1/6/2064	42,230 m^2	–	–	31/12/2019	36,480
	(ii) Fabrication plant and office building	–	–	16,351 m^2	16 years	31/12/2019	
Lot 208, Jalan PBR 19 and Lots 2835 & 2836, Jalan PBR 22, Bukit Rambai Industrial Estate, Tanjong Minyak, Melaka Malaysia	(i) Industrial land	Leasehold (99 years) expires on 28/5/2094	5,857 m^2	–	–	2/12/2019	35,499
	(ii) Industrial land		5,042 m^2	6,612 m^2	–	2/12/2019	
	(iii) Industrial land		17,769 m^2	–	–	2/12/2019	
	(iv) Fabrication plant and office building	–	–	6,369 m^2	17 years	2/12/2019	
	(iv) Fabrication plant and office building	–	–	9,879 m^2	29 years	2/12/2019	
Kawasan Industri Terpadu Kabil (KITK) Jl. Hang Kesturi I Kav. A21 Kelurahan Batu Besar, Kecamatan Nongsa Batam 29467 Indonesia	(i) Industrial land	Leasehold (30 years) expires on 13/8/2036	82,824 m^2	–	–	1/11/2019	30,356
	(ii) Fabrication plant and office building	–	–	20,135 m^2	14 years	1/11/2019	

ANALYSIS OF SHAREHOLDINGS
AS AT 22 APRIL 2021

ANALYSIS OF SHAREHOLDINGS

Total Number of Issued Shares	:	3,293,566,955*
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share held

Note:
* Inclusive of 14,341,275 treasury shares

DISTRIBUTION OF SHAREHOLDINGS
(as per Record of Depositors as at 22 April 2021)

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	1,686	3.95	77,445	Negligible
100 to 1,000	4,146	9.70	2,508,078	0.08
1,001 to 10,000	15,812	37.00	84,316,196	2.57
10,001 to 100,000	17,024	39.84	661,846,174	20.18
100,001 to less than 5% of issued shares	4,062	9.51	2,530,477,787	77.17
5% and above of issued shares	0	0.00	0	0.00
TOTAL	**42,730**	**100.00**	**3,279,225,680^**	**100.00**

Note:
^ Excluding 14,341,275 treasury shares

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders of the Company as at 22 April 2021)

Name of Shareholders	No. of Shares Held in KNM Group Berhad Direct	%#	Indirect	%#
Ir Lee Swee Eng	109,608,838	3.34	169,866,459[a]	5.18
Gan Siew Liat	39,045,000	1.19	279,475,297[b]	8.52

DIRECTORS' INTERESTS IN SHARES IN KNM GROUP BERHAD AND RELATED CORPORATION
(as per Register of Directors' Shareholdings of the Company as at 22 April 2021)

Name of Directors	No. of Shares Held in KNM Group Berhad Direct	%#	Indirect	%#
Dato' Ab Halim Bin Mohyiddin	2,652,500	0.08	–	–
Gan Siew Liat	39,045,000	1.19	279,475,297[b]	8.52
Tan Koon Ping	7,500,000	0.23	–	–
Dato' Dr Khalid Bin Ngah	–	–	–	–
Soh Yoke Yan	–	–	–	–
Mohd Rizal Bahari Bin Md Noor	9,150,000	0.28	–	–

Notes:-
\# *Percentage interest is based on the total ordinary shares of 3,279,225,680 (excluding 14,341,275 treasury shares held as at 22 April 2021).*
a *Deemed interested by virtue of his indirect interest in Inter Merger Sdn Bhd ("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 spouse and children in KNM.*

ANALYSIS OF SHAREHOLDINGS
AS AT 22 APRIL 2021
(CONT'D)

THIRTY LARGEST SHAREHOLDERS
(as per Record of Depositors as at 22 APRIL 2021)

No.	Name of Shareholders	No. of Shares Held	%#
1	Inter Merger Sdn. Bhd.	78,877,558	2.41
2	Affin Hwang Nominees (Asing) Sdn Bhd *Pledged Securities Account For Aveda Assets Capital Inc.*	59,753,100	1.82
3	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	58,120,800	1.77
4	Ooi Cheow Har	57,740,300	1.76
5	Lee Swee Eng	40,000,000	1.22
6	Gan Siew Liat	37,296,250	1.14
7	HSBC Nominees (Asing) Sdn Bhd *Exempt AN For Bank Julius Baer & Co. Ltd. (Singapore Bch)*	33,800,000	1.03
8	M & A Nominee (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Swee Eng (M&A)*	32,000,000	0.98
9	Tokio Marine Life Insurance Malaysia Bhd *As Beneficial Owner (TMEF)*	31,800,000	0.97
10	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN For LGT Bank AG (Foreign)*	27,000,000	0.82
11	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trustee Berhad - Kenanga Malaysian Inc Fund*	23,711,700	0.72
12	CIMB Group Nominees (Tempatan) Sdn Bhd *Exempt AN For Petroliam Nasional Berhad (KIB)*	22,091,500	0.67
13	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Commerce Trustee Berhad For Kenanga Growth Opportunities Fund (50154 TR01)*	22,063,500	0.67
14	Wong Yoon Chee	20,550,000	0.63
15	Tokio Marine Life Insurance Malaysia Bhd *As Beneficial Owner (PF)*	18,640,000	0.57
16	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Inter Merger Sdn. Bhd.*	18,232,951	0.56
17	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Swee Eng (MY0038)*	17,459,404	0.53
18	Er Soon Puay	15,500,000	0.47
19	M & A Nominee (Tempatan) Sdn Bhd *Pledged Securities Account For Genting Utama Sdn Bhd (M&A)*	15,500,000	0.47
20	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lim Gaik Eng (Lim4779C)*	13,000,000	0.40

ANALYSIS OF SHAREHOLDINGS AS AT 22 APRIL 2021 (CONT'D)

THIRTY LARGEST SHAREHOLDERS (CONT'D)
(as per Record of Depositors as at 22 APRIL 2021)

No.	Name of Shareholders	No. of Shares Held	%#
21	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Swee Eng*	12,453,000	0.38
22	Citigroup Nominees (Asing) Sdn Bhd *CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	12,449,420	0.38
23	Cartaban Nominees (Tempatan) Sdn Bhd *Cn CIMB Commerce Trustee Berhad For Kenanga Growth Fund Series 2*	11,652,300	0.36
24	Teo Tuan Kwee	10,500,000	0.32
25	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Koh Kin Lip (My0502)*	10,000,000	0.30
26	CGS-CIMB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Tay Hock Soon (My1055)*	10,000,000	0.30
27	Jaya Prem A/L Gopal Krishnan	10,000,000	0.30
28	Citigroup Nominees (Asing) Sdn Bhd *CBNY For Dimensional Emerging Markets Value Fund*	9,528,690	0.29
29	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Inter Merger Sdn Bhd*	9,314,142	0.28
30	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For TNTT Realty Sdn Bhd*	9,000,000	0.27

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 19th Annual General Meeting of KNM Group Berhad to be conducted fully virtual via remote participation and electronic voting (RPEV) with the live streaming to be broadcasted from Auditorium, 3A Floor, Menara Symphony, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 29 June 2021 at 10.00 a.m. for the following purposes

As Ordinary Business:

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2020 and the Reports of the Directors and Auditors. ***Please refer to Note (i)***

2. To re-elect the following Directors who retire pursuant to Clause 113 of the Company's Constitution:

   (a) Dato' Ab Halim Bin Mohyiddin ***Ordinary Resolution 1***
   (b) Madam Gan Siew Liat ***Ordinary Resolution 2***

3. To re-elect the following Director who retires pursuant to Clause 112 of the Company's Constitution:

   (a) En Mohd Rizal Bahari Bin Md Noor ***Ordinary Resolution 3***

4. To approve the Directors' fees and benefits of RM1,271,173.40 for the financial year ended 31 December 2020. ***Ordinary Resolution 4***

5. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 5***

As Special Business:

To consider and if thought fit, to pass with or without modifications, the following Resolutions:

6. **Retention of Dato' Dr Khalid Bin Ngah as Independent Director** ***Ordinary Resolution 6***

   "**THAT** Dato' Dr Khalid Bin Ngah be and is hereby retained as an Independent Director of the Company and to hold office until the conclusion of the next Annual General Meeting."

7. **Authority to allot and issue shares pursuant to Section 75 of the Companies Act 2016** ***Ordinary Resolution 7***

   "**THAT** subject to the Companies Act 2016 and Constitution of the Company, the Directors be and are hereby empowered, pursuant to Section 75 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed twenty percent (20%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad **AND THAT** such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

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

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

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the day-to-day operations;

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to Related Parties than those generally available to the public; and

(iv) are not to the detriment of minority shareholders.

(hereinafter referred to as the "Proposed Recurrent RPT Mandate")

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

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

9. **Proposed allocation of ESOS Options to Mr Tan Koon Ping** ***Ordinary Resolution 9***

THAT approval be and is hereby given for the Company to offer and to allocate to Mr Tan Koon Ping, being the Group Chief Executive Officer/Executive Director of the Company, options to subscribe for such number of ordinary shares of the Company under the Company's ESOS PROVIDED THAT not more than 10% of the new ordinary shares of the Company available under the Company's ESOS shall be allocated to any individual eligible participant, who, either singly or collectively through persons connected with him/her, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares);

AND subject always to such terms and conditions of the Company's ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By Laws governing and constituting the Company's ESOS.

10. **Proposed allocation of ESOS Options to En Mohd Rizal Bahari Bin Md Noor** ***Ordinary Resolution 10***

THAT approval be and is hereby given for the Company to offer and to allocate to En Mohd Rizal Bahari Bin Md Noor, being a Non-Independent Non-Executive Director of the Company, options to subscribe for such number of ordinary shares of the Company under the Company's ESOS PROVIDED THAT not more than 10% of the new ordinary shares of the Company available under the Company's ESOS shall be allocated to any individual eligible participant, who, either singly or collectively through persons connected with him/her, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares);

AND subject always to such terms and conditions of the Company's ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By Laws governing and constituting the Company's ESOS.

11. To transact any other business of which due notice shall have been given.

By Order of the Board

Hani Syamira Binti Abdul Hamid (SSM PC No. 201908003098) (LS 0009872)
Company Secretary
Seri Kembangan
31 May 2021

Notes:-

(i) This Agenda item is meant for discussion only and is not to be put forward for voting as the provision of Section 340(1) of the Companies Act 2016 does not require formal approval of the shareholders.

(ii) A proxy may but need not be a member of the Company.

(iii) A member shall not, subject to paragraph (iv) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

(iv) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(v) To be valid, the duly completed form of proxy must be deposited at the registered office of the Company at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof. Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at https://boardroomlimited.my not less than twenty-four (24) hours before the time appointed for holding the meeting. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy from the Administration Notes for the AGM.

(vi) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.

(vii) In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2021 shall be eligible to attend the meeting or appoint proxies to attend and vote in his/her stead.

(viii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 19th Annual General Meeting will be put to vote by way of poll.

NOTICE OF
ANNUAL GENERAL MEETING
(CONT'D)

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Retention of Dato' Dr Khalid Bin Ngah as Independent Director

In respect of the proposed Ordinary Resolution 5:-

Dato' Dr Khalid Bin Ngah ("Dato' Dr Khalid") was appointed as an Independent Non-Executive Director on 19 August 2011 and was subsequently designated as a Senior Independent Non-Executive Director on 29 April 2013.

Although he has exceeded the cumulative term limit of nine (9) years as an Independent Director as prescribed by the Malaysian Code on Corporate Governance 2017, the Nomination Committee and the Board of Directors ("the Board"), after having assessed the independence of Dato' Dr Khalid, considers him to be independent based on the following justifications and recommends that Dato' Dr Khalid be retained as an Independent Director of the Company in respect of Ordinary Resolution 5:-

(a) He has confirmed and declared that he is an Independent Non-Executive Director as defined under Paragraph 1.01 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements;
(b) He is not related to any of the Company's directors or major shareholders;
(c) He does not have any conflict of interest with the Company and has not entered/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies;
(d) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiary companies; and
(e) His experience and knowledge of the Company and KNM Group's activities and corporate history is invaluable to the Board. The Board is also of the view that his impartial opinion and advice in his role as the Chairman of Remuneration Committee and ESOS Committee will also be beneficial to the Board and the Company.

2. Authority to allot and issue shares pursuant to Section 75 of the Companies Act 2016

(a) The shareholders' general mandate sought under the proposed Ordinary Resolution 6 is a renewal of the relevant shareholders' general mandate obtained in the previous Company's 18th Annual General Meeting held on 13 August 2020 ("Previous Mandate") and such authority will lapse at the conclusion of the forthcoming 19th Annual General Meeting to be held on 29 June 2021.

(b) In order to eliminate any delay and costs involved in convening a general meeting to approve such issuance of shares, and to give flexibility and expediency to the Company to allot and issue shares, it is considered appropriate that the Directors be empowered, as proposed in Ordinary Resolution 6, if passed, to allot and issue up to twenty percent (20%) of the total number of issued shares of the Company for the time being by 31 December 2021, for such purposes as the Directors deem fit and in the best interest of the Company and after that the ten percent (10%) limit under paragraph 6.03(1) of the Main Market List Requirements will be reinstated pursuant to a directive letter dated 16 April 2020 issued by Bursa Malaysia Securities Berhad. This authority, unless revoked at a general meeting, will expire at the conclusion of the next annual general meeting of the Company.

(c) The Board continues to consider any opportunities to broaden the operating base and earnings potential of the Company. If any fund raising or merger and acquisition or expansion or diversification proposals, as the case may be, involve the issuance of new shares, the Directors would have to convene a general meeting to approve the issuance of new shares.

3. Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature

The proposed Ordinary Resolution 8, if passed, will allow KNM Group to enter into recurrent transactions involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of KNM Group, which are of a revenue or trading nature and necessary for KNM Group's day-to-day operations.

Further information on the Proposed Recurrent RPT Mandate are set out in the Circular to Shareholders dated 31 May 2021 which can be viewed and downloaded from the Company's website at www.knm-group.com.

4. Proposed allocation of ESOS Options to Mr Tan Koon Ping

The proposed Ordinary Resolution 9, if passed, will allow the Board at any time and from time to time during the existence of the ESOS Scheme, to offer and allocate to Mr Tan Koon Ping, being the Group Chief Executive Officer/Executive Director of the Company, the options to subscribe for such number of shares to be issued under the ESOS Scheme subject always to the following:

a. he must not participate in the deliberation or discussion of his own allocation to be issued under the ESOS Scheme; and

b. not more than 10% of the total number of shares to be issued under the ESOS Scheme shall be allocated to him, if he, either singly or collectively through persons connected to him, holds 20% or more of the total number of issued Shares (excluding treasury shares) of the Company, provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time and subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws of the ESOS Scheme.

5. Proposed allocation of ESOS Options to En Mohd Rizal Bahari Bin Md Noor

The proposed Ordinary Resolution 10, if passed, will allow the Board at any time and from time to time during the existence of the ESOS Scheme, to offer and allocate to En Mohd Rizal Bahari Bin Md Noor, being a Non-Independent Non-Executive Director of the Company, the options to subscribe for such number of shares to be issued under the ESOS Scheme subject always to the following:

a. he must not participate in the deliberation or discussion of his own allocation to be issued under the ESOS Scheme; and

b. not more than 10% of the total number of shares to be issued under the ESOS Scheme shall be allocated to him, if he, either singly or collectively through persons connected to him, holds 20% or more of the total number of issued Shares (excluding treasury shares) of the Company, provided always that it is in accordance with the Listing Requirements or any prevailing guidelines issued by Bursa Securities or any other relevant authorities, as amended from time to time and subject always to such terms and conditions and/or adjustments which may be made in accordance with the By-Laws of the ESOS Scheme."

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Details of persons who are standing for election as Directors

There is no individual seeking election as a Director at the 19th Annual General Meeting of the Company pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities.

2. Ordinary resolution on authority to Directors to allot and issue shares

Details of the authority to Directors to allot and issue shares in the Company pursuant to Section 75 of the Companies Act 2016 are stated in the Explanatory Note 1 of the Notice of Annual General Meeting.

ADMINISTRATIVE NOTES FOR THE ANNUAL GENERAL MEETING

Meeting Platform	:	https://web.lumiagm.com/
Day & Date	:	Tuesday, 29 June 2021
Time	:	10.00 a.m.
Broadcast Venue	:	Auditorium, 3A Floor, Menara Symphony, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Mode of Communication	:	Fully Virtual

Dear Valued Shareholders,

As a precautionary measure amid COVID-19 outbreak, the Company's forthcoming Annual General Meeting ("**AGM**") will be conducted on fully virtual basis, as the safety of our members, Directors, employees and other stakeholders who will attend the AGM is of paramount importance to us.

In line with the Malaysian Code on Corporate Governance Practice 12.3, by conducting a virtual AGM, this would facilitate greater shareholders' participation as it facilitates electronic voting and remote shareholders' participation. With the Virtual Meeting Facilities, you may exercise your right as a member of the Company to participate (including to pose questions to the Board of Directors and/or Management of the Company) and vote at the AGM. Alternatively, you may also appoint the Chairman of the Meeting as your proxy to attend and vote on your behalf at the AGM.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when our virtual AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

Digital Copies of AGM Documents

As part of our commitment to reduce paper usage, the following documents are made available on our website, please view and download it for your own reference.

1. Annual Report 2020
2. Corporate Governance Report 2020
3. Notice of 19th AGM, Form of Proxy for 19th AGM, Administrative Notes and Annual Report Request Form
4. Circular in relation to Shareholders' Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature dated 31 May 2021

Should you require a printed copy of the Annual Report 20120, please contact us at 03-8946 3000 or email your request by providing your name, NRIC No. and CDS Account No., Telephone No. and Correspondence Address or the duly completed and signed Annual Report Request Form to the Company Secretary at cosec@knm-group.com for verification purposes. You may also posted the Annual Report Request Form to the Company Secretary at 15 Jalan Dagang SB 4/1 Taman Sungai Besi Indah 43300 Seri Kembangan Selangor Malaysia.

Any request for the printed documents would be forwarded to the requestor within four (4) market days from the date of receipt of the verbal or written request.

Broadcast Venue

Due to the current Covid-19 pandemic, shareholders/proxies/corporate representatives are NOT allowed to participate in the AGM at the Broadcast Venue as the venue is only meant to facilitate the conduct of the virtual AGM. Shareholders who turn up at the Broadcast Venue would be requested to leave the venue politely.

Entitlement to Participate the AGM

In respect of deposited securities, only members whose names appear on the Record of Depositors on 22 June 2020 (General Meeting Record of Depositors) shall be eligible to participate in the AGM or appoint proxy(ies) to participate on his/her behalf.

ADMINISTRATIVE NOTES FOR THE ANNUAL GENERAL MEETING (CONT'D)

<u>Form(s) of Proxy</u>

If you are unable to attend the AGM, you are encouraged to appoint a proxy or the Chairman of the Meeting as your proxy and indicate the voting instructions in the Proxy Form in accordance with the notes and instructions stated therein.

Please ensure that the original Proxy Form is deposited at Registered Office of KNM at 15 Jalan Dagang SB 4/1 Taman Sungai Besi Indah 43300 Seri Kembangan Selangor Malaysia, not less thanrtwenty-four (24) hours before the time appointed for holding the meeting.

Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at https://boardroomlimited.my not less than twenty-four (24) hours before the time appointed for holding the meeting. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy below.

Electronic Lodgement of Form of Proxy

Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only)
[Note: If you have signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 – eProxy Lodgement.]

- Access website <u>https://boardroomlimited.my</u>
- Click **<<Login>>** and click **<<Register>>** to sign up as a user.
- Complete registration and upload softcopy of MyKAD (front and back) or Passport in JPEG,PNG or PDF format.
- Please enter a valid email address and wait for email verification from Boardroom.
- Your registration will be verified and approved within one (1) business day and email notification will be provided to you.

Step 2 – eProxy Lodgement

- Access website <u>https://boardroomlimited.my</u>
- Login with <u>your User ID and Password given above.</u>
- Go to **"E-Proxy Lodgement"** and browse the Meeting List for **"KNM GROUP BERHAD (19th) ANNUAL GENERAL MEETING"** and click **"APPLY"**.
- Read the terms & conditions and confirm the Declaration.
- Enter your CDS Account Number and indicate the number of securities.
- Appoint your proxy(ies) or the Chairman of the Meeting and enter the required particulars for your proxy(ies).
- Indicate your voting instructions – FOR or AGAINST, otherwise your proxy(ies) will decide your votes.
- Review and confirm your proxy(ies) appointment.
- Click submit.
- Download or print the eProxy Form acknowledgement.

REVOCATION OF PROXY

The lodging of the Form of Proxy will not preclude you from personally participating remotely at the 19th AGM should you subsequently wish to do so.

If you have submitted your Proxy Form and subsequently decide to personally participate in the 19th AGM, please write to <u>bsr.helpdesk@boardroomlimited.com</u> to revoke the earlier submitted Proxy Form not less than twenty-four (24) hours before the time appointed for holding the meeting. Upon revocation, your proxy(ies) will not be allowed to participate in the 19th AGM. In such event, kindly advise your proxy(ies) accordingly.

ADMINISTRATIVE NOTES FOR THE ANNUAL GENERAL MEETING (CONT'D)

Voting Procedure

Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, voting at the AGM will be conducted by poll. Poll administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

During the 19th AGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of the poll.

The Scrutineers will verify the poll result reports upon the closing of the poll session by the Chairman. The Chairman will announce the results and declare whether the resolutions put to the vote are successfully carried or not.

Virtual Meeting Facilities

Procedure		Action
Before the day of the AGM		
1.	Register Online with Boardroom Smart Investor Portal	*[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2.] (Request for RPV User ID and Password.)* a. Access website https://boardroomlimited.my b. Click **<<Login>>** and click **<<Register>>** to sign up as a user. c. Complete registration and upload softcopy of MyKAD (front and back) or Passport in JPEG, PNG or PDF format. d. Please enter a valid email address. e. Your registration will be verified and approved within one business day and an email notification will be provided.
2.	Submit request for remote participation	Registration for remote access will be opened on 31 May 2021. Please note that the closing time to submit your request is at 10.00 a.m. on 28 June 2021 (24 hours before the commencement of the AGM). **Individual Members** a. Log in to https://boardroomlimited.my b. Select **"VIRTUAL MEETING"** from main menu and select the correct Corporate Event **"KNM GROUP BERHAD 19th ANNUAL GENERAL MEETING"**. c. Read and agree to the terms & condition. d. Enter your CDS Account and thereafter submit your request. **Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee** a. Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request. b. Please provide a copy of Corporate Representative's MyKad (Front and Back) or Passport in JPEG, PNG or PDF format as well as his/her email address.
3	Email Notification	a. You will receive notification(s) from Boardroom that your request(s) has been received and is/are being verified. b. Upon system verification against the General Meeting Record of Depositories as at 22 June 2021, you will receive an email from Boardroom either approving or rejecting your registration for remote participation together with your remote access user ID and password. c. If your registration is approved, you will also receive your remote access user ID and password along with the email from Boardroom

On the day of the AGM		
4.	Login to Meeting Platform	a. The Meeting Platform will be open for login one (1) hour before the commencement of the AGM. b. The Meeting Platform can be accessed via one of the following : ➢ Scan the QR Code provided in the email notification; ➢ Navigate to the website at https://web.lumiagm.com/ c. Insert the Meeting ID No. and sign in with the user ID and password provided to you via the email notification in Step 3.
5.	Participate	*[Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition. All question and messages will be presented with the full name and identity of the participant raising the question.]* a. If you would like to view the live webcast, select the broadcast icon. b. If you would like to ask a question during the AGM, select the messaging icon. c. Type your message within the chat box, once completed click the send button.
6.	Voting	a. Once voting has been opened, the polling icon will appear with the resolutions and your voting choices. b. To vote simply select your voting direction from the options provided. A confirmation message will appear to show your vote has been received. c. To change your vote, simply select another voting direction. d. If you wish to cancel your vote, please press "Cancel".
7.	End of Participation	Upon the announcement by the Chairman on the closure of the AGM, the live webcast will end and the Messaging window will be disabled.

No Distribution of Door Gifts, Food & Beverage

Shareholders/proxies who turn up at the Broadcast Venue will not be distributed with door gifts, food and beverage.

No Recording or Photography

No recording or photography of the AGM proceedings is allowed without the prior written permission of the Company.

Enquiry

If you have any enquiries prior to the AGM, please contact the following during office hours from Monday to Friday (8.30 a.m. to 5.30. p.m.) :

Boardroom Share Registrars Sdn. Bhd.

Address	:	11th Floor, Menara Symphony No. 5 Jalan Prof. Khoo Kay Kim Seksyen 13 46200 Petaling Jaya Selangor Darul Ehsan Malaysia
General Line	:	+603 7890 4700
Fax Number	:	+603 7890 4670
Email	:	bsr.helpdesk@boardroomlimited.com

Personal Data Policy

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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KNM GROUP BERHAD
(Company No. 521348-H)

FORM OF PROXY

CDS Account Number
Number of Ordinary Shares Held

*I/We ____
(FULL NAME IN BLOCK CAPITALS)

of ____
(FULL ADDRESS)

being a *member/members of **KNM GROUP BERHAD** hereby appoint *(full name as per NRIC and in block capitals)*

(i) ______________________________ NRIC No.:______________

of *(full address)* ____

____

(ii) ______________________________ NRIC No.:______________

of *(full address)* ____

____

or failing *him/her, the Chairman of the meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the 19th Annual General Meeting of the Company to be conducted **fully virtual via remote participation and electronic voting (RPEV)** with the live streaming to be broadcasted from Auditorium, 3A Floor, Menara Symphony, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia on **Tuesday, 29 June 2021 at 10.00 a.m.** or at any adjournment thereof, in the manner indicated below :

No	Ordinary Resolutions	For	Against
1.	Re-election of Dato' Ab Halim Bin Mohyiddin as Director		
2.	Re-election of Madam Gan Siew Liat as Director		
3.	Re-election of En Mohd Rizal Bahari Bin Md Noor as Director		
4.	Approval of Directors' Fees and Benefits		
5.	Re-appointment of Messrs KPMG PLT as Auditors		
6.	Retention of Dato' Dr Khalid Bin Ngah as Independent Director		
7.	Authorisation for Directors to allot and issue shares		
8.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
9.	Proposed Allocation of ESOS Options to Mr Tan Koon Ping		
10.	Proposed Allocation of ESOS Options to En Mohd Rizal Bahari Bin Md Noor		

Please indicate with an "x" in the space provided above how you wish to cast your vote. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

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

First Named Proxy	%
Second Named Proxy	%
Total	100%

Signed (and sealed) this ____________ day of ________________, 2021

____
Signature of Shareholder

____
Common Seal to be affixed here if Shareholder is a Corporate Member

* *Delete if not applicable*

Fold this flap for sealing

Notes:-

(i) A proxy may but need not be a member of the Company.

(ii) A member shall not, subject to paragraph (iii) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

(iii) Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iv) To be valid, the duly completed form of proxy must be deposited at the registered office of the Company at 15 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof. Alternatively, the Proxy Form can also be lodged electronically via "Boardroom Smart Investor Portal" at https://boardroomlimited.my not less than twenty-four (24) hours before the time appointed for holding the meeting. Kindly refer to the procedure for Electronic Lodgement of Form of Proxy from the Administration Notes for the AGM.

(v) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of its officer or attorney duly authorised.

(vi) In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2021 shall be eligible to attend the meeting or appoint proxies to attend and vote in his/her stead.

(vii) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 19th Annual General Meeting will be put to vote by way of poll.

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AFFIX
STAMP

THE COMPANY SECRETARY
KNM GROUP BERHAD
15 Jalan Dagang SB 4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia

1st fold here

KNM Global Contacts:

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www.borsig.de/pro

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www.borsig.de/zm

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www.borsig.de/mt

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Impress Ethanol Co., Ltd.
Impress Farming Co., Ltd.
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KNM Group Berhad (Co. No. : 521348-H)

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Tel No. : +603 8946 3000 **Fax No. :** +603 8943 4781 **Email :** knm@knm-group.com **Website :** www.knm-group.com

CORPORATE GOVERNANCE REPORT

STOCK CODE	**:**	7164
COMPANY NAME	**:**	KNM GROUP BERHAD
FINANCIAL YEAR	**:**	31 DECEMBER 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	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 direction and objectives 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 above 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.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2
A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	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. 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 view of the Board and not the views of an individual or small group of individuals. The current Chairman of the Board is Dato' Ab Halim Bin Mohyiddin who is well-verse in corporate governance and in providing strategic direction. 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 also a Board member of MISC Berhad.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The Board is chaired by a Non-Independent Non-Executive Chairman whilst the Management is helmed by the Group Chief Executive Officer who is also the 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 separation of power between the Chairman of the Board and the Group CEO are clearly stipulated in the Board Charter.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The function of Company Secretary is undertaken by the Head of Corporate Services of KNM Group Berhad, and she is assisted by an Assistant Company Secretary. Both of them have the requisite credential and fulfill the qualification requirements of a company secretary as enshrined in Section 235(2) of Companies Act 2016; they possess valid practicing licenses issued by the Companies Commission of Malaysia (CCM) and The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) respectively.

The Company Secretary kept abreast with regulatory updated changes and developments in corporate governance in order to play an advisory role to the Board and Board Committees in relation to the Company's Constitution, Board policies and procedures, and compliance with the relevant regulatory requirements, codes or guidance and legislations. All Directors have full access to the advice and services of the Company Secretary who ensures that the Board procedures are adhered to at all times during meetings.

The Company Secretary ensures all Board and Board Committee meetings are properly organised and convened in a timely manner. The Company Secretary also ensures that records of meeting deliberations, proceedings and resolutions passed are recorded, properly maintained and secured.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	The Chairman of the Board takes responsibility for ensuring that the members of the Board receive relevant, accurate, and clear information on a timely basis in respect of the Group's financial and operational performance to enable the Board to make sound decision and provide necessary advice. In this respect, the Group Company Secretary will assist the Chairman of the Board to ensure that the process of disseminating the information is effective and reliable. Furthermore, in order to provide for adequate and thorough discussion of the respective matters within a reasonable and sufficient time, the Chairman would decide on the agenda and accordingly structure and prioritise the respective matters based on their relevancy and importance. Generally, the board pack or meeting materials are provided to directors at least 5 days in advance of the board meeting. Prior to each Board meeting, each Director will be provided with the draft minutes of the previous meeting and the agenda together with the respective reports/papers and other board meeting reference materials for each item to be discussed in order for them to be apprised of the topics and to be prepared accordingly. The Company Secretary is responsible to manage the logistics, record keeping as well as facilitating all Board and Board Committees communication. Board and Board Committee meetings proceedings are well-documented by the Company Secretary. The minutes reflect key deliberations and decisions, rationale for each decision as well as any significant concerns, dissenting views or abstentions by Directors from voting and deliberating on specific matters. Meeting minutes are typically approved at the subsequent Board or Board Committee meetings. All discussions, decisions and conclusions are duly recorded in the minutes of meeting. Such minutes are subsequently circulated in a timely manner 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 Group Company Secretary and are open to inspection by the Directors at any time.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The Board maintains a close and effective working partnership with the management in achieving the above mission and is guided by the Board Charter in the performance of its duties.

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 at <u>www.knm-group.com</u>.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application :	Applied	
Explanation on application of the practice :	The Board is committed in conducting its businesses in an ethical and honest manner by implementing and enforcing systems that adhere to the fundamental ethical practices and principles of the Company. The Code of Conduct and Code of Ethics is periodically reviewed and updated as and when necessary. The Code of Conduct and Ethics together with the Standards of Conduct and Best Practices as formulated by the Board for the members' observance are as set out in the Board Charter. A copy of the Code of Conduct and Ethics is available under the Board Charter on the Company's corporate website at www.knm-group.com.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	The Board establishes, reviews and implements policies and procedures on whistleblowing. In line with good corporate governance practices and all applicable laws and regulations in Malaysia, the KNM Group of Companies ("KNMG") encourage its employees or external parties (the "Whistle Blower") to report instances of unethical behaviour, actual or suspected fraud and/or abuse involving the resources of the Company. The objective of this policy is to encourage and facilitate the Whistle Blower to report instances of unethical behaviour, actual or suspected fraud and/or abuse and to ensure that all allegations are thoroughly investigated and suitable actions are taken where necessary. This policy applies to all employees or external parties of KNM Group Berhad and its subsidiaries. This policy will not apply to personal grievances concerning an individual's term and conditions of employment, or other aspects of working relationship, complaints of bullying or harassment or disciplinary matters. Such complaints should be dealt under the existing Human Resource procedures in the Code of Conduct and Ethics adopted by the Company. The Whistle Blower's role is of a reporting party with reliable information and to raise genuine concerns of any unethical behaviour, actual or suspected fraud and/or abuse. They are not required or expected to act as investigators or finders of facts, nor would they determine the appropriate corrective or remedial action. Whistle Blowers should not conduct any investigative activities, nor do they have a right to participate in any investigative activities. It is the policy of the Company to allow the Whistle Blower to either identify themselves or if they prefer, to remain anonymous when reporting suspected and/or known instances of unethical behaviour, fraud and/or abuse. The identity and particulars of the Whistle Blower shall also be kept private and confidential and the Company shall treat all reports or disclosures as sensitive and will only reveal the information if required by law, court or authority.

	KNMG is committed to this policy and assures that the Whistle Blower would be protected against reprisals and/or retaliation, or will not suffer any form of retribution, victimization or detriment for raising allegations of suspected and/or known instances of unethical behaviour, fraud and/or abuse. All costs in relation to any legal liabilities or proceedings (whether criminal or civil) that may be brought against the Whistle Blower shall be borne by the Company and the selection of the lawyer defending the legal action shall be made by the Company.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied
Explanation on application of the practice	:	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 composition was restructured from five (5) Directors to six (6) Directors in order to ensure the effectiveness of the Board. The change of Board composition was due to the appointment of a new director in replacement of the retirement of its Group Chief Executive Officer/Executive Director and the appointment of additional Non-Independent Non-Executive Director. Of the six (6) Directors, two (2) are Executive Directors, two (2) are Non-Independent No Executive Director and the remaining are Independent Non-Executive Directors. The Independent Directors made up of one-third (1/3) of the Board. In view of the need to ensure independent and objective judgement in Board deliberation, the Nomination Committee believes all Independent Directors demonstrate the essential characteristics of independence and bring independent challenge and deliberation to the Board. In addition, any Director who considers that he/she has or might have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Directors' decision in any matter concerning the Company, is required to immediately disclose to the Board and to abstain from participating in any discussion or voting in the specific matter. The Board takes cognizance of the best corporate governance to have half of the Board to be an Independent Directors and will work towards the requirement accordingly. Nevertheless, the Board is of the view that the current Board composition is suffice to ensure the effectiveness of the Board as a whole. Dato' Dr Khalid Bin Ngah acts as the Senior Independent Director to provide a sounding board to the Chairman and acts as an intermediary for other Directors when necessary. The presence of the Senior Independent Director provides an additional channel for the Independent Directors to voice any opinions or concerns that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to rise in open forum. Moreover, the Board operates in a manner that ensures the Directors exercise independent judgement and the interests of shareholders are always at the forefront when important decision is made by the Board.

	The Nomination Committee had conducted the performance assessment for the year 2020 and concluded that the Board as a whole had discharged their roles and responsibilities in a commendable manner.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied
Explanation on application of the practice	:	The Board, through the Nomination Committee assesses Independent Directors annually to ascertain if they display a strong element of objectivity, both in appearance ("perceived independence") as well as of mind ("independence in thought and action"). The Independent Directors have each provided an undertaking to Bursa Malaysia Securities Berhad ("Bursa Securities") since their appointment, confirming and declaring that they are "independent directors" as defined under paragraph 1.01 of the Main Market Listing Requirements ("MMLR") of Bursa Securities. For the financial year ended 31 December 2020, each of the Independent Non-Executive Directors had provided their annual confirmations of independence to the Board based on the Company's criteria of assessing independence in line with the definition of "independent directors" prescribed by the MMLR. The Board, supported by the Nomination Committee evaluates the contribution of the Independent Non-Executive Directors annually so as to be watchful of indicators that may exhibit entrenchment or complacency. Having assessed the said Independent Non-Executive Directors, the Board is of the view that they are able to provide professional views without fear or favour and give their best efforts to contribute towards the stewardship of the Company in attaining greater heights. In addition, they remain objective and independent in expressing their views during the deliberations and decision making of the Board and Board Committees. Currently, Dato' Ab Halim Bin Mohyiddin ("Dato' Ab Halim") who has a cumulative term of more than 12 years' tenure, had been redesignated as Non-Independent Non-Executive Director on 18 June 2020. Another Independent Director, Dato' Dr Khalid Bin Ngah has reached more than 9 years cumulative term as an Independent Non-Executive Director. As such, the Company will seek shareholders' approval at the forthcoming 19th Annual General Meeting for Dato' Dr Khalid continuance as an Independent Non-Executive Director with the justifications as set out hereunder, alternatively, to redesignate him as

	Non-Independent Non-Executive Director. Dato' Dr Khalid Bin Ngah ("Dato' Dr Khalid") was appointed as an Independent Non-Executive Director on 19 August 2011 and was subsequently designated as a Senior Independent Non-Executive Director on 29 April 2013. Although he has exceeded the cumulative term limit of nine (9) years as an Independent Director as prescribed by the Malaysian Code on Corporate Governance 2017, the Nomination Committee and the Board of Directors ("the Board"), after having assessed the independence of Dato' Dr Khalid, considers him to be independent based on the following justifications and recommends that Dato' Dr Khalid be retained as an Independent Director of the Company:- (a) He has confirmed and declared that he is an Independent Non-Executive Director as defined under Paragraph 1.01 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements; (b) He is not related to any of the Company's directors or major shareholders; (c) He does not have any conflict of interest with the Company and has not entered/is not expected to enter into contract(s) especially material contract(s) with the Company and/or its subsidiary companies; (d) He is currently not sitting on the board of any other public and/or private companies having the same nature of business as that of the Company and its subsidiary companies; and (e) His experience and knowledge of the Company and KNM Group's activities and corporate history is invaluable to the Board. The Board is also of the view that his impartial opinion and advice in his role as the Chairman of Remuneration Committee and ESOS Committee will also be beneficial to the Board and the Company.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up
The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	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. Together, the Board members with their different age, financial, commercial, technical and operational expertise as well as business acumen and skills, bring with them a wide and diverse range of experience essential in the management and direction of the Company. In view of the composition of the Board and having regard to the calibre of the Directors and their diverse range of skills, expertise and experience; the interest of investors, including the Company's minority shareholders, are adequately protected and advanced. The aspects of diversity are considered by the Board in identifying candidates for board and senior management positions. The criteria for board diversity including selection and evaluation of candidates is formalised in the Board Charter such as diverse ethnic, race, religion and gender. The Board upon the recommendation of the Nomination Committee, evaluates and decides on the appointment of the proposed candidate to the Board. The appointment of Senior Management personnel is closely scrutinised and decisions are made based on predetermined criteria that includes skill sets, integrity and leadership qualities, driven by their respective job descriptions.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">At the end of the financial year under review, the Board comprised of six (6) Directors, two (2) of whom are female Directors. In view thereof, 33.33% of the Board composition is represented by the feminine gender, well surpassed the minimum recommended requirement of 30%.

The two (2) female Directors are Madam Gan Siew Liat and Madam Soh Yoke Yan.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	All appointments to the Board and its various Board Committees are assessed and considered by the Nomination Committee. In making these recommendations, due consideration is given to the required mix of skills, knowledge, expertise, experience, professionalism and integrity that the proposed candidate(s) shall bring to complement the Board and/or Board Committees. The Board may also consider and exercise judgment in determining the appropriate number and size of the Board relative to the level of investment by the shareholders in the Company. The Nomination Committee may identify candidates for appointment as new directors through the business network of board members, through external independent professional advisors or independent search firms to assist in the search for suitable candidates for directorships. All Directors are expected to be individuals with integrity, professional ethics, sound business judgement as well as devotion of time and efforts to the Group's business and affairs.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<table>
<tr><td>Application :</td><td colspan="2">Departure</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2"></td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2">The Nomination Committee comprises three (3) members, two (2) of whom are exclusively Independent Non-Executive Directors, the remaining are Non-Independent Non-Executive Director.

Currently, the Nomination Committee is chaired by a Non-Independent Non-Executive Director who is also the Chairman of the Board. The Board take cognizance of Practice 4.7 and it will be restructured in due course.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied	
Explanation on application of the practice	:	The responsibility for annual evaluation to determine the effectiveness of the Board, its committees and each individual director falls on the Nomination Committee which 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.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application :	Applied	
Explanation on application of the practice :	The Remuneration Committee is responsible for recommending to the Board, *inter alia,* the remuneration 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 resources consultants, the Remuneration Committee ensures that the remuneration packages recommended are appropriate and competitive. All recommendations of the Remuneration Committee in respect of remuneration packages of 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.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	The Remuneration Committee comprises five (5) members, amongst others are two (2) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and the Executive Vice Chairman. 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 the Executive Directors, in all its forms, drawing from outside advice as necessary. The Remuneration Committee is regulated by its own written Terms of Reference which deals with the Committees' authorities and duties and are disclosed under the Board Charter in the Company's corporate website at www.knm-group.com.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application :	Applied
Explanation on application of the practice :	In line with best corporate governance practice, the disclosure of the Directors' remuneration on a named basis has been made in the Annual Audited Financial Statements over the years. The detailed remuneration comprising of directors' fees and other emoluments/salary for the year under review payable and/or paid respectively to the Directors are disclosed in aggregated detail as listed out in the table below. In accordance with Section 230 of the Companies Act 2016, the remuneration is tabled to shareholders for approval at the Annual General Meeting.

Company

Category of	**Fee**	**Other emoluments*/ Salary****	**Total**
Directors	**(RM'000)**	**(RM'000)**	**(RM'000)**
Executive Directors			
Ir Lee Swee Eng (Retired on 09.07.2020)	82.56	1,450.79	1,533.35
Gan Siew Liat	157.50	1,470.13	1,627.63
Tan Koon Ping (Appointed on 09.07.2020)	75.36	568.93	644.29
Non-Executive Directors			
Dato' Ab Halim bin Mohyiddin	157.50	91.64	249.14
Dato' Dr Khalid bin Ngah	157.50	82.00	239.50
Soh Yoke Yan	157.50	73.36	230.86
Mohd Rizal Bahari bin Md Noor (Appointed on 25.11.2020)	15.75	3.60	19.35
Total	**803.67**	**3,590.145**	**4,393.82**

Group

Category of	**Fee**	**Other emoluments*/ Salary****	**Total**
Directors	**(RM'000)**	**(RM'000)**	**(RM'000)**
Executive Directors			
Ir Lee Swee Eng (Retired on 09.07.2020)	82.56	1,718.49	1,801.05
Gan Siew Liat	157.50	1,319.83	1,477.33
Tan Koon Ping (Appointed on 09.07.2020)	75.36	616.43	691.79

Non-Executive Directors			
Dato' Ab Halim bin Mohyiddin	157.50	91.64	249.14
Dato' Dr Khalid bin Ngah	157.50	82.00	239.50
Soh Yoke Yan	157.50	73.36	230.86
Mohd Rizal Bahari bin Md Noor (Appointed on 25.11.2020)	15.75	3.60	19.35
Total	**803.67**	**3,590.145**	**4,393.82**

Notes:-

* Other emoluments include board committee fees, bonuses, allowances, provision of handphones and company cars.

** The salary is inclusive of employer's statutory contribution to Employees Provident Fund.

Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application :	Applied	
Explanation on application of the practice :	The two (2) Executive Directors on the Board also occupy the offices of the Senior Management of the KNM Group. By virtue of the application of Practice 7.1, KNM Group has simultaneously applied Practice 7.2. The detailed remuneration of the Executive Directors is disclosed under the explanation of Practice 7.1 above. Meanwhile, as for Senior Management, the Board has taken the reporting approach of a no named basis for other 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 is rampant.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not adopted, as explained in 7.2.
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application :	Applied	
Explanation on application of the practice :	Madam Soh Yoke Yan, who is an Independent Director, serves as the Chairman of the Audit Committee whilst Dato' Ab Halim bin Mohyiddin serves as the Chairman of the Board. Having the positions of the Chairman of the Board and Chairman of the Audit Committee assumed by different individuals allows the Board to review the Audit Committee's findings and recommendations with unfettered objectivity. The Chairman of the Audit Committee functions as the Company's independent watchdog to ensure the integrity of finance controls and combined assurance. Madam Soh is a 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. Madam Soh 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 boards of several other private limited companies.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The existing Terms of Reference ("TOR") of the Audit Committee is yet to contain a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:	The Board takes cognizance of the importance in terms of governance to modify the Audit Committees' TOR to include the above new policy.	
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee is the Board's principal agent in ensuring the independence of the Company's external auditors, the objectivity of the Company's internal auditors, the integrity of management and management policies and the adequacy of disclosures to shareholders. Such policies and procedures are contained in the Audit Committee TOR.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Departure
Explanation on adoption of the practice	:	The current Audit Committee members comprise of two (2) Independent Directors and a Non-Independent Director. The Board is of the view that the Non-Independent Director, namely Dato' Ab Halim Bin Mohyiddin who was previously an Independent Director is the best to be placed in Audit Committee due to his vast and extensive experience in the areas of accounting, finance and audit which will bring benefits to the Group.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied	
Explanation on application of the practice	:	The Audit Committee is chaired by an Independent Director who is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. In addition, all 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 is committed to ensure that its Directors and Board Committees receive continuous education and further training updates from time to time. The Board and its Committees 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.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1
The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	The Board acknowledges its responsibilities for the Group's system of internal controls and risk management practices to safeguard the shareholders investment and the Group's assets. The Board also believes that the Group's system of internal controls and risk management practices are vital to good corporate governance. The Group has established an in-house Internal Audit Department which provides the internal audit function to the Group. The in-house internal audit function is additionally supported by outsourced internal auditors, namely Tricor Axcelasia Sdn Bhd, a subsidiary of Tricor Group. The Group Internal Audit, which reports directly to the Audit Committee, reviews the effectiveness and efficiency of internal control framework. The findings arising from the internal audit process are presented to the Management along with the recommendations and considerations for improvements and are subsequently escalated to the Audit Committee. Any significant changes to existing risks or emerging risks of the business units in the Group, together with the appropriate actions and/or strategies to be taken, will be brought to the attention of the Board by the Chairman of the Audit Committee. The Board has also developed a risk management framework and has put in place an Enterprise-Wide Risk Management framework 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 quarterly by the Risk Management Committee ("RMC"). The RMC, chaired by the Group Chief Executive Officer/Executive Director, 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 Board, as a whole would continue to monitor and review the

	effectiveness and adequacy of the Group's risk management and internal control framework to ensure they continue to be resilient and reliable.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The Board has disclosed the key features of its risk management and internal control system as well as its adequacy and effectiveness in the Statement on Risk Management and Internal Control in the Company's Annual Report 2020.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not adopted
Explanation on adoption of the practice	:	The Risk Management Committee is solely consists of Management whom reports to Audit Committee. Audit Committee monitors the progress of Risk Management Committee by reviewing reports of Risk Management Committee on the risks level of the Group and provide the constructive advices on handling the risks encountered by the Group.

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	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 controls. The Head of Internal Audit regularly reviews and appraises the systems of risk management, internal controls and governance processes within the Company and/or the Group.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2
The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	The Internal Audit function reports directly to the Audit Committee and operates in accordance with the frameworks 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 system of internal controls. The resources available (internal and external) and qualification of the persons responsible for internal audit are disclosed in the Audit Committee Report section of the Annual Report 2020. The Internal Audit function is carried out in accordance with the International Professional Practices Framework for Internal Auditing promulgated by the Institute of Internal Auditors. The internal audit function is independent, objective, sufficiently resourced to undertake its functions, and is carried out in accordance with a recognised framework.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application :	Applied	
Explanation on application of the practice :	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 is endeavour 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").	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Not Applicable	
Explanation on application of the practice	:		
Explanation for departure	:	The practice is not applicable to the Company in view that the Company does not currently fall within the "Large Companies" definition. However, the Company aims to adopt integrated reporting in the future and will initiate its journey towards this.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1
Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application :	Applied	
Explanation on application of the practice :	The Board considers the AGM as an invaluable platform for shareholders to engage the Board and Management of the Company in a productive and constructive two-way dialogue. As such, the Board strives to ensure that shareholders are accorded with sufficient time to prepare and accord due consideration to the resolutions that will be discussed and decided upon at the AGM. Thus, the AGM Notice of the Company is always given to the shareholders at least 28 days prior to the meeting. The notice of the forthcoming 19^{th} AGM is dated 31 May 2021 whilst the meeting is scheduled to be held in June 2021, giving the shareholders 28 clear days' notice. The Notice of Annual General Meeting ("AGM") with the detailed Agenda, Annual Report and Circular to Shareholders are announced to Bursa Securities, published on the Company's website and issued at least 28 days before the Company's AGM. Printed copies are made available to shareholders who request for hardcopy Annual Report and Circular to Shareholders. In order to achieve the widest possible dissemination, the Company also publishes the notice of AGM in a nationally circulated newspaper in addition to the Company's website, and the announcement to Bursa Malaysia Securities Berhad. Furthermore, the Notice of the AGM outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">The general meetings of the Company are normally attended by all Directors. Explanations are provided during shareholders' meetings in relation to the queries that are posted by shareholders and clarification made to proposed resolutions on key corporate proposals to enable shareholders to make informed decisions.

During the previous AGM, all Directors were in full attendance to answer questions pertaining to the resolutions being proposed, financial performance, business operations, corporate governance matters and other matters that are of shareholders' concerns. The summary of key matters discussed during the previous AGMs were made available on the Company's website in accordance with paragraph 9.21(2)(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board appointed the Group CEO as its representative to address any queries raised by shareholders, stakeholders and analysts. The Chairmen of Board Committees supplemented the discussions on matters that fall under the purview of the respective Committees.

The Company's external auditors and the relevant advisers of the Company and the key management will also attend such general meetings and be available to answer questions raised where appropriate.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="3">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied	
Explanation on application of the practice	:	The Board always ensure the general meetings be held at an easily accessible venue to facilitate high shareholders' attendance. The Company had also adopted electronic polling system of voting for greater transparency. The voting procedures were conducted by poll administrator and an independent scrutineer was appointed to validate the votes casted. Alternatively, shareholders are also allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his stead at a general meeting. As for voting in absentia and remote shareholders' participation, the existing proxy form authorising proxies or Chairman of meeting as an alternative measure adopted by the Company. Due to the outbreak of the COVID-19 pandemic, the Company has conducted its 18th AGM via remote shareholders' participation and electronic voting. Electronic voting devices had been utilised to provide a more efficient and accurate outcome of the voting results. This fully virtual meeting had enabled remote shareholders' participation and online remote voting by leveraging technology in accordance with Section 327 of the CA 2016 and Article 67 of the Constitution of the Company.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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