

Circular/Notice to Shareholders

KNM GROUP BERHAD

Subject Proposed Renewal of Shareholders' Mandate for Share Buy-Back and
Proposed Shareholders' Mandate for Recurrent Related Party Transactions of
a Revenue or Trading Nature

Please refer attachment below.

Attachments

[KNM - SBB RRPT Circular 2020.pdf](#)

448.9 kB

THIS STATEMENT/CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

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



KNM GROUP BERHAD
(Company No. 521348-H)

PART A

STATEMENT

in relation to

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK

PART B

CIRCULAR TO SHAREHOLDERS

in relation to

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

The above proposals will be tabled as Special Business at KNM Group Berhad's ("KNM") 18th Annual General Meeting ("18th AGM") will be held on Thursday, 13 August 2020 at 10.00 a.m., to be conducted fully virtual via remote participation and electronic voting with the live streaming to be broadcasted from Auditorium, 3A Floor, Menara Symphony, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. Notice of the 18th AGM together with the Form of Proxy, can be viewed and downloaded from the Company's website at www.knm-group.com ("KNM Website").

The Form of Proxy must be completed and deposited at the registered office of KNM at 15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time fixed for the 18th AGM or at any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 18th AGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	:	12 August 2020 at 10.00 a.m.
Date and time of the 18 th AGM	:	13 August 2020 at 10.00 a.m.

This Statement/Circular is dated 30 June 2020

DEFINITIONS

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

Act	:	Companies Act 2016, including any amendment that may be made from time to time.
AGM	:	Annual General Meeting.
Automated Trading System	:	The automated and computerised securities trading system established by the Bursa Securities.
Board Lot	:	A parcel of securities comprising 100 units or any other number of securities permitted by the Bursa Securities to be traded on the stock market.
Board or the Directors	:	Board of Directors of KNM.
Bursa Securities	:	Bursa Malaysia Securities Berhad.
CMSA	:	Capital Markets and Services Act 2007.
Director	:	Has the meaning given in Section 2 of the Act and Section 2(1) of the CMSA. For the purposes of the Proposed Recurrent RPT Mandate, includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a Director or a chief executive of KNM or its subsidiary.
Direct Business Transaction	:	A transaction in securities entered into outside the Automated Trading System of the Bursa Securities in accordance with the Rules of the Bursa Securities.
GBP	:	Great Britain Pound.
Interested Related Parties	:	Related Parties who are interested in the Proposed Recurrent RPT Mandate.
KNM or the Company	:	KNM Group Berhad.
KNM Group or the Group	:	KNM and its subsidiaries.
KNM Shares or Shares	:	Ordinary shares in KNM.
Listing Requirements	:	Bursa Securities Main Market Listing Requirements, including any amendment that may be made from time to time.
Major Shareholder	:	<p>Includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of KNM or any other corporation which is KNM's subsidiary as defined under paragraph 1.01 of the Listing Requirements and reproduced hereinunder:</p> <p>A major shareholder means a person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:</p> <p>(a) 10% or more of the total number of voting shares in the corporation; or</p> <p>(b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.</p> <p>For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in Section 8 of the Act.</p>
Market Day	:	Any day between Mondays and Fridays (both inclusive) which Bursa Securities is open for the trading of securities.
NA	:	Net Assets.

DEFINITIONS (cont'd)

Odd Lot	:	Any number of such securities which is less than the number of securities prescribed by Bursa Securities as a Board Lot.
Person Connected	:	Shall be as defined in Chapter 1 of the Listing Requirements
Proposed Recurrent RPT Mandate or Proposed 2019 RRPT Mandate	:	Proposed shareholders' mandate for Recurrent RPTs as disclosed in this Statement/Circular.
Proposed Share Buy-Back Mandate	:	Proposed renewal of the authorisation for KNM to purchase its own Shares, which when aggregated with the Shares already purchased previously and retained as Treasury Shares, up to a maximum of ten percent (10%) of its total number of issued shares.
Purchased Shares	:	Shares purchased pursuant to the Company's share buy-back exercise.
Related Party or Related Parties	:	Director(s), Major Shareholder(s) or Person(s) Connected.
Related Party Transaction(s) or RPT(s)	:	Transaction(s) entered into by the Group which involves the interest, direct or indirect, of Related Party(ies).
Recurrent RPT(s)	:	A Related Party Transaction(s) which is/are recurrent, of a revenue or trading nature and which is/are necessary for day-to-day operations of KNM Group.
RM and sen	:	Ringgit Malaysia and sen respectively.
Rules of the Bursa Securities	:	Rules of Bursa Malaysia Securities Berhad, including any amendment that may be made from time to time.
Substantial Shareholder(s)	:	A person who has an interest or interests in one or more voting Shares and the nominal amount of that Shares, or the aggregate of the nominal amounts of those Shares, is not less than 5% of the aggregate of the nominal amounts of all voting Shares as defined under Section 136(1)(a) of the Act. "Interest in Shares" shall have the meaning given in Section 8 of the Act.
THB	:	Thai Baht
Treasury Shares	:	Purchased Shares which are or will be retained as treasury shares.
2019 RRPT Mandate	:	The shareholders' mandate obtained at the Company's 17 th AGM on 19 June 2019 for KNM Group to enter into recurrent related party transactions as disclosed in the preceding year's circular to shareholders dated 30 April 2019 from even date, and shall expire at the conclusion of the forthcoming 18 th AGM to be held on 18 August 2020.

CONTENTS

PART A

STATEMENT IN RELATION TO PROPOSED SHARE BUY-BACK MANDATE:		<u>Page</u>
1.	INTRODUCTION	1
2.	DETAILS OF PROPOSED SHARE BUY-BACK MANDATE	
2.1	RATIONALE	2
2.2	POTENTIAL ADVANTAGES AND DISADVANTAGES	2
2.3	FUNDING	3
2.4	EFFECTS	3
2.5	PURCHASE, RESALE AND CANCELLATION OF KNM SHARES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2019	4
2.6	PUBLIC SHAREHOLDING SPREAD	4
2.7	HISTORICAL SHARE PRICES	5
2.8	IMPLICATIONS IN RELATION TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2016	5
3.	APPROVAL REQUIRED	5
4.	INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED	5
5.	DIRECTORS' RECOMMENDATION	5

PART B

CIRCULAR TO SHAREHOLDERS IN RELATION TO PROPOSED RECURRENT RPT MANDATE:		<u>Page</u>
1.	INTRODUCTION	6
2.	DETAILS OF PROPOSED RECURRENT RPT MANDATE	
2.1	LISTING REQUIREMENTS	6
2.2	VALIDITY PERIOD	7
2.3	PRINCIPAL ACTIVITIES OF KNM GROUP	7
2.4	NATURE OF RECURRENT RPTs AND CLASS OF RELATED PARTIES	8
2.5	OUTSTANDING AMOUNT DUE AND OWING UNDER THE RECURRENT RPTs	10
3.	RATIONALE FOR PROPOSED RECURRENT RPT MANDATE	11
4.	EFFECTS OF PROPOSED RECURRENT RPT MANDATE	11
5.	THRESHOLD FOR APPROVAL OF RECURRENT RPTs	11
6.	REVIEW PROCEDURES FOR RECURRENT RPTs	11
7.	STATEMENT FROM THE AUDIT COMMITTEE	12
8.	APPROVAL REQUIRED	12
9.	INTERESTS OF INTERESTED RELATED PARTIES	12
10.	DIRECTORS' RECOMMENDATION	13
11.	AGM	13
12.	FURTHER INFORMATION	13

APPENDICES

APPENDIX I – EXTRACT OF RESOLUTIONS	14
APPENDIX II – FURTHER INFORMATION	16

PART A
STATEMENT

in relation to

PROPOSED SHARE BUY-BACK MANDATE



KNM GROUP BERHAD
(Company No. 521348-H)

STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK

1. INTRODUCTION

At the 17th AGM held on 19 June 2019, the Company had obtained shareholders' approval for the renewal of authority for the Company to purchase KNM Shares up to ten percent (10%) of the total number of issued shares of KNM. The said authorisation shall, in accordance with the Listing Requirements, expire at the conclusion of the 18th AGM unless a renewal of the mandate is obtained from shareholders.

On 28 May 2020, the Board announced the Company's intention to seek its shareholders' authorisation for the Proposed Share Buy-Back Mandate at the 18th AGM.

The purpose of this Statement is to provide you with the relevant information of the Proposed Share Buy-Back Mandate, and to seek your approval for the resolution to be tabled at the forthcoming 18th AGM of the Company as set out in Appendix I of this Statement/Circular.

2. DETAILS OF PROPOSED SHARE BUY-BACK MANDATE

The Board seeks shareholders' approval for the renewal of the authority for the Company to purchase KNM Shares through stockbroker(s) and/or hold from time to time, and at any time up to ten percent (10%) of the total number of issued shares of KNM for the time being quoted on Bursa Securities.

The Proposed Share Buy-Back Mandate is subject to Section 127 of the Act and all other applicable and prevailing laws, rules, regulations, orders, guidelines and requirements, and shall be effective upon the passing of the relevant Ordinary Resolution at the forthcoming 18th AGM.

The Proposed Share Buy-Back Mandate will continue to be in force until the conclusion of the next AGM of the Company unless a renewal of authority conferred is obtained from shareholders; or upon the expiration of the period within which the next AGM is required by law to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension that may be allowed pursuant to Section 340(4) of the Act); or revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever occurs first.

Pursuant to the Listing Requirements, the Company may only purchase its own Shares at a price which is not more than fifteen percent (15%) above the weighted average market price for KNM Shares for the five (5) Market Days immediately before the purchase, and the Company may only resell the Treasury Shares on the market of Bursa Securities at:

- (a) a price which is not less than the weighted average market price for KNM Shares for the five (5) Market Days immediately before the resale; or
- (b) a discounted price of not more than five percent (5%) to the weighted average market price for KNM Shares for the five (5) Market Days immediately before the resale provided that:
 - (i) the resale takes place no earlier than thirty (30) days from the date of purchase; and
 - (ii) the resale price is not less than the cost of purchase of the shares being resold.

The Directors may deal with the Purchased Shares, partially or entirely, at their discretion in the following manners:

- (a) cancel the Purchased Shares; and/or
- (b) retain the Purchased Shares as Treasury Shares; and/or
- (c) distribute the Treasury Shares as dividends to the shareholders (“Share Dividends”); and/or
- (d) resell the Treasury Shares on the market of Bursa Securities in accordance with the Listing Requirements; and/or
- (e) transfer for purposes of an employees’ share scheme and/or as purchase consideration; and/or
- (f) deal with the Purchased Shares and/or Treasury Shares in any other manner as prescribed by the applicable rules, regulations and orders made pursuant to the Act, the Listing Requirements and any other relevant authority for the time being in force.

The Company will ensure that any purchase of KNM Shares or resale of its Purchased Shares and/or Treasury Shares by the Company is effected only on the market of Bursa Securities. However, the Company may purchase its Odd Lot shares through a Direct Business Transaction; or in any other manner as may be approved by the Bursa Securities, in accordance with such requirements as may be prescribed or imposed by Bursa Securities pursuant to Paragraph 12.26 of the Listing Requirements.

The actual number of KNM Shares to be purchased depends on the stock market sentiment, the retained earnings and share premium of the Company as well as the financial resources available to the Company.

2.1 RATIONALE

The potential benefits of the Proposed Share Buy-Back Mandate, if implemented, to the Company and its shareholders are as follows:

- (a) The Group is able to utilise its surplus financial resources that the Group has no immediate use to purchase KNM Shares when the price is deemed undervalued.
- (b) The Proposed Share Buy-Back may stabilise the supply, demand and price of KNM Shares in the open market thereby supports its fundamental values.
- (c) Treasury Shares can be transferred as purchase consideration and/or distributed as Share Dividends and/or be resold on the market of Bursa Securities at a higher price with the intention of realising potential gain without affecting the total number of issued share capital of the Company.
- (d) In the event the Treasury Shares are transferred to employees of the Group, this would serve as a reward to the employees of the Group.

2.2 POTENTIAL ADVANTAGES AND DISADVANTAGES

The potential advantages of the Proposed Share Buy-Back Mandate are outlined in Section 2.1 of this Statement.

The potential disadvantages of the Proposed Share Buy-Back Mandate, if implemented, are as follows:

- (a) The Proposed Share Buy-Back Mandate will reduce the financial resources of the Company and might result in the Group forgoing other alternative investment opportunities which may emerge in the future.
- (b) As the Proposed Share Buy-Back Mandate is subject to the retained profits of the Company, it may result in the reduction of financial resources available for distribution to the shareholders of the Company in the immediate future.

The Board is mindful of the interests of the Company and that of its shareholders in undertaking the Proposed Share Buy-Back Mandate. The Proposed Share Buy-Back Mandate is not expected to cause any potential material disadvantage to the Company and its shareholders as any share buy-back exercise shall be undertaken after an in-depth consideration of the financial resources of and resultant impacts on the Group.

2.3 FUNDING

The Proposed Share Buy-Back Mandate will be financed through internal funds of the Company and/or external borrowings. The maximum amount of funds to be allocated for the Proposed Share Buy-Back Mandate is limited to the retained earnings of the Company based on the latest audited and unaudited financial statements of the Company available.

In the event that the Company purchases its own Shares using external borrowings, the Board shall ensure the Company has sufficient funds to repay external borrowings and the repayment will not have any material effect on the cash flow of the Group.

2.4 EFFECTS

In the event the Proposed Share Buy-Back is implemented in full, the proforma effects on the share capital, NA, working capital, earnings, dividends and shareholdings of Directors and Substantial Shareholders are as follows:

2.4.1 Share Capital

The Proposed Share Buy-Back Mandate is not expected to have any effect on the issued and paid-up share capital of KNM if the Purchased Shares are retained as Treasury Shares but the rights attaching to the Treasury Shares as to voting, dividends and participation in other distribution or otherwise will be suspended. While these Purchased Shares are retained as Treasury Shares, the Act prohibits such Treasury Shares be taken in calculating the number or percentage of Shares in the Company for any purpose whatsoever on substantial shareholdings, takeovers, notices, requisitioning of meetings, quorum for a meeting and results of a vote on resolution at a meeting.

On the assumption that the Purchased Shares (up to ten percent (10%) of the issued share capital of KNM and including the KNM Shares previously purchased and currently retained as Treasury Shares) are cancelled, the issued and paid-up share capital of KNM will be as follows:

	No. of KNM Shares
Existing issued and paid-up share capital of KNM as at 30 April 2020 (including the existing Treasury Shares)	2,644,720,755
Number of Purchased Shares to be cancelled pursuant to the Proposed Share Buy-Back Mandate	(264,472,076)
Resultant issued and paid-up share capital upon full implementation of the Proposed Share Buy-Back Mandate	2,380,248,679

Currently, the accumulated losses of the Company based on the latest audited financial statements of the Company as at 31 December 2019 was RM116.66 million.

2.4.2 NA

The Proposed Share Buy-Back Mandate is likely to reduce the NA per share of the Company and the Group if the purchase price exceeds the audited NA per share of the Group at the time of purchase, and will increase the NA per share of the Group if the purchase price is less than the audited NA per share of the Group at the time of purchase.

For Purchase Shares which are retained as Treasury Shares, the NA of the Group will increase upon the resale of these Treasury Shares, assuming that a gain has been realized. The quantum of increase in NA will depend on the actual selling price of Treasury Shares and the number of Treasury Shares resold.

2.4.3 Working Capital

The Proposed Share Buy-Back Mandate will reduce the cashflow and working capital of the Company, the quantum of which depends on the purchase price and the actual number of Purchased Shares.

On the other hand, if Treasury Shares are resold, then the cashflow and working capital of the Company will increase. The quantum of increase depends on the actual selling price and the number of Treasury Shares resold.

2.4.4 Earnings

The effect of the Proposed Share Buy-Back Mandate on the consolidated earnings of KNM depends on the purchase price, the number of Purchased Shares and the effective funding cost to the Company in implementing the Proposed Share Buy-Back Mandate.

2.4.5 Dividends

Barring any unforeseen circumstances, the Board does not expect, if the Proposed Share Buy-Back Mandate were to be implemented in full, would materially affect any declaration or recommendation of dividends by the Company. The actual dividend rate to be declared and paid will depend on, amongst others, the actual results of the Group, its cash reserves, capital commitment and future funding requirements.

2.4.6 Shareholdings of Directors and Substantial Shareholders

The effect of the full implementation of the Proposed Share Buy-Back Mandate on the shareholdings of Directors and Substantial Shareholders are set out as follows:

Directors	Before the Proposed Share Buy-Back Mandate (excluding the Treasury Shares held as at 30 April 2020)				After the Proposed Share Buy-Back Mandate (assuming 10% of the share capital of KNM were purchased and cancelled)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Ab Halim bin Mohyiddin	2,652,500	0.10	-	-	2,652,500	0.11	-	-
Ir Lee Swee Eng	68,408,838	2.62	221,066,459 ^a	8.45	68,408,838	2.87	221,066,459 ^a	9.29
Dato' Dr Khalid bin Ngah	1,715,000	0.07	-	-	1,715,000	0.07	-	-
Soh Yoke Yan	-	-	-	-	-	-	-	-
Gan Siew Liat	9,045,000	0.34	221,066,459 ^b	8.45	9,045,000	0.38	221,066,459 ^b	9.29

Substantial Shareholders	Before the Proposed Share Buy-Back Mandate (excluding the Treasury Shares held as at 30 April 2020)				After the Proposed Share Buy-Back Mandate (assuming 10% of the share capital of KNM were purchased and cancelled)			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Inter Merger Sdn Bhd	158,224,651	6.05	-	-	158,224,651	6.65	-	-
Ir Lee Swee Eng	68,408,838	2.62	221,066,459 ^a	8.45	68,408,838	2.87	221,066,459 ^a	9.29
Gan Siew Liat	9,045,000	0.34	221,066,459 ^b	8.45	9,045,000	0.38	221,066,459 ^b	9.29

Notes:-

- 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 children in KNM.

2.5 PURCHASE, RESALE AND CANCELLATION OF KNM SHARES DURING THE PRECEDING TWELVE MONTHS

On 9 March 2020, the Company had purchased 6,500,000 KNM Shares.

As at 30 April 2020, a total of 29,841,275 KNM Shares have been purchased and the Company has not resold, transfer or cancelled any Treasury Shares during the preceding 12 months.

2.6 PUBLIC SHAREHOLDING SPREAD

As at 21 May 2020 being the Last Practicable Date, the public shareholding spread of the Company was 85.59%. The Board is mindful of the requirement to maintain the public shareholdings spread of at least twenty-five percent (25%) and will continue to be mindful of the said requirement prior to any share buy-back exercise.

2.7 HISTORICAL SHARE PRICES

The monthly highest and lowest prices of KNM Shares as traded on Bursa Securities for the past twelve (12) months from May 2019 to April 2020 are as follows:-

<u>2019</u>	<u>High</u> <u>(RM)</u>	<u>Low</u> <u>(RM)</u>
May	0.210	0.165
June	0.260	0.180
July	0.440	0.265
August	0.415	0.325
September	0.425	0.360
October	0.470	0.365
November	0.475	0.345
December	0.390	0.305
<u>2020</u>		
January	0.380	0.260
February	0.285	0.200
March	0.215	0.085
April	0.180	0.105

The last transacted price of KNM Shares on 21 May 2020 being the Last Practicable Date was 0.220.

2.8 IMPLICATIONS IN RELATION TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS 2016 ("THE CODE")

The Board does not anticipate any implication relating to the Code (as may be amended or modified from time to time) even if the allowed maximum number of KNM Shares is purchased pursuant to the authority granted under the Proposed Share Buy-Back Mandate.

However, in the event that the obligation of Substantial Shareholders and/or persons acting in concert is triggered due to the Proposed Share Buy-Back Mandate, the affected Substantial Shareholders and/or persons acting in concert may seek a waiver under Section 219 of the CMSA subject to the relevant conditions being met since the increase of their shareholdings is inadvertent and is a result of an action beyond their direct participation.

3. APPROVAL REQUIRED

The Proposed Share Buy-Back Mandate is subject to the approval of the shareholders of KNM at its forthcoming 18th AGM.

4. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED

Save for the inadvertent increase in the percentage shareholdings and/or voting rights of the shareholders of the Company as a consequence of the Proposed Share Buy-Back Mandate, none of the Directors or Major Shareholders or Persons Connected has any interest, direct or indirect, in the Proposed Share Buy-Back Mandate or resale of Treasury Shares, if any.

5. DIRECTORS' RECOMMENDATION

Having considered all aspects of the Proposed Share Buy-Back Mandate, the Board is of the opinion that this proposal is in the best interest of KNM. Accordingly, the Board recommends that you vote in favour of the resolution in respect of the Proposed Share Buy-Back Mandate to be tabled at the forthcoming 18th AGM.

This Statement is dated 30 June 2020.

PART B
CIRCULAR TO SHAREHOLDERS
in relation to
PROPOSED RECURRENT RPT MANDATE



KNM GROUP BERHAD
(Company No. 521348-H)

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

30 June 2020

Directors:

Dato' Ab Halim bin Mohyiddin, *Non-Independent Non-Executive Chairman*
Ir Lee Swee Eng, *Group Chief Executive Officer/Executive Director*
Dato' Dr Khalid bin Ngah, *Senior Independent Non-Executive Director*
Madam Soh Yoke Yan, *Independent Non-Executive Director*
Madam Gan Siew Liat, *Senior Executive Director*

To the Shareholders of KNM Group Berhad

Dear Sir/Madam,

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

1. INTRODUCTION

At the 17th AGM of the Company held on 19 June 2019, the Company had obtained a mandate from its shareholders for Recurrent RPTs pursuant to the Listing Requirements. The authority granted pursuant to the shareholders' mandate obtained at the 17th AGM shall, in accordance with the Listing Requirements, expire at the conclusion of the forthcoming 18th AGM of the Company.

On 28 May 2020, the Board announced the Company's intention to seek shareholders' approval for the Proposed Recurrent RPT Mandate at the 18th AGM.

The purpose of this Circular is to provide you with details of the Proposed Recurrent RPT Mandate and to seek your approval for the relevant Ordinary Resolution to be tabled at the forthcoming 18th AGM of the Company as set out in Appendix I of this Statement/Circular.

2. DETAILS OF PROPOSED RECURRENT RPT MANDATE

2.1 LISTING REQUIREMENTS

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

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

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

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

2.2 VALIDITY PERIOD

The Proposed Recurrent RPT Mandate, if approved at the forthcoming 18th AGM of the Company, will take effect from the passing of the relevant Ordinary Resolution at the 18th AGM and the authority conferred by the Proposed Recurrent RPT Mandate will continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the forthcoming 18th AGM at which the Proposed Recurrent RPT Mandate is obtained unless by an ordinary resolution passed at the next AGM of the Company, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by ordinary resolution passed by the shareholders of KNM in a general meeting,

whichever is the earlier.

2.3 PRINCIPAL ACTIVITIES OF KNM GROUP

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

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

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

2.4 NATURE OF RECURRENT RPTs AND CLASS OF RELATED PARTIES

The nature of the Recurrent RPTs and the class of Related Parties having interest in the Recurrent RPTs to be entered by KNM Group, for which the Proposed 2020 RRPT Mandate or Proposed Recurrent RPT Mandate is sought, are as follows:

	Nature of Recurrent RPTs	Proposed 2020 RRPT Mandate or Proposed Recurrent RPT Mandate			2019 RRPT Mandate		
		Transacting companies		Interested Related Parties	Estimated value ^{>} (RM)	Estimated value [*] (RM)	Actual value [@] (RM)
		Provider	Recipient				
(i)	<ul style="list-style-type: none"> ▪ Lease/tenancy of land and/or premises, and related/administrative facilities from/to transacting company ^{#1} ▪ Provision of funding, treasury services or financial assistance and other support services 	Inter Merger Sdn Bhd ¹	KNM Process Systems Sdn Bhd ⁵	Ir Lee Swee Eng ^a Gan Siew Liat ^b Chew Fook Sin ^c Inter Merger Sdn Bhd ^d Tegas Klasik Sdn Bhd ^e	3,000,000	3,000,000	883,528

	Nature of Recurrent RPTs	Proposed 2020 RRPT Mandate or Proposed Recurrent RPT Mandate			2019 RRPT Mandate		
		Transacting companies		Interested Related Parties	Estimated value ^{>} (RM)	Estimated value [*] (RM)	Actual value [@] (RM)
		Provider	Recipient				
(ii)	<ul style="list-style-type: none"> Provision/receipt of general construction, civil, mechanical, engineering and other support services Provision/supply of equipment, plants and machinery, maintenance and other general administrative and operational services 	IM Bina Sdn Bhd ²	KNM Process Systems Sdn Bhd ⁵	Ir Lee Swee Eng ^a Gan Siew Liat ^b Inter Merger Sdn Bhd ^d Tegas Klasik Sdn Bhd ^e	30,000,000	30,000,000	121,700
(iii)	<ul style="list-style-type: none"> Provision/receipt of general construction, civil, mechanical, engineering and other support services Lease/tenancy of land and/or premises, and related/administrative facilities from/to transacting company Provision of treasury services or financial assistance and other support services 	Tofield Realty Development Corporation ³	KNM Process Equipment Inc ⁶ KNM Process Equipment Inc ⁶	Ir Lee Swee Eng ^a Gan Siew Liat ^b Tegas Klasik Sdn Bhd ^e Asiavertek Sdn Bhd ^f	2,000,000	2,000,000	-
(iv)	<ul style="list-style-type: none"> Provision/receipt of technical, mechanical equipment and engineering maintenance, general administrative, operational and other support services Provision/receipt of qualifying services under overseas headquarters (OHQ) status and other support services 	KPS Technology & Engineering LLC ⁴	KNM Process Systems Sdn Bhd ⁵	Ir Lee Swee Eng ^a Gan Siew Liat ^b Inter Merger Sdn Bhd ^d Tegas Klasik Sdn Bhd ^e	2,000,000	2,000,000	-
(v)	<ul style="list-style-type: none"> Lease/tenancy of land and/or premises, and related/administrative facilities from/to transacting company 	Inter Merger Realty & Development Sdn Bhd ⁷	KNM Process Systems Sdn Bhd ⁵	Ir Lee Swee Eng ^a Gan Siew Liat ^b Inter Merger Sdn Bhd ^d Tegas Klasik Sdn Bhd ^e	1,000,000	1,000,000	20,000

Notes:-

> The estimated aggregate value of Recurrent RPTs under Proposed 2020 RRPT Mandate during the validity period (as disclosed in this Statement/Circular) based on historical and/or current actual transactions and/or management forecast. The actual value may vary from the estimated value.

* The estimated aggregate value in relation to 2019 RRPT Mandate ("2019 RRPT Mandate's Estimated Value") as disclosed in the preceding year's circular to shareholders dated 30 April 2019.

- @ The actual value transacted during the validity period of 2019 RRPT Mandate i.e. from 19 June 2019 up to 21 May 2020, being the Latest Practicable Date before printing of this Statement/Circular (“2019 RRPT Mandate’s Actual Value”).
None of the 2019 RRPT Mandate’s Actual Value has exceeded 2019 RRPT Mandate’s Estimated Value by 10% or more during the validity period of 2019 RRPT Mandate.
- # All tenancy transactions are for a term of not more than three (3) years and no rental payment is made on a lump sum basis, including but not limited to the following transactions, as the case may be:
#1 Renting of office premises at No. 11, 15, 17 and 19 Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor, Malaysia from transacting company with a rental of RM67,424 per month.

Principal activities of the transacting companies

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

Nature of relationship of the Interested Related Parties with KNM Group as at 30 April 2020

- (a) Ir Lee Swee Eng is a director of KNM, Inter Merger Sdn Bhd, Tofield Realty Development Corporation, Asiavertek Sdn Bhd, KNM Process Systems Sdn Bhd and KNM Process Equipment Inc. He is a major shareholder of KNM (direct interest: 2.62, indirect interest: 8.45), a substantial shareholder of Inter Merger Sdn Bhd (indirect interest: 100%), Tegas Klasik Sdn Bhd (direct interest: 76.11%) and Asiavertek Sdn Bhd (direct interest: 50%; indirect interest: 50%), a shareholder of KPS Technology & Engineering LLC (direct interest: 5.56%; indirect interest: 10.46%), Ir Lee Swee Eng is the spouse of Gan Siew Liat and the brother-in-law of Chew Fook Sin.
- (b) Gan Siew Liat is a director of KNM, Inter Merger Sdn Bhd, Tofield Realty Development Corporation and Asiavertek Sdn Bhd. She is a substantial shareholder of KNM (direct interest 0.35, indirect interest: 8.45), Inter Merger Sdn Bhd (indirect interest: 100%), Tegas Klasik Sdn Bhd (indirect interest: 76.11%) and Asiavertek Sdn Bhd (direct interest: 50%; indirect interest: 50%), a shareholder of KPS Technology & Engineering LLC (indirect interest: 13.87%), Gan Siew Liat is the spouse of Ir Lee Swee Eng and the sister-in-law of Chew Fook Sin.
- (c) Chew Fook Sin is a director of KNM, Tegas Klasik Sdn Bhd and KNM Process Equipment Inc. He is a substantial shareholder of Tegas Klasik Sdn Bhd (direct interest: 23.15%) and a shareholder of KNM (indirect interest: 0.09%). Chew Fook Sin is the brother-in-law of Ir Lee Swee Eng and Gan Siew Liat.
- (d) Inter Merger Sdn Bhd is a substantial shareholder of KNM and the holding company of IM Bina Sdn Bhd (direct interest: 99.6%) and Inter Merger Realty & Development Sdn Bhd (direct interest: 100%). It is a person connected with Ir Lee Swee Eng (indirect interest: 100%) and Gan Siew Liat (indirect interest: 100%) by virtue of their interests in the Company.
- (e) Tegas Klasik Sdn Bhd is a shareholder of KNM. It is a person connected with Ir Lee Swee Eng (direct interest: 76.11%), Gan Siew Liat (indirect interest: 76.11%) and Chew Fook Sin (direct interest: 23.15%) by virtue of their interests in the Company.
- (f) Asiavertek Sdn Bhd is the holding company of Tofield Realty Development Corporation (direct: 100%). It is a person connected with Ir Lee Swee Eng (direct interest: 50%; indirect interest: 50%) and Gan Siew Liat (direct interest: 50%; indirect interest: 50%) by virtue of their interests in the Company.
- (g) KNM Process Systems Sdn Bhd is a wholly-owned subsidiary of KNM and the holding company of KNM Process Equipment Inc. (direct: 100%). It is a person connected with Ir Lee Swee Eng (indirect interest: 11.07%) and Gan Siew Liat (indirect interest: 8.80%) by virtue of their interests in the Company.
- (h) KPS Technology & Engineering LLC is a 94.44%-owned subsidiary of KNM.

2.5 OUTSTANDING AMOUNT DUE AND OWING UNDER THE RECURRENT RPTs

For the financial year ended 31 December 2019, there is no amount which exceeded the credit term, due and owing to KNM Group by its Related Parties under the Recurrent RPTs.

3. RATIONALE FOR PROPOSED RECURRENT RPT MANDATE

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

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

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

4. EFFECTS OF PROPOSED RECURRENT RPT MANDATE

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

5. THRESHOLD FOR APPROVAL OF RECURRENT RPTs

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

6. REVIEW PROCEDURES FOR RECURRENT RPTs

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

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

- (a) The management of the Group is kept informed of the procedures applicable to the Recurrent RPTs to ensure that Recurrent RPTs will be entered into after taking into account the exclusivity of the distributorship, pricing, quality, expertise required and other related factors.
- (b) Records of all Recurrent RPTs are maintained and reports thereof are circulated to the Audit Committee on quarterly basis for the Audit Committee's notation, review and monitoring of such Recurrent RPTs.
- (c) Review of the procedures governing Recurrent RPTs entered into by the Group, the approval required, compliance and reporting of such Recurrent RPTs are incorporated in the annual internal audit plan.

- (d) In the event a Recurrent RPT to be entered into by the Group involves the interest, direct or indirect of a member of the Board and/or Audit Committee, the Director concerned shall abstain from deliberation and voting in respect of this Recurrent RPT.

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

7. STATEMENT FROM THE AUDIT COMMITTEE

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

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

8. APPROVAL REQUIRED

The Proposed Recurrent RPT Mandate is subject to the approval being obtained from the shareholders of the Company at its forthcoming 18th AGM.

9. INTERESTS OF INTERESTED RELATED PARTIES

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

The direct and indirect shareholdings of the Interested Related Parties in the Company as at 30 April 2020 are as set out below:

Interested Related Parties	Direct		Indirect	
	No. of Shares	% [#]	No. of Shares	% [#]
Ir Lee Swee Eng	68,408,838	2.62	221,066,459 ^a	8.45
Gan Siew Liat	9,045,000	0.35	221,066,459 ^b	8.45
Chew Fook Sin	-	-	2,260,708 ^c	0.09
Inter Merger Sdn Bhd	158,224,651	6.05	-	-
Tegas Klasik Sdn Bhd	2,260,708	0.09	-	-
Asiavertek Sdn Bhd	-	-	-	-

Notes:-

- # Percentage interest is based on the total issued share capital of the Company less Treasury Shares held as at 30 April 2020.
- a Deemed interested by virtue of his indirect interests in Inter Merger Sdn Bhd ("IMSB") and Tegas Klasik Sdn Bhd ("TKSB"), and interest of his children in KNM.
- b Deemed interested by virtue of her indirect interest in IMSB, interest of her spouse in TKSB, and interest of her children in KNM.
- c Deemed interested by virtue of his direct interest in TKSB.

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

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

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

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

10. DIRECTORS' RECOMMENDATION

Having considered all aspects of the Proposed Recurrent RPT Mandate, the Directors except Ir Lee Swee Eng, Madam Gan Siew Liat and Mr Chew Fook Sin, are of the opinion that the Proposed Recurrent RPT Mandate is in the best interest of the Group.

With the exception of Ir Lee Swee Eng, Madam Gan Siew Liat and Mr Chew Fook Sin who are interested in the Proposed Recurrent RPT Mandate in the manner as set out in Sections 2.4 and 9 of this Circular, and have therefore abstained from making any recommendation in respect of the Recurrent RPTs in which their interests are involved, the Board recommends that you vote in favour of the Ordinary Resolution on the Proposed Recurrent RPT Mandate to be tabled at the forthcoming 18th AGM of the Company.

11. AGM

The resolutions pertaining to the Proposed Share Buy-Back Mandate and the Proposed Recurrent RPT Mandate are set out in the Notice of the Company's 18th AGM, which can be viewed and downloaded from the KNM Website. An extract of the said resolutions is enclosed as Appendix I of this Statement/Circular.

The 18th AGM of the Company will be held on Thursday, 13 August 2020 at 10.00 a.m., to be conducted fully virtual via remote participation and electronic voting with the live streaming to be broadcasted from Auditorium, 3A Floor, Menara Symphony, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

If you are unable to attend and vote in person at the forthcoming 18th AGM and wish to appoint a proxy to attend and vote in your stead, you are requested to complete, sign and return the Form of Proxy that can be downloaded from the KNM Website, in accordance with the instructions contained therein and deposit the Form of Proxy at the registered office of the Company no less than twenty-four (24) hours before the time set for the 18th AGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the 18th AGM should you subsequently wish to do so.

12. FURTHER INFORMATION

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

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

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

(1) **Ordinary Resolution 7**
Proposed renewal of shareholders' mandate for share buy-back

"**THAT** subject to the compliance with all applicable laws, the Companies Act 2016 ("the Act"), the Company's Constitution, and the regulations and guidelines applied from time to time by Bursa Malaysia Securities Berhad ("Bursa Securities") and/or any other relevant regulatory authority, approval be and is hereby given to the Company to purchase at any time such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors in their absolute discretion deem fit and expedient in the interest of the Company ("Proposed Share Buy-Back Mandate") provided that:

- (i) the aggregate number of ordinary shares which may be purchased and retained as treasury shares by the Company at any point of time pursuant to the Proposed Share Buy-Back Mandate shall not exceed ten percent (10%) of the total number of issued shares of the Company;
- (ii) the amount of funds to be allocated by the Company pursuant to the Proposed Share Buy-Back Mandate shall not exceed the retained earnings of the Company as at 31 December 2019; and
- (iii) the shares so purchased by the Company pursuant to the Proposed Share Buy-Back Mandate may at the discretion of the Directors be:
 - (a) retained as treasury shares; and/or
 - (b) cancelled; and/or
 - (c) resold on the market of Bursa Securities in accordance to the Main Market Listing Requirements; and/or
 - (d) distributed as dividends to the shareholders; and/or
 - (e) transferred for purposes of an employees' share scheme and/or as purchase consideration; and/or
 - (f) dealt in any other manner as prescribed by the applicable rules, regulations and orders made pursuant to the Act, the Bursa Securities Main Market Listing Requirements and any other relevant authority for the time being in force;

AND THAT such authority conferred by the shareholders of the Company upon passing of this resolution pertaining to the Proposed Share Buy-Back 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 occurs first;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to implement and give effect to the Proposed Share Buy-Back Mandate."

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

"**THAT** approval be and is hereby given to the Company and/or its subsidiaries ("KNM Group") to enter into all arrangements and/or transactions involving the interests of Directors, major shareholders or persons connected with the Directors and/or major shareholders of KNM Group ("Related Parties") as specified in section 2.4 of the Circular to Shareholders dated 30 June 2020 provided that such arrangements and/or transactions are:

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

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

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

1. Responsibility statement

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

2. Material contracts

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

On 28 August 2019, the Company's indirect subsidiary Borsig GmbH had entered into a Sale and Purchase Agreement with Borsig ZM Schweiz AG and Iskra-Neftegaz Compressor Limited Liability for the disposal of its entire shareholdings in its subsidiary, Borsig ZM Compression GmbH ("BZM"), for a cash consideration of EUR28 million (equivalent to approximately RM130.76 million based on the exchange rate of EUR1.00 : RM4.67) ("the Disposal"). The Disposal is currently still in progress.

3. Material litigation

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

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

4. Documents available for inspection

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

- (a) Constitution of the Company; and
- (b) Audited consolidated financial statements of the Company for the past two (2) financial years ended 31 December 2018 and 31 December 2019.