KNM GROUP BERHAD (521348-H)
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** knm@knm-group.com | **www.knm-group.com**

KNM Global Contacts:

KNM Process Systems Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** sales@knm-group.com
www.knm-group.com

KNM Renewable Energy Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

Hansol KNM Greentech Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

BORSIG Boiler Systems Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** info@borsigboiler-knm.com

KNM BORSIG Services Sdn Bhd
15, Jalan Dagang SB 4/1, Taman Sungai Besi Indah,
43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia
T +603 8946 3000 | **F** +603 8943 4781 | **E** info@borsigservices-knm.com

BORSIG Process Heat Exchanger GmbH
Egellsstrasse 21, D-13507 Berlin, Germany
T +49 0 30 4301 01 | **F** +49 0 30 4301 2447 | **E** info@pro.borsig.de
www.borsig.de/phe

BORSIG ZM Compression GmbH
Seiferitzer Allee 26, D-08393 Meerane, Germany
T +49 3764 5390 0 | **F** +49 3764 5390 5092 | **E** info@zm.borsig.de
www.borsig.de/zm

BORSIG Membrane Technology GmbH
Bottroper Strasse 279, D-45964 Gladbeck, Germany
T +49 0 2043 4006 01 | **F** +49 0 2043 4006 6299 | **E** info@borsig-mt.com
www.borsig.de/mt

BORSIG Service GmbH
Egellsstrasse 21, D-13507 Berlin, Germany
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FBM Hudson Italiana SpA
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www.fbmhudson.it

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PO Box 17101, Jebel Ali Free Zone, Dubai, United Arab Emirates
(Plot 47-R-1, Jebel Ali Free Zone)
T +97 1 4 883 5681 | **F** +97 1 4 883 5860 | **E** commercial@fbm-knm.ae
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KPS Technology Group LLC / KPS Technology & Engineering LLC
16225, Park Ten Place, Suite 500, Houston, Texas 77084 USA
T +1 713 338 3408 | **F** +1 832 383 9565
E info@kps-technologygroup.com
www.kps-engr.com

KNM Special Process Equipment (Changshu) Co Ltd
No.46 Xinggang Road, Changshu Economic Development Zone,
Jiangsu Province, 215513 People's Republic of China
T +86 512 5229 1888 | **F** +86 512 5229 1878
E changshuknm@knm-changshu.com.cn

KNM Process Equipment Inc
Box 420, 6204-46 Ave, Tofield, AB T0B 4J0, Canada
T +1 780 662 3181 | **F** +1 780 662 3184 | **E** sales@knmcorp.com

Saudi KNM Ltd
Lot 4,5 Jubail Dammam Highway, Jubail Industrial City 1.31961,
Kingdom of Saudi Arabia
T +966 03 344 9640 | **F** +966 03 344 9641 | **E** knm-saudi@knm-group.com

KNM Europa BV
Boterbosstraat 2, 2820 Rijmenam Belgium
T +32 15 52 86 83 | **E** sales@knm-group.com

KNM Projects (Thailand) Co Ltd
825, Phairojkijja Building, 12th Floor Unit B,
Bangna-Trad Road, Khwaeng Bangna, Khetr Bangna, Bangkok 10260, Thailand
T +662 361 4757 / 4758 / 4759 | **F** +662 744 3088 |
E sales@knm-group.com

Impress Ethanol Co Ltd
825, Phairojkijja Building, 12th Floor Unit B,
Bangna-Trad Road, Khwaeng Bangna, Khetr Bangna, Bangkok 10260, Thailand
T +662 361 4757 / 4758 / 4759 | **F** +662 744 3088 | **E** sales@knm-group.com

KNM Project Services Limited
Second Floor, West Wing, Peterscourt, City Road,
Peterborough PE1 2SP, United Kingdom
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

Global Green Energy Corporation Ltd
Fort Anne, Douglas, Isle of Man IM1 5PD
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

Peterborough Green Energy Ltd
Ruthlyn House, 90 Lincoln Road, Peterborough, PE1 2SP, United Kingdom
T +603 8946 3000 | **F** +603 8943 4781 | **E** knmre@knm-group.com

KNM GROUP BERHAD (521348-H)

ANNUAL REPORT **2018**

KNM™

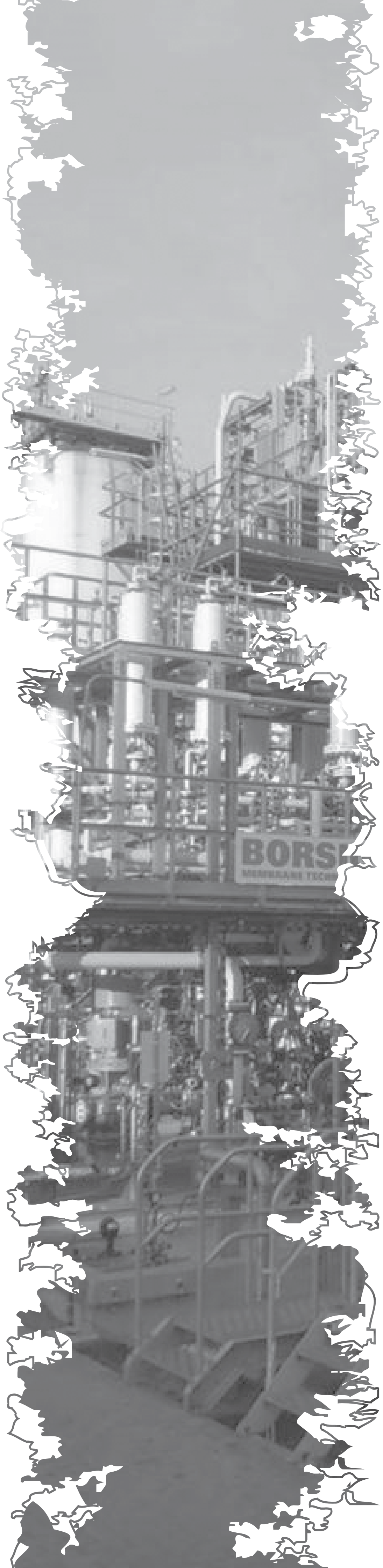
KNM GROUP BERHAD
(521348-H)

ANNUAL REPORT **2018**

WORLD CLASS PROCESS EQUIPMENT MANUFACTURER AND TOTAL SOLUTIONS PROVIDER

BORSIG

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



VISION

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

MISSION

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

TABLE OF CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Ir Lee Swee Eng
Group Chief Executive Officer/Executive Director

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

Soh Yoke Yan
Independent Non-Executive Director

Gan Siew Liat
Executive Director

BOARD COMMITTEES

	AUDIT COMMITTEE MEMBERS	NOMINATION COMMITTEE MEMBERS	REMUNERATION COMMITTEE MEMBERS	ESOS COMMITTEE MEMBERS
Chairman	Dato' Ab Halim bin Mohyiddin	Dato' Ab Halim bin Mohyiddin	Dato' Dr Khalid bin Ngah	Dato' Dr Khalid bin Ngah
	Dato' Dr Khalid bin Ngah	Dato' Dr Khalid bin Ngah	Dato' Ab Halim bin Mohyiddin	Soh Yoke Yan
	Soh Yoke Yan	Soh Yoke Yan	Soh Yoke Yan	Gan Siew Liat
			Ir Lee Swee Eng	

GROUP COMPANY SECRETARY

Jason Minos Anak Peter
LS 0009402
Email : cosec@knm-group.com

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

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.

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

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No. : 603-7849 0777
Fax No. : 603-7841 8151 / 8152

STOCK EXCHANGE LISTING

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

PRINCIPAL FINANCIERS

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 17th Annual General Meeting of KNM Group Berhad will be held at Parameswara Room, Level 2, Philea Mines Beach Resort, Jalan Dulang, MINES Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Wednesday, 19 June 2019 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 2018 and the Reports of the Directors and Auditors (Please refer to note (i)).

2. To re-elect the following Directors who retire pursuant to Article 127 of the Company's Constitution:

   (a) Dato' Ab Halim bin Mohyiddin — ***Ordinary Resolution 1***

   (b) Gan Siew Liat — ***Ordinary Resolution 2***

3. To approve the Directors' fees and benefits of RM1,161,782 for the financial year ended 31 December 2018. — ***Ordinary Resolution 3***

4. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. — ***Ordinary Resolution 4***

As Special Business:

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

5. **Retention of Dato' Ab Halim bin Mohyiddin as Independent Director** — ***Ordinary Resolution 5***

   "**THAT** Dato' Ab Halim bin Mohyiddin 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."

6. **Authority to allot and issue shares pursuant to Section 75 of the Companies Act 2016** — ***Ordinary Resolution 6***

   "**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 ten percent (10%) 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."

7. **Proposed renewal of shareholders' mandate for share buy-back** ***Ordinary Resolution 7***

"**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 2018; 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."

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 30 April 2019 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 Adoption of New Constitution of the Company** ***Special Resolution 1***

"THAT approval be and is hereby given to alter or amend the whole of the existing Constitution of the Company by the replacement thereof with a new Constitution of the Company as set out in the Appendix A with immediate effect **AND THAT** the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

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

By Order of the Board

Jason Minos Anak Peter (LS 0009402)
Company Secretary
Seri Kembangan
30 April 2019

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 a 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 forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.*

(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 12 June 2019 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 17th Annual General Meeting will be put to vote by way of poll.*

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Retention of Dato' Ab Halim bin Mohyiddin as Independent Director

In respect of the proposed Ordinary Resolution 5:-

Dato' Ab Halim bin Mohyiddin ("Dato' Ab Halim") was appointed as an Independent Non-Executive Director on 14 June 2003 and was subsequently designated as a Senior Independent Non-Executive Director on 29 June 2011. Thereafter, he was re-designated as Chairman of the Company 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' Ab Halim, considers him to be independent based on the following justifications and recommends that Dato' Ab Halim 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 Company's Chairman and Chairman of the Company's Audit and Nomination Committees will be beneficial to the Board and the Company too.

Shareholders' approval for Ordinary Resolution 5 will be sought on a single-tier voting basis.

The proposed Ordinary Resolution 5 will become null and void if motion for the Proposed Ordinary Resolution 1 is not carried.

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 16th Annual General Meeting held on 27 June 2018 ("Previous Mandate") and such authority will lapse at the conclusion of the forthcoming 17th Annual General Meeting to be held on 19 June 2019.

(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 ten percent (10%) of the total number of issued shares of the Company for the time being for such purposes as the Directors deem fit and in the best interest of the Company. 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 renewal of shareholders' mandate for share buy-back

The proposed Ordinary Resolution 7, if passed, will renew the shareholders' mandate for share buy-back obtained at the previous Company's 16th Annual General Meeting held on 27 June 2018 and empower the Company to purchase the Company's shares up to ten percent (10%) of the total number of issued shares of the Company.

4. 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 Share Buy-Back Mandate and the Proposed Recurrent RPT Mandate are set out in the Statement/Circular to Shareholders dated 30 April 2019 which is despatched together with the Company's Annual Report 2018.

5. Proposed Adoption of New Constitution of the Company

The proposed alteration or amendments to the existing Memorandum & Articles of Association (Constitution) of the Company (Proposed Amendments) are made mainly for the following purposes:

(i) To ensure compliance with the amended Bursa Malaysia Securities Berhad Main Market Listing Requirements which was issued on 29 November 2017; and

(ii) To provide clarity and consistency with the amendments that arise from the Companies Act 2016 effective 31 January 2017.

In view of the substantial amount of Proposed Alteration or Amendments to the Constitution, the Board proposed that the existing Constitution be altered or amended by the Company in its entirety by the replacement thereof with a new Constitution which incorporated all the Proposed Amendments (New Constitution) as set out in the Appendix A.

In view of the above, the shareholders' approval is sought for the Company to alter or amend the whole of the existing Constitution by the replacement thereof with the New Constitution as per Appendix A in accordance with Section 36(1) of the Companies Act 2016.

The Appendix A on the Proposed New Constitution of the Company, which is circulated together with the Company's Annual Report 2018, shall take effect once the proposed Special Resolution 1 has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the 17th Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

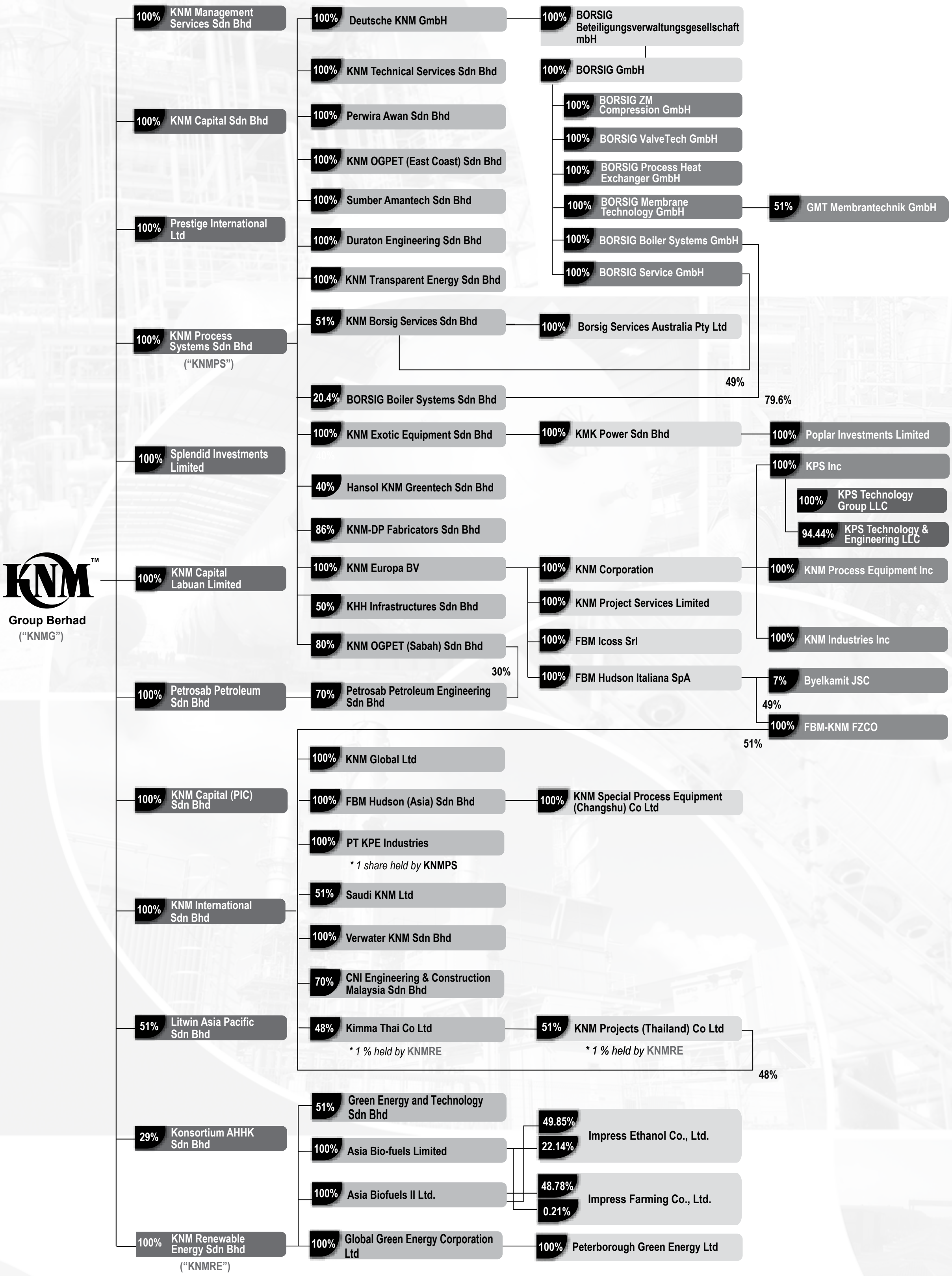
   There is no individual seeking election as a Director at the 17th Annual General Meeting of the Company. However, the particulars of all Directors including those standing for re-election, re-appointment and/or retention as Directors at the 17th Annual General Meeting (Resolutions 1, 2 and 5) are set out in their respective Profiles of Directors and information relating to the Directors' interests in the securities of the Company is presented in the Analysis of Shareholdings and Warrant holdings in the Annual Report 2018.

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 (2) of the Notice of Annual General Meeting.

CORPORATE STRUCTURE

KNM Group's Corporate Structure as at 20 March 2019



KNM AT
A GLANCE

GLOBAL PRESENCE

1

CANADA

KNM

2

UNITED STATES OF AMERICA

KPS TECHNOLOGY ENGINEERING

3

UNITED KINGDOM

KNM

Peterborough Green Energy

4

ITALY

5

GERMANY

BORSIG

6

SAUDI ARABIA

KNM

7

UNITED ARAB EMIRATES

KNM

FBM-KNM FZCO

أف بي م - كيه ان ام ش م ح

8

THAILAND

KNM

9

MALAYSIA

KNM BORSIG

10

CHINA

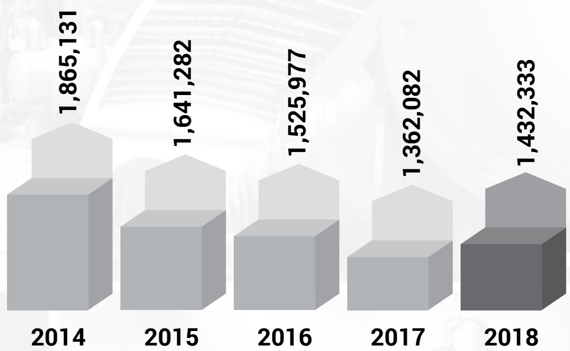
KNM

5-YEAR
GROUP FINANCIAL HIGHLIGHTS

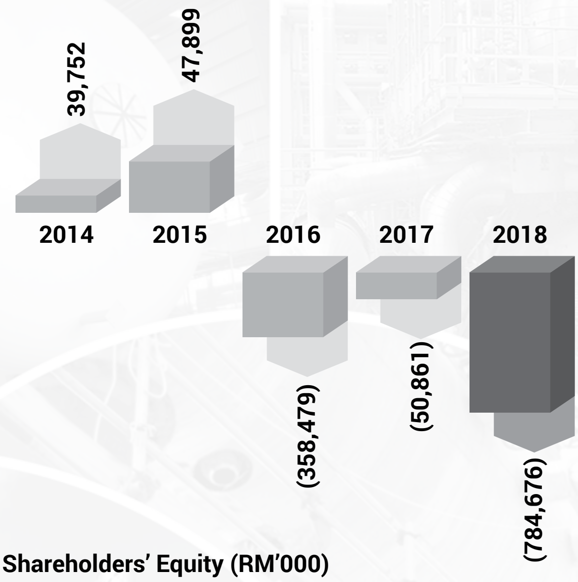
	2018	2017 Restated #	2016 Restated #	2015	2014
Revenue (RM'000)	1,432,333	1,362,082	1,525,977	1,641,282	1,865,131
(Loss)/Profit Before Tax (RM'000)	(412,352)	(36,600)	(352,867)	124,135	118,249
(Loss)/Profit After Tax (RM'000)	(784,676)	(50,861)	(358,479)	47,899	39,752
(Loss)/Earnings Before Interest, Tax, Depreciation and Amortisation (RM'000)	(249,475)	109,304	(217,474)	263,144	269,428
Shareholders' Equity (RM'000)	1,540,778	2,365,210	2,360,732	2,718,794	2,162,046
Basic (Loss)/Earnings Per Share (sen)	(33.03)	(2.26)	(16.81)	2.65	2.72
Net Assets Per Share (RM)	0.66	1.10	1.11	1.26	1.32

The comparatives for financial year ended 31 December 2016 and 2017 have been restated pursuant to the adoption of MFRS 15, *Revenue from Contracts with Customers*.

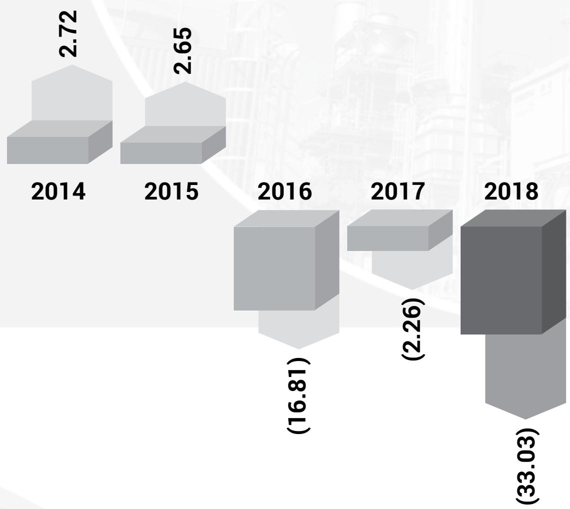
Revenue (RM'000)



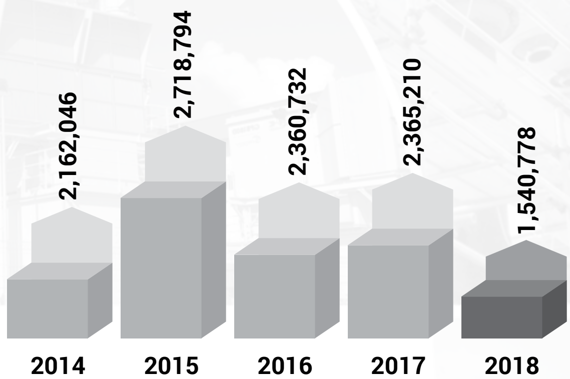
(Loss)/Profit After Tax (RM'000)



Basic (Loss)/Earnings Per Share (Sen)



Shareholders' Equity (RM'000)



CHAIRMAN'S MESSAGE

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of KNM Group Berhad for the financial year ended 31 December 2018 ("FY2018").

It was a very challenging year for the Group as both global and local economies experienced a contraction. This was mainly caused by the US-China trade war, tightening of financing and geopolitical uncertainties.

Amidst this unpredictable operating environment, our Europe segment continued its impressive performance and contributed approximately 86% of Group's revenue for 2018, with more new orders secured from Asia markets, particularly from China. We are confident that this segment will continue to embrace well our mission to be a leading one stop integrated solution provider for the provision of process equipment and process systems with state-of-the-art technology.

Our first bio-ethanol plant operated by our subsidiary, Impress Ethanol Co., Ltd ("IEL") in Thailand has marked an exciting chapter of KNM going into renewable energy and recurring business. During the financial year, the plant has been accredited the ISO9001, ISO14001 and OHSAS 18001 certifications, while the plant maintains its high ethanol purity standard at 99.9%.

FY2018 was also a year of transformation for KNM which saw the streamlining of our non-profitable operations, restructuring of non-core assets and non-performing investments to strengthen the resilience and focusing on delivery of returns on core activities in the long run.

In FY2018, the Group also further consolidating its resources such as manpower to improve operational efficiency as well as increasing profitability, and other proactive measures to optimise our capital structure management to ensure sustainability and long-term business viability.

We continue to develop recurring income and renewable energy businesses whilst at the same time improving our core competencies in manufacturing of process equipment and engineering services.

Our Board is committed towards upholding of high standards of corporate governance and international best practices across our Group. Our strict adherence to disclosure and transparency policies with all stakeholders has fostered an environment of high performance and continuous improvement.

At KNM, we celebrate diversity and this is reflected in the composition of our Board across a well mix of relevant backgrounds, age and genders. We appreciate that leveraging on a variety of experiences drives innovation and facilitates the creation of extraordinary ideas, contributing to the growth of the Group. Further details on our governance, risk management and compliance policies are provided in the Corporate Governance section of this Annual Report.

On behalf of the Board of Directors, I would like to thank Dato' Seri Adnan bin Wan Mamat who stepped down as Independent Non-Executive Director and Mr Chew Fook Sin, who retired from the Group as an Executive Director on 21 May 2018, for their invaluable contributions to the Group. We wish both of them success in future endeavours.

Finally, on behalf of the Board, I would like to express our sincere 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 the employees of our Group for their contribution, dedication and untiring commitment during these challenging times as well as to my fellow Board members for their invaluable advice, guidance and timeless commitment in steering our Group to take on new challenges as well as to continually achieve new milestones for KNM.

MANAGEMENT DISCUSSION
& ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS OPERATION OVERVIEW

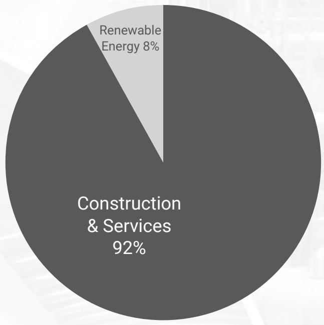
Our Group is well diversified with core businesses in project management, engineering, manufacturing, commissioning and maintenance of process equipment for the renewable energy, power, utilities, refining and petrochemical industries. We also provide one-stop process packages and integrated solutions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

Europe segment continues to be the main pillar of the Group, particularly from the improved performance in Germany. Revenue from Germany operations grew by 20.0% as compared with the financial year ended 31 December 2017 ("FY2017"). With its latest foray into the China market, this segment is poised for greater growth.

The construction and services revenue mainly comprised of revenue generated from the supply of process equipment, which contributed approximately 92% of the consolidated revenue. The renewable energy business began with ethanol production in Thailand achieved higher revenues in FY2018 approximately 8% of the Group's consolidated revenue as compared with the previous financial year. We also look forward to completing the facility in Thailand to produce an additional 300,000 liters of ethanol per day to enhance the Group's earnings even further. It is expected to begin generating revenues in 2020.

REVENUE BY GEOGRAPHICAL SEGMENT FY2018

REVENUE BY INDUSTRY FY2018



FINANCIAL PERFORMANCE

The first half of FY2018 saw Brent crude oil experiencing a prolonged low oil prices around US$55 per barrel. Many upstream oil & gas majors continue to battle with strained business conditions and delays in capital expenditure budgets or investments.

The crude oil prices began to show a modest recovery in the second half of the year when the crude oil price began to trend upwards, rising to touch USD$70 per barrel following efforts by the Organisation of Petroleum Exporting Countries ("OPEC") led production cuts to restore supply and demand balance.

Our Group's revenue posted for FY2018 was approximately RM1.43 billion as compared to the consolidated revenue of RM1.36 billion recorded for FY2017. This is mainly due to higher revenues recorded under the Europe segment in the supply of process equipment which grew by 6.6% as compared with FY2017, and higher revenues contributed from the new bio-ethanol facility in Thailand which commenced commercial operations in September 2017.

The losses before tax in FY2018 increased from RM36.60 million to RM412.35 million. This was mainly due to prudent measures taken to write down the non-profitible investments and other assets including property, plant and equipment, inventories and long overdue receivables from completed projects held by non-performing business units mainly in Saudi Arabia, Canada and China. The amounts written down were mainly non-cash flow items.

FINANCIAL POSITION

Total Assets

Total assets of the Group reduced by RM561.29 million to RM3,849.19 million as at 31 December 2018. This was mainly due to an one-off reversal of a non-cash deferred tax asset ("DTA") amounting to RM337.58 million arising from tax loss carry-forward, unutilised capital allowance and other incentives previously granted to a subsidiary of the Group. Due to revision in estimates, as a result of a combination of continuing adverse market conditions and a change in tax legislation, the related DTA has been reversed entirely.

Liquidity and Capital Resources

The Group's borrowings increased by RM281.64 million from RM1,188.97 million as at 31 December 2017 to RM1,470.61 million as at 31 December 2018. The gearing ratio of the Group as at 31 December 2018 increased to 0.95 times as compared to 0.50 times as at 31 December 2017.

The cash and bank balances were RM411.15 million as at 31 December 2018 as compared with RM235.64 million in the previous financial year. This was mainly due to improvements in working capital, particularly contributed by our German operations.

RISK EXPOSURE

KEY RISK	DESCRIPTION	MITIGATION MEASURES
Operational	Operational risk relates to the frequency and timeliness of new order replenishment affecting consistency of revenue recognition.	• The Group is developing recurring business that would provide a more sustainable income stream over a long term.
	The risk relates to the fluctuation of material such as steel prices and fluctuation in supply and prices of cassava for our Thailand bio-ethanol plant due to seasonal, climate and market forces.	• The Group has ensured that prices of all major raw materials such as steel that required for the fabrication of process equipment projects are locked-in immediately when the contract is secured. • The Group is continuously monitoring the market and price movement of cassava, as well as endeavor to negotiate long-term contracts to mitigate the fluctuation risks.
	Competition from local and overseas competitors who provide similar product and service offerings in the supply of process equipment.	• The Group has implemented disciplined and lean cost controls by consolidating its resources to improve the price competitiveness and continue to uphold higher standard of quality of process equipment with state-of-the-art technology.

KEY RISK	DESCRIPTION	MITIGATION MEASURES
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.	• The Group constantly monitors its foreign currency exposure and takes the necessary steps to minimize its exposure to such volatilities. Therefore, a formal hedging policy has been put in place where it is a requirement to enter into foreign exchange forward contracts with licensed financial institutions to mitigate any foreseeable adverse fluctuations in the exchange rate between the currencies in which the Group's sales and purchases are denominated in.

OUTLOOK

Construction and Services

We anticipate that the outlook for year 2019 to remain challenging. The trade tensions between America and China have yet to be resolved and thus creates uncertainties for the years ahead. Regardless of these trade tensions, the oil and gas industry is predicted to remain steady despite oversupply risks.

One of the major products of the Group is the heat exchanger. According to a new market research report "Heat Exchangers Market by Type (Shell & Tube, Plate & Frame, Air Cooled), Application (Chemical, Petrochemical and Oil & Gas, HVACR, Food & Beverage, Power Generation, Pulp & Paper), and Region - Global Forecast to 2023", published by Markets and Markets™, the market size of heat exchangers is estimated to grow from USD 14.68 billion in 2018 to USD 22.59 billion by 2023, at a CAGR of 9.0% from 2018 to 2023. The market is driven by increasing power generation capacities and rise in technological advances in heat exchangers. The rising energy prices and stringent government regulations on the emission of CO_2 are also driving the heat exchangers market. (Source: PRNewswire.com dated 15 August 2018). In view of this, management is optimistic on the prospect of this sector.

Renewable Energy

The Management is optimistic on the long-term prospect of the bio-ethanol plant in Thailand. Demand for ethanol between 2018 and 2020 is forecasted to grow by an average of 4% to 4.0-4.5 million liters per day due to yearly increases in fuel consumption that is expected to range between 3-4% year on year coupled with a steady increase in the fraction of the national vehicle fleet that is capable of running on fuel with high ethanol content. (Source: Thailand Industry Outlook 2018-2020 by Krungsri Research)

PROFILE OF DIRECTORS

DATO' AB HALIM BIN MOHYIDDIN, DPMS
Independent Non-Executive Chairman
Aged 73, Male, Malaysian

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

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

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

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

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

IR LEE SWEE ENG
Group Chief Executive Officer/Executive Director
Aged 63, Male, Malaysian

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

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

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

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

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

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

DATO' DR KHALID BIN NGAH
Senior Independent Non-Executive Director
Aged 72, Male, Malaysian

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

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

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

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

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

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

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

SOH YOKE YAN
Independent Non-Executive Director
Aged 51, Female, Malaysian

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

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

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

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

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

GAN SIEW LIAT
Executive Director
Aged 58, Female, Malaysian

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

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

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

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

Notes:-

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

PROFILE OF KEY SENIOR MANAGEMENT

TAN KOON PING
Group Finance Director/Group Chief Financial Officer
Aged 48, Male, Malaysian

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

He possess a professional degree in finance and accounting from the Malaysian Institute of Certified Public Accountants (MICPA) and has more than 20 years of experience in areas of auditing, accounting and corporate finance in various industries locally and internationally. Prior to joining the KNM Group, he held various senior management positions in several companies in Malaysia such as I-Berhad, Pulai Springs Berhad and the Mayland Group of Companies from 2004 to 2012, and was attached with Assurance and Advisory of Deloitte Touche Tohmatsu from 1995 to 2004.

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

FLAVIO PORRO
Group General Counsel
Aged 48, Male, Italian

Mr Flavio Porro was appointed the Group General Counsel of KNM Group Berhad on 5 January 2015. He obtained his law degree in Milan and holds post-graduate degrees in EC Community Law and Competition Law from King's College London, United Kingdom.

He is a registered lawyer and has more than 20 years of experience as a 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, Snam S.p.A., ERG Power and Gas S.p.a. and Saipem.

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

WONG TOH SING
Chief Executive Officer (FBM Group)
Aged 53, Male, Malaysian

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

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

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

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

In August 2016, he started his journey with KNM Group with a role as Divisional Financial Controller, of the Renewable, Power & Utilities Division. He was made an Acting Chief Operating Officer, the following year, in December 2017. Subsequently, in June 2018, he was made Chief Operating Officer cum Managing Director of FBM Group based in Bergamo, Italy covering FBM Divisional Group of Companies inclusive of plants and operations in Canada, UAE and China. He also continues his role as Acting COO for the Technology & Plant Division responsible mainly for the Waste to Energy Project in Peterborough, United Kingdom.

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

CARSTEN BIRK
Managing Director, BORSIG Group
Aged 54, Male, German

Mr. Carsten Birk was a Project and Sales Engineer recruited in 1992 under BORSIG Group and subsequently, appointed a Managing Director of BORSIG Group in September 2018. Prior to the said appointment, he had held various key senior management positions in BORSIG Group.

He graduated from University of Applied Science, Berlin, Germany and thereafter started his career as Project and Sales Engineer with Krebskosmo located in Berlin Germany in 1991 prior to joining Borsig Group.

He sits on the Board of several subsidiary companies of Borsig Group. He is not a Director of any public or public listed companies.

JÜRGEN STEGGER
Managing Director, BORSIG Group
Aged 55, Male, German

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

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

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

He sits on the Board of several subsidiary companies of BORSIG Group. He is not a Director of any public or public listed companies.

Notes:-

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

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

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

This corporate governance overview statement is prepared pursuant to the principles and recommendations of the MCCG 2017 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 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 comprised of seven (7) Directors, three (3) of whom are Executive Directors while the rest are Independent Non-Executive Directors. Subsequently on 21 May 2018, an Executive Director and an Independent Non-Executive Director resigned but nevertheless, the Board's composition still continued to be made up of an independent Board of Directors comprising of more than one-half of the Board. Of the 5 Directors, 2 are female Directors and the rest are male Directors. In view thereof, 40% of the Board is represented by feminine gender.

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

Together, the Board members and Senior Management with their different 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 fulfil their obligations by inter alia, attending and participating actively in the Board and Board Committee Meetings, general meetings of the Company and such other events or functions organised by the Company.

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

Appointments to the Board and Re-election of Directors

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

In compliance with the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Listing Requirements") and the provisions of the Company's Constitution, all Directors of the Company shall retire from office at least once in every three (3) years but shall be eligible for re-election at the annual general meeting. Any 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 interest of the Company in safeguarding the interest of the minority shareholders.

Under the recommendation of the Code, the tenure of an Independent Director shall not exceed a cumulative term of 9 years or the subject Independent Director shall be re-designated as Non-Independent Director. In the event that the Board wishes to retain the said Director as Independent Director beyond 9 years, an 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 year, an approval from the shareholders shall be obtained through a two-tier voting process at the annual general meeting. However, any shareholders' approval seek at the forthcoming annual general meeting shall be on a single-tier voting process as the two-tier voting process is not yet provided for in the Company's Constitution. This process would be incorporated in the Company's new Constitution which is targeted to be tabled to the shareholders in the 2019 annual general meeting.

Board Meetings and Supply of Information

The Board meets on a scheduler 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, five (5) 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	5/5	100
Ir. Lee Swee Eng	5/5	100
Dato' Dr Khalid bin Ngah	5/5	100
Dato' Sri Adnan bin Wan Mamat (Resigned on 21 May 2018)	2/2	100
Soh Yoke Yan	5/5	100
Gan Siew Liat	5/5	100
Chew Fook Sin (Resigned on 21 May 2018)	2/2	100

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

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

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

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

Access to Information and Advice

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

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

THE BOARD COMMITTEES

As managing and controlling companies have become more complex and demanding, where appropriate, the Board resorts to the various Board Committees to assist the Board in discharging its duties and responsibilities. The existence of Board Committees does not 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

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

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

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

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

Nomination Committee

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

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

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

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

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

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

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

Remuneration Committee

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

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

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

The Remuneration Committee met once 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)	1/1	100
Dato' Ab Halim bin Mohyiddin	1/1	100
Ir Lee Swee Eng	1/1	100
Soh Yoke Yan	1/1	100

ESOS Committee

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

The ESOS Committee met once 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)	1/1	100
Soh Yoke Yan	1/1	100
Gan Siew Liat	1/1	100

<u>REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT</u>

Directors' Remuneration

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

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

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

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

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

Range of Total Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM100,000	1	1	2
RM200,001 to RM250,000	–	3	3
RM950,0001 to RM1,000,000	1	–	1
RM2,850,001 to RM2,900,000	1	–	1
Total	3	4	7

* *Both Executive Director, Chew Fook Sin and the Independent Non-Executive Director, Dato' Sri Adnan bin Wan Mamat have resigned from the Company on 21 May 2018*

Remuneration of Key Senior Management

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

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

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

Range of Total Remuneration	Key Senior Management
RM500,001 to RM550,000	2
RM700,001 to RM750,000	1
RM1,000,001 to RM1,050,000	1
RM1,500,001 to RM1,550,000	1
Total	5

DIRECTORS' TRAINING

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

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

Directors	Date of Course / Name of Organiser	Title of Courses Attended
Dato' Ab Halim Bin Mohyiddin	25 June 2018 KNM / Pritchett Pte Ltd 19 September 2018 PETRONAS 7-8 November 2018 OECD/ SC 4 December 2018 MISC	Workshop on "KNM New Leadership Direction Setting Session to Support Sustainability" Malaysian Financial Reporting Standard OECD Roundtable Conference on Corporate Governance Annual Directors' Training
Ir. Lee Swee Eng	25 June 2018 KNM / Pritchett Pte Ltd	Workshop on "KNM New Leadership Direction Setting Session to Support Sustainability"
Dato' Dr Khalid Bin Ngah	28 February 2018 / Bursa Malaysia Berhad 25 June 2018 KNM / Pritchett Pte Ltd	Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide Workshop on "KNM New Leadership Direction Setting Session to Support Sustainability"
Soh Yoke Yan	25 June 2018 KNM / Pritchett Pte Ltd	Workshop on "KNM New Leadership Direction Setting Session to Support Sustainability"
Gan Siew Liat	25 June 2018 KNM / Pritchett Pte Ltd	Workshop on "KNM New Leadership Direction Setting Session to Support Sustainability"

ACCOUNTABILITY AND AUDIT

Financial Reporting

Shareholders are provided with fair assessments on the Company's financial performance and prospects vide timely issuance of all quarterly reports, annual audited financial statements and announcements on significant developments affecting the Company in compliance with the Listing Requirements and/or the Companies Act, 2016 ("the Act") (wherever applicable). The financial statements for the financial year ended 31 December 2018 is prepared in accordance with the Companies Act 2016.

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

Directors' Responsibilities for the Financial Statements

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

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

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

Internal 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 encompasses risk management, financial, organizational, operational and compliance controls necessary for the Group to achieve its objectives within an acceptable risk profile. These controls can only provide reasonable but not absolute assurances against material misstatements, errors of judgment and losses or frauds.

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

The Internal Audit function reports directly to the Audit Committee and operates in accordance with the framework set out by the Internal Audit Charter as approved by the Audit Committee. It is independently positioned to assist the Board and Audit Committee in obtaining the assurance they require in relation to the effectiveness of the Group's system of internal 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 RM42,600 (2017: RM256,795).

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

Relationship with the Auditors

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

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

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

CORPORATE DISCLOSURE

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

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

SHAREHOLDERS

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

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

Investor Relations

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

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

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

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

Annual General Meeting

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 provides separate resolutions to be proposed at the general meetings for each distinct issue and any item of special business included in a notice of general meeting is accompanied by an explanatory note on the effects of the proposed resolution. Voting is conducted by poll for any resolutions tabled at the Annual General Meeting subject to Paragraph 8.29A of the Bursa Securities Listing Requirements. 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. 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 will generally be held immediately after such general meetings whereat, the Directors would explain and clarify any issues posed by the members of the media regarding the Company, save and except for such information that may be regarded as material or price sensitive in nature, which disclosure shall be made in strict adherence to the disclosure requirements as prescribed under the Listing Requirements and other various contractual or statutory rules and provisions that the Group may be subjected to.

ADDITIONAL COMPLIANCE INFORMATION

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

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

   There were no Corporate Proposal administered and exercised by the Company during the Financial Year 2018.

2. **Related Party Transactions**

   All related party transactions for Financial Year 2018 are set out in Note 27 to the Financial Statements.

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

   A Director who has interest in a transaction 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 2018 were as follows:-

	Company (RM)	Group (RM)
• **Audit services**		
- Messrs KPMG PLT	228,000	651,000
- Affiliates of KPMG PLT in overseas	–	2,077,000
- Other auditors	–	193,000
• **Non-audit services**		
- Messrs KPMG PLT*	10,000	10,000
- Affiliates of KPMG PLT in Malaysia**	10,000	107,000
- Affiliates of KPMG PLT in overseas***	–	651,000
- Other auditors**	–	36,000
Total	**248,000**	**3,725,000**

Notes:

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

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

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

4. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries which are not in the ordinary course of business or involving Directors and/or major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2018 or which were entered into since the end of the previous financial year.

5. Contracts Related to Loans

During the financial year ended 31 December 2018, there were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding item, save and except for the acceptance of interest free unsecured loans advanced of RM298,600.00 from the Inter Merger Sdn Bhd.

The advancement of the above short term interest free unsecured loan is for the Company's or subsidiary's working capital purposes and payable on demand.

INTRODUCTION

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

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

To the Company, the EES sustainability practices has been deeply rooted within our 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

GOVERNANCE STRUCTURE

The sustainability governance practices of the Group is led by the Group Finance Director who chairs the Sustainability Committee which also comprises the Group's senior management team. Findings of the Sustainability Committee are reported to the Group Chief Executive Officer ("CEO") who shall authorise the Sustainability Report(s) (i.e. relating to the management of all economic, operational, governance and financial aspects of the Group) to be submitted to the Board for approval. Any decision made by the Board shall then cascade downwards to the executive directors and the Group CEO; who together with the senior management team will execute the decisions of the Board. The Board of Directors has the overall responsibility for risk oversight and management and sustainability governance within the Group.

The Group's governance structure is guided by the principles and recommendations of the new 3rd edition of Malaysian Code on Corporate Governance 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Further details are set out in the Corporate Governance Overview Statement and the Statement on Risk Management and Internal Control in the Group's Annual Report 2018.

ECONOMIC

The Group is continuously on the lookout for growth and expansionary opportunities to maximize profits, creating jobs and optimising investment returns for its stakeholders and investors.

Recurring Income from Renewable Energy Businesses

We are fully aware that the need to transition to a more sustainable future is one of the major challenges facing the world today. Accordingly, the Group has formulated its's strategy to diversify into the renewable energy and green technology sectors, based on the Group's aspirations to support the reduction of waste and gas emissions into the environment from its business operations.

The Group's businesses include provision of technologies for renewable energy, fertilisers and waste heat recovery systems, hydrocarbon recovery, volatile organic compounds emission control and carbon dioxide reduction via the following involvements:-

1) production of bioethanol from cassava/molasses for automotive fuel consumption;
2) converting wastes into energy and organic fertiliser;
3) provision of in sulphur and mercury removal process systems; and
4) provision of membrane, membrane modules and complete membrane systems for emission control, product recovery, gas separation and liquid separation.

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

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

2) Peterborough Green Energy Project ("PGEL Project") – which involves the erection of an Energy from Waste power plant with initial capacity up to net 36MW, situated on a 331,800 square meters site at Plot U13, Storeys Bar Road, Peterborough, United Kingdom.

Operating Cost Optimisation

Reduction of operating costs while improving quality, productivity and delivery time in respect of the Group's products and services forms a core activity that the Group continuously emphasise on. The Group carry out centralised procurement for essential raw materials e.g. steel products, tubes and forgings, to ensure consistent supply and delivery of quality materials from reputable sources at lower prices.

ENVIRONMENTAL

The Group manages its operations in a manner which minimises adverse environmental impacts and is committed to comply with all the applicable environmental regulations in its consumption of resources and generation of waste processes. The Group's Health, Safety and Environment Division establishes, regulates and enforces, among others, the relevant environmental policies, rules and regulations for the Group.

The Group continues to invest in energy efficient equipment and new technologies, as well as improve processes that reduce energy, water use and waste. Our targets and approaches are as below:

<u>Targets:</u>
i. to reduce in energy and water usage per unit of production by 5% by the year 2020 as compared to year 2018.
ii. to reduce in energy and water usage per unit of production by 10% by the year 2022 as compared to year 2018.

<u>Approach :</u>
i. reduce energy usage in all areas of manufacturing, for example replacing traditional lighting with more energy efficient lighting in workshops and offices;
ii. reduce water consumption in production methods and also improve effluent treatment and reuse waste water;
iii. continue research in production design and processes to enhance energy efficiencies and reduce welding wastage.

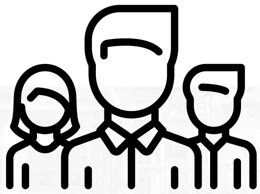
Our fabrication plant in Italy has started has started to replace the traditional lighting such as high intensity discharge mercury vapour lamps with LED lamps in the fabrication areas of the plant. The replacement started in November

2018 and completed installation in March 2019, with a total investment of approximately EUR600,000. This has resulted in approximately 50,000 KWh energy saving per month.

Our fabrication plants in Germany are also in compliance with the European Standards for Energy Audits DIN EN 16247-1 and is audited by TÜV Rheinland.

Apart thereto, wherever possible, all staff are encouraged to "repair, reduce, reuse and recycle" and adopt waste management and energy saving measures, for instance, keeping usage of paper to a minimum – on "double-sided" and on "need to" basis, switching off the air-conditioners and lights during breaks and using electric items with energy efficient systems, wherever possible.

SOCIAL



Corporate social initiatives are taken on key areas involving the workplace, the community and the marketplace, (in no particular order) besides the environment as mentioned above.

Workplace

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

Children of the Company's staff who have performed well in their primary and secondary school examinations are given cash rewards in recognition of their success to bolster their morale and confidence, and to encourage and motivate them to pursue further studies and excel in a variety of disciplines.

As part of the human capital development, the Group conducts various in-house training programmes focusing on quality leadership, building effective performance and job related to equip the employees with improved skills and knowledge. Besides participating in seminars and trade fairs, the Group actively encourages and promotes the well-being, skills development and education enhancements of its staff as part of its CS initiatives.

Community

The Group's main sponsorship, outreach and community investment activities include contributions, donations and philanthropic support towards various deserving and worthy causes. The Group provides internship training programmes to local diploma and vocational students for knowledge enrichment as well as complementing and nurturing talents among these students for their personal growth and future employment needs.

The Group and its subsidiaries had participated in and/or contributed towards the following events:

a. Danajamin Mighty Run, Malaysia

b. KBR Charity Golf Tournaments organized by Bechtel and KBR respectively.

c. Apart from sponsoring the European Ethylene Producers Conference and the CEFIC (European Chemical Industry Council) Conference last year, BORSIG Germany had also sponsored inter alia an international sports meeting - "BORSIG Athletics Meet" in Gladbeck besides participating in a major sport project (6 kilometer Run Event with about 17,000 runners) for its employees hosted by SC TF Veranstaltungs gGmbH (that forms part of SC Tegeler Forst e.V. a sporting club (SC) in Berlin).

d. BORSIG Germany continued to support and contribute towards other numerous causes, for example:-
- UNICEF's Christmas Cards sale - for its fund raising program.
- Wirtschaftsarchiv's archiving activities - concerning local research in relation to the promotion of regional economic history and industrial culture.
- Funding and equipping Forderverein Staatliche Technikerschule Berlin (Berlin Technical University) - to offer the best possibilities to its best students.
- Supporting Rheinfelder Tafel, a voluntary organization that helps support fellow citizens in distress in Rheinfelden, Germany.
- Supporting children from socially disadvantaged backgrounds in Berlin via the distribution of clothes, food and education through the Die Arche (The Ark) organisation; and providing warm meals, clothes and medical assistance to the homeless during winter through the Berliner Stadtmission Kältehilfe (Berlin CityMission Lodging) organization.

e. In Thailand, Impress Ethanol Co. Ltd has helped to donate and participated in food contributions and cooking activities with the local villagers for the various temples held in conjunction with the Thodkrathin Festival.

MARKETPLACE

Interaction with Stakeholders

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

Briefings to investors (if any) would be conducted and the presentation updates are posted and can be accessed from the Company's corporate website at www.knm-group.com too. The Group is mindful of the expectations of the investment community and will always strategize to attain or even surpass their expectations.

Quality Assurance and Quality Control

Our Group adheres to the internationally-recognized quality standards and is certified by accredited third parties in our quest to deliver to our clients with the highest quality of products and services by the Group. The major accreditations received by the Group include:

Country of operations	Accreditations
Malaysia	ISO 9001 : 2015 - Quality Management Systems OHSAS 18001 : 2007 - Health & Safety Management System ISO 14001 : 2015 - Environmental Management System ASME S, U & U2 Stamps - Boiler and Pressure Vessel Certification NBBI 'R' Stamp – Repairs and alterations on pressure vessels, boilers, and pressure-retaining items
Germany	DIN EN ISO 9001 : 2015 - Quality Management Systems DIN EN ISO 14001 : 2015 - Environmental Management System ASME S, U & U2 Stamps - Boiler and Pressure Vessel Certification NBBI 'R' Stamp – Repairs and alterations on pressure vessels, boilers, and pressure-retaining items SCC** - Safety Certificate for Contractors AD 2000-Merkblatt HP0 – Certification for pressure vessel design and manufacture Manufacture Licensing (ML) A1(High Pressure Vessels Only), A2 KGS Korea Gas Safety Licence DIN EN ISO 3834-2 - Quality requirements for fusion welding of metallic materials certification Water Protection (WHG) - German Water Directive EN 1090 - Fabrication and assembly of steel and aluminium structures
Italy	ISO 9001 : 2015 - Quality Management Systems OHSAS 18001 : 2007 - Health & Safety Management System ISO 14001 : 2015 - Environmental Management System ASME S, U & U2 Stamps - Boiler and Pressure Vessel Certification NBBI 'R' Stamp – Repairs and alterations on pressure vessels, boilers, and pressure-retaining items Manufacture Licensing (ML) A1(High Pressure Vessels Only), A2 AD 2000-Merkblatt HP0 – Certification for pressure vessel design and manufacture DIN EN ISO 3834-2 - Quality requirements for fusion welding of metallic materials certification

Country of operations	Accreditations
Thailand	ISO 9001 : 2015 - Quality Management Systems OHSAS 18001 : 2007 - Health & Safety Management System ISO 14001 : 2015 - Environmental Management System
Dubai	ISO 9001 : 2015 - Quality Management Systems ASME S, U & U2 Stamps - Boiler and Pressure Vessel Certification NBBI 'R' Stamp – Repairs and alterations on pressure vessels, boilers, and pressure-retaining items Manufacture Licensing (ML) A1(High Pressure Vessels Only), A2
China	ISO 9001 : 2015 - Quality Management Systems ASME S, U & U2 Stamps - Boiler and Pressure Vessel Certification NBBI 'R' Stamp – Repairs and alterations on pressure vessels, boilers, and pressure-retaining items
Canada	ISO 9001 : 2008 - - Quality Management Systems ASME PP, S, H, U & U2 Stamps - Boiler and Pressure Vessel Certification NBBI 'R' Stamp – Repairs and alterations on pressure vessels, boilers, and pressure-retaining items CSA W47.1 for Fusion Weldig of Steel (Div. 2) – Canadian Fusion Welding Of Steel Company Certification Safety Code – Certification by Pressure Equipment Safety Authority, Canada

LOOKING AHEAD

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

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

AUDIT COMMITTEE REPORT

The Audit Committee ("Committee") of the Company is pleased to present the Audit Committee Report for the financial year ended 31 December 2018.

MEMBERS, MEETINGS HELD AND ATTENDANCE OF MEMBERS

The members of the Committee are totally Independent Non-Executive Directors and they comprise three (3) in numbers. The attendance of each member at the five (5) meetings held during the financial year ended 31 December 2018 are as follows:-

Name of member	Designation	Directorship of the member	Attendance
Dato' Ab Halim bin Mohyiddin	Chairman	Independent Non-Executive Chairman	5/5 (100%)
Dato' Dr Khalid Bin Ngah	Member	Senior Independent Non-Executive Director	5/5 (100%)
Soh Yoke Yan	Member	Independent Non-Executive Director	5/5 (86%)

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 2019, 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 Risk Management auditors and noted the observations, recommendations and management's responses thereto;
7. reviewed the Risk Management Report and updated the Risk Management 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; and
9. reviewed and approved the periodic audit plans and actions presented by the internal and external auditors.
10. reviewed and approved the Audit Committee Report; and
11. reviewed and approved the Proposed Recurrent Related Party Transactions of a revenue or trading nature.

INTERNAL AUDIT FUNCTIONS

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

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

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

The costs amounting to approximately RM42,600 (2017: RM256,795) were incurred for the internal audit functions in respect of the financial year ended 31 December 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide the following Statement on Risk Management and Internal Control (the "Statement") that outlines the nature and scope of 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") recognises the importance of a sound system of internal control and effective risk management practices to good corporate governance. The Board affirms its responsibilities for maintaining sound system of internal controls within the Group and risk management practices to safeguard the shareholders' investment and the Group's assets.

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 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"). RMC, chaired by the Group Finance 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 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 incorporated into a Key Risk Profile that includes details on the nature of the risk as well as the severity. All risks identified are documented into a Key Risk Profile, which is updated by the respective Heads of Departments and tabled to the RMC quarterly. 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 key elements of certain operating activities of the Group's system of internal controls are as follows:-

- An organisational structure specifying lines of responsibility and delegation of authority.
- The Financial Authority Limits delineate authorization limits for securing of jobs and services, purchases of goods and/or services and capital expenditure for each level of management to ensure proper identification of accountabilities and segregation of duties.
- 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 departments conducted internal quality audits to monitor compliance with ISO requirements at respective subsidiaries with ISO accreditation.
- The Health, Safety and Environment departments at the fabrication facilities carried out health, safety and environment activities to promote staff safety awareness and compliance.
- The Board and Audit Committee reviewed the operational and financial performance at quarterly Board and Audit Committee meetings.

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

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

- Periodic confirmation by the reporting unit heads on the effectiveness of the system of risk management and internal control, highlighting any weaknesses and changes in risk profile.
- Periodic examination of business processes and state of internal control 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 system of risk management and internal control in place for the year under review is 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 system of risk management and internal control does not include the state of risk management and internal controls in associates and joint ventures.

ASSURANCE

The Board has received reasonable assurance from the Group Chief Executive Officer and Group Finance Director that the Group's risk management framework and internal control system is 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 risk management and internal control systems of the Group is satisfactory. The Board and management continuously to take pertinent measures to sustain and, where required, to improve the existing risk management and internal controls systems of the Group.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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 32 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 32 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	(774,816)	(171,769)
Non-controlling interests	(9,860)	–
	(784,676)	(171,769)

RESERVES AND PROVISIONS

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

DIVIDENDS

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

DIRECTORS OF THE COMPANY

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

Dato' Ab. Halim bin Mohyiddin
Ir Lee Swee Eng
Dato' Dr. Khalid bin Ngah
Soh Yoke Yan
Gan Siew Liat
Dato' Sri Adnan bin Wan Mamat (Resigned on 21 May 2018)
Chew Fook Sin (Resigned on 21 May 2018)

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 the Report are as follows:

Abdulllatif Mohammed Salem Al Barrak
Carsten Birk
Chen Xu
Chew Fook Sin
Chew Fun Sing
Dato' Mat Isa bin Kadir
Dr. Thomas Beeskow
Dr. Timo Bauer
Filippo Molinari
Flavio Porro
Gregory Douglas Mallam
Guo Zhiqiang
Jacky Antoine Valenza
John C Mah
Johannes Wilhelmus Petrus Jansen
Jürgen Stegger
Marcus Friedrichs
Mohammed Nasser Hazza Al Fehaid Al Subaei
Mohd Rizal Bahari bin Md Noor
Mohd Yusoff Bin Kotok
Mohd Zaini bin Buang
Naushad Ally Sohoboo
Ng Boon Su
Normen Norbert Seifert
Oliver Kuehner
Ronald Gerardo Gualy
Sandeep Fakun
Sara Lee Mei Ching
Syed Omar bin Syed Abdullah
Tan Koon Ping
Thanika Chintanapunt
Wilhelmus Petrus Jansen
Wong Toh Sing

Ong Kuan Ming	(Appointed on 24 January 2018)
Chua Thiam Chye	(Appointed on 31 July 2018)
Wong Wan Hoong	(Appointed on 20 August 2018)
Marco Blasioli	(Appointed on 23 August 2018)
Ramesh A/L Anarusalam	(Appointed on 29 November 2018)
Johan Nor Zaimi Bin Johari	(Appointed on 24 April 2019)
Loh Chee Wen	(Resigned on 9 January 2018)
Chua Tiam Wee	(Resigned on 24 January 2018)
Lin Haijun (Alternate Director)	(Resigned on 30 January 2018)
Phoon Hee Yau	(Resigned on 16 April 2018)
Alexander Neubauer	(Resigned on 29 June 2018)
Chong Chiew Han	(Resigned on 20 August 2018)
Lucas Franciscus Simon Bagchus	(Resigned on 25 October 2018)
Rohaizad bin Yunus @ Mohamed Yunus	(Resigned on 24 November 2018)
Felix Wong Yeen Kee	(Resigned on 29 November 2018)
Dinesh Krishna Pai	(Resigned on 9 January 2019)
Datuk Harris Bin Annuar @ David Tan	(Resigned on 29 January 2019)

LIST OF DIRECTORS OF SUBSIDIARIES (CONTINUED)

Chintamani Shridhar Vaidya	(Resigned on 16 April 2019)
Haridas Narayan Wadghule (Alternate Director)	(Resigned on 16 April 2019)
Shamkant Bahaji Bhor	(Resigned on 16 April 2019)
Dato' Norazman bin Hamidun	(Ceased on 2 July 2018)
Radzali bin Abdul Rahman	(Ceased on 2 July 2018)
Warinat Lim	(Ceased on 4 September 2018)

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Shareholdings in which Directors have interests in the Company				
Direct interests				
Dato' Ab. Halim bin Mohyiddin	2,452,500	–	–	2,452,500
Ir Lee Swee Eng	37,408,838	–	–	37,408,838
Gan Siew Liat	9,045,000	–	–	9,045,000
Indirect interests				
Ir Lee Swee Eng	329,102,856	56,898,100	97,889,803	288,111,153
Gan Siew Liat	329,102,856	56,898,100	97,889,803	288,111,153

	Number of Warrant B			
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Warrantholdings B 2015/2020 of the Company in which Directors have interests in the Company				
Direct interests				
Dato' Ab. Halim bin Mohyiddin	204,375	–	–	204,375
Ir Lee Swee Eng	2,226,562	–	–	2,226,562
Gan Siew Liat	874,375	–	–	874,375
Indirect interests				
Ir Lee Swee Eng	16,930,640	–	–	16,930,640
Soh Yoke Yan	10,000	–	–	10,000
Gan Siew Liat	16,930,640	–	–	16,930,640

DIRECTORS' INTERESTS (CONTINUED)

	Number of ESOS Options			
	At 1.1.2018	Granted	Exercised	At 31.12.2018
ESOS options of the Company in which Directors have interests				
Direct interests				
Dato' Ab. Halim bin Mohyiddin	2,054,540	513,635	–	2,568,175
Ir Lee Swee Eng	11,588,184	2,897,046	–	14,485,230
Dato' Dr. Khalid bin Ngah	1,525,128	381,282	–	1,906,410
Soh Yoke Yan	1,525,128	381,282	–	1,906,410
Gan Siew Liat	10,525,128	2,631,282	–	13,156,410
Indirect interests				
Ir Lee Swee Eng	1,218,068	304,517	–	1,522,585
Gan Siew Liat	1,218,068	304,517	–	1,522,585

	Number of membership interest			
	At 1.1.2018	Bought	Sold	At 31.12.2018
Shareholdings in which a Director has direct interest in a subsidiary				
- KPS Technology & Engineering LLC				
Ir Lee Swee Eng	100,000	–	–	100,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by certain Directors as shown in the financial statements or the fixed salaries of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a corporation in which the Director has a substantial financial interest, other than as disclosed in Note 28 to the financial statements.

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

ISSUE OF SHARES AND DEBENTURES

There were no 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 are as follows:

Grant date	Expiry date	Exercise price RM	Number of options At 1.1.2018	Granted and allocated	Lapsed	At 31.12.2018
25.7.2014	24.7.2022	0.65	20,845,732	–	(2,236,500)	18,609,232
25.7.2015	24.7.2022	0.65	20,704,843	–	(2,580,409)	18,124,434
25.7.2016	24.7.2022	0.65	20,680,688	–	(2,516,915)	18,163,773
25.7.2017	24.7.2022	0.65	20,397,619	–	(2,320,239)	18,077,380
25.7.2018	24.7.2022	0.65	–	18,457,462	(264,221)	18,193,241
			82,628,882	18,457,462	(9,918,284)	91,168,060

SHARE BUY-BACK

On 27 June 2018, the shareholders of the Company renewed the Company's plan to repurchase its own shares as disclosed in Note 16.2 to the financial statements.

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

As at 31 December 2018, 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 2018 is 2,346,095,980 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 26.

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.

OTHER STATUTORY INFORMATION (CONTINUED)

In the opinion of the Directors, except for an one-off reversal of deferred tax assets of the Group as disclosed in Note 9 and the impairment loss on receivables and other assets as disclosed in Note 22 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENT DURING THE YEAR

The significant event during the year is as disclosed in Note 34 to the financial statements.

EVENTS SUBSEQUENT TO YEAR END

Significant events subsequent to year end are as disclosed in Note 35 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 22 to the financial statements.

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

……………………………………………………
Dato' Ab. Halim bin Mohyiddin
Director

……………………………………………………
Lee Swee Eng
Director

Kuala Lumpur,

Date: 26 April 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000 Restated	Group 1.1.2017 RM'000 Restated	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000
Assets						
Property, plant and equipment	3	1,294,584	1,393,757	1,404,817	–	–
Goodwill	4	895,461	918,308	894,502	–	–
Other intangible assets	4	456,049	496,502	512,071	–	–
Interests in subsidiaries	5	–	–	–	1,986,630	2,054,614
Investments in associates	6	–	21	22	–	–
Investments in joint ventures	7	–	5,479	3,098	40	40
Other investments	8	254	5,467	525	–	–
Deferred tax assets	9	10,922	357,531	358,438	–	–
Total non-current assets		2,657,270	3,177,065	3,173,473	1,986,670	2,054,654
Inventories	10	139,813	161,966	128,268	–	–
Current tax assets		15,574	15,274	13,762	1,473	1,543
Contract assets	11	188,708	356,505	360,033	–	–
Trade and other receivables	12	377,388	461,787	565,936	126,999	219,493
Derivative financial assets	13	331	2,242	1,939	–	–
Cash and bank balances	14	411,149	235,638	419,183	224	365
		1,132,963	1,233,412	1,489,121	128,696	221,401
Assets classified as held for sale	15	58,956	–	–	–	–
Total current assets		1,191,919	1,233,412	1,489,121	128,696	221,401
Total assets		3,849,189	4,410,477	4,662,594	2,115,366	2,276,055

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000 Restated	Group 1.1.2017 RM'000 Restated	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000
Equity						
Share capital		1,883,498	1,883,513	1,005,617	1,883,498	1,883,513
Share premium		–	–	782,971	–	–
Treasury shares		(53,425)	(53,425)	(53,422)	(53,425)	(53,425)
Reserves		(289,295)	535,122	625,566	(63,907)	107,334
Total equity attributable to owners of the Company	16	1,540,778	2,365,210	2,360,732	1,766,166	1,937,422
Non-controlling interests		(2,454)	13,514	3,455	–	–
Total equity		1,538,324	2,378,724	2,364,187	1,766,166	1,937,422
Liabilities						
Loans and borrowings	17	1,047,525	701,911	839,695	345,669	334,107
Long term payables	19	8,051	8,976	10,589	–	–
Long service leave liability		7,851	7,574	7,097	–	–
Deferred tax liabilities	9	193,852	192,287	191,054	–	–
Total non-current liabilities		1,257,279	910,748	1,048,435	345,669	334,107
Loans and borrowings	17	423,081	487,055	481,704	–	–
Current tax liabilities		16,400	4,082	2,069	–	–
Contract liabilities	11	202,876	189,365	166,221	–	–
Trade and other payables	20	407,961	436,989	588,046	3,531	4,526
Derivative financial liabilities	13	3,268	3,514	11,932	–	–
Total current liabilities		1,053,586	1,121,005	1,249,972	3,531	4,526
Total liabilities		2,310,865	2,031,753	2,298,407	349,200	338,633
Total equity and liabilities		3,849,189	4,410,477	4,662,594	2,115,366	2,276,055

The notes on pages 64 to 163 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Revenue	21	1,432,333	1,362,082	3,604	3,692
Contract costs recognised as an expense		(1,193,385)	(1,111,598)	–	–
Cost of sales		(121,813)	(37,067)	–	–
Gross profit		117,135	213,417	3,604	3,692
Administration expenses		(170,806)	(177,584)	(6,399)	(5,785)
Other income		19,295	51,261	1,232	6,409
Other operating expenses		(313,037)	(78,665)	(175,371)	(6,798)
Results from operating activities	22	(347,413)	8,429	(176,934)	(2,482)
Finance costs		(60,717)	(47,847)	(16,495)	(16,649)
Finance income		1,368	517	21,660	22,031
Share of (loss)/profit of equity-accounted associates and joint ventures, net of tax		(5,590)	2,301	–	–
(Loss)/Profit before tax		(412,352)	(36,600)	(171,769)	2,900
Tax expense	23	(372,324)	(14,261)	–	(4)
(Loss)/Profit for the year		(784,676)	(50,861)	(171,769)	2,896
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedge		(669)	435	–	–
Foreign currency translation differences for foreign operations		(22,942)	(63,023)	–	–
Hedge of net investment in subsidiaries		(27,512)	62,680	–	–
Share of gain of equity-accounted associates and joint ventures		101	1,362	–	–
Other comprehensive (expense)/income for the year, net of tax		(51,022)	1,454	–	–
Total comprehensive (expense)/ income for the year		(835,698)	(49,407)	(171,769)	2,896

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
(Loss)/Profit attributable to:					
Owners of the Company		(774,816)	(48,664)	(171,769)	2,896
Non-controlling interests		(9,860)	(2,197)	–	–
(Loss)/Profit for the year		(784,676)	(50,861)	(171,769)	2,896
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(824,945)	(45,541)	(171,769)	2,896
Non-controlling interests		(10,753)	(3,866)	–	–
Total comprehensive (expense)/income for the year		(835,698)	(49,407)	(171,769)	2,896
Basic and diluted earnings per ordinary share (sen)	24	(33.03)	(2.26)		

The notes on pages 64 to 163 are an integral part of these financial statements.

	Attributable to owners of the Company											
	Non-distributable								Distributable			
Group	Share capital RM'000	Share premium 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	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2017, *as* ***previously reported***	1,005,617	782,971	(53,422)	93,301	(212,700)	18,287	(2,337)	72,449	681,252	2,385,418	3,455	2,388,873
Adjustment on initial application of MFRS 15, net of tax	-	-	-	-	669	-	-	-	(25,355)	(24,686)	-	(24,686)
At 1 January 2017 (Restated)	1,005,617	782,971	(53,422)	93,301	(212,031)	18,287	(2,337)	72,449	655,897	2,360,732	3,455	2,364,187
Foreign currency translation differences for foreign operations	-	-	-	-	(61,354)	-	-	-	-	(61,354)	(1,669)	(63,023)
Hedge of net investment in subsidiaries	-	-	-	-	62,680	-	-	-	-	62,680	-	62,680
Cash flow hedge	-	-	-	-	-	-	435	-	-	435	-	435
Share of other comprehensive income of equity-accounted investees	-	-	-	-	1,362	-	-	-	-	1,362	-	1,362
Other comprehensive income/(expense) for the year	-	-	-	-	2,688	-	435	-	-	3,123	(1,669)	1,454
Loss for the year	-	-	-	-	-	-	-	-	(48,664)	(48,664)	(2,197)	(50,861)
Total comprehensive income/(expense) for the year	-	-	-	-	2,688	-	435	-	(48,664)	(45,541)	(3,866)	(49,407)
Contributions by and distributions to owners of the Company												
- Share buy-back	-	-	(3)	-	-	-	-	-	-	(3)	-	(3)
- Acquisition of equity interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	13,925	13,925
- Share-based payment	-	-	-	-	-	78	-	-	-	78	-	78
- Issuance arising from private placement	49,921	-	-	-	-	-	-	-	-	49,921	-	49,921
- Issuance arising from exercise of Warrants	23	-	-	-	-	-	-	-	-	23	-	23
- Transfer of warrant reserve upon expiry of Warrant A	44,981	-	-	-	-	-	-	(44,981)	-	-	-	-
Total transactions with owners of the Company	94,925	-	(3)	-	-	78	-	(44,981)	-	50,019	13,925	63,944
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	782,971	(782,971)	-	-	-	-	-	-	-	-	-	-
At 31 December 2017 (Restated)	1,883,513	-	(53,425)	93,301	(209,343)	18,365	(1,902)	27,468	607,233	2,365,210	13,514	2,378,724
	Note 16.1	Note 16.1	Note 16.2	Note 16.3	Note 16.4	Note 16.5	Note 16.6	Note 16.7				

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Attributable to owners of the Company											
	Non-distributable								Distributable			
Group	Share capital RM'000	Share premium 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	Retained earnings/ (Accumulated) losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018, *as previously reported*	1,883,513	–	(53,425)	93,301	(209,343)	18,365	(1,902)	27,468	638,245	2,396,222	13,514	2,409,736
Adjustment on initial application of MFRS 15, net of tax	–	–	–	–	–	–	–	–	(31,012)	(31,012)	–	(31,012)
At 1 January 2018 (Restated)	1,883,513	–	(53,425)	93,301	(209,343)	18,365	(1,902)	27,468	607,233	2,365,210	13,514	2,378,724
Foreign currency translation differences for foreign operations	–	–	–	–	(22,049)	–	–	–	–	(22,049)	(893)	(22,942)
Hedge of net investment in subsidiaries	–	–	–	–	(27,512)	–	–	–	–	(27,512)	–	(27,512)
Cash flow hedge	–	–	–	–	–	–	(669)	–	–	(669)	–	(669)
Share of other comprehensive income of equity-accounted investees	–	–	–	–	101	–	–	–	–	101	–	101
Other comprehensive expense for the year	–	–	–	–	(49,460)	–	(669)	–	–	(50,129)	(893)	(51,022)
Loss for the year	–	–	–	–	–	–	–	–	(774,816)	(774,816)	(9,860)	(784,676)
Total comprehensive expense for the year	–	–	–	–	(49,460)	–	(669)	–	(774,816)	(824,945)	(10,753)	(835,698)
Contributions by and distributions to owners of the Company												
- Share issue expenses	(15)	–	–	–	–	–	–	–	–	(15)	–	(15)
- Share-based payment	–	–	–	–	–	528	–	–	–	528	–	528
- Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(5,215)	(5,215)
Total transactions with owners of the Company	(15)	–	–	–	–	528	–	–	–	513	(5,215)	(4,702)
At 31 December 2018	1,883,498	–	(53,425)	93,301	(258,803)	18,893	(2,571)	27,468	(167,583)	1,540,778	(2,454)	1,538,324
	Note 16.1	Note 16.1	Note 16.2	Note 16.3	Note 16.4	Note 16.5	Note 16.6	Note 16.7				

The notes on pages 64 to 163 are an integral part of these financial statements.

	← Attributable to owners of the Company					→	
	← Non-distributable				→	Distributable	
Company	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Share option reserve RM'000**	**Warrant reserve RM'000**	**Retained earnings/ (Accumulated losses) RM'000**	**Total RM'000**
At 1 January 2017	1,005,617	782,971	(53,422)	18,287	72,449	58,605	1,884,507
Profit for the year/ Total comprehensive income for the year	–	–	–	–	–	2,896	2,896
Contributions by and distributions to owners of the Company							
- Share buy-back	–	–	(3)	–	–	–	(3)
- Share-based payment	–	–	–	78	–	–	78
- Issuance arising from private placement	49,921	–	–	–	–	–	49,921
- Issuance arising from exercise of warrants	23	–	–	–	–	–	23
- Transfer of warrant reserves upon expiry of Warrant A	44,981	–	–	–	(44,981)	–	–
Total transactions with owners of the Company	94,925	–	(3)	78	(44,981)	–	50,019
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	782,971	(782,971)	–	–	–	–	–
At 31 December 2017/ 1 January 2018	1,883,513	–	(53,425)	18,365	27,468	61,501	1,937,422
Loss for the year/ Total comprehensive expense for the year	–	–	–	–	–	(171,769)	(171,769)
Contributions by and distributions to owners of the Company							
- Share-based payment	–	–	–	528	–	–	528
- Share issue expenses	(15)	–	–	–	–	–	(15)
Total transactions with owners of the Company	(15)	–	–	528	–	–	513
At 31 December 2018	1,883,498	–	(53,425)	18,893	27,468	(110,268)	1,766,166
	Note 16.1	Note 16.1	Note 16.2	Note 16.5	Note 16.7		

The notes on pages 64 to 163 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(412,352)	(36,600)	(171,769)	2,900
Adjustments for:					
Amortisation of intangible assets		29,584	30,167	–	–
Bad debts written off		5,875	1,338	–	–
Change in fair value of:					
- Other investments		4,956	–	–	–
- forward contracts		109	(5,621)	–	–
Depreciation of property, plant and equipment		25,007	7,883	–	–
Gain on disposal of property, plant and equipment		(345)	(24)	–	–
Interest expense		57,538	44,290	16,493	16,647
Interest income		(1,368)	(517)	(21,660)	(22,031)
Inventories written down to net realisable value		10,450	1,622	–	–
Provision for foreseeable losses		37,441	–	–	–
Provision for re-organisation expense		42,848	104	–	–
Provision for warranty		36,710	2,410	–	–
Provision for/(Reversal of) Impairment loss on:					
- Property, plant and equipment		22,388	–	–	–
- Interests in subsidiaries		–	–	69,500	–
- Investments in joint ventures		212	–	–	–
- Contract assets		27,462	–	–	–
- Trade receivables		55,825	8,352	–	–
- Amounts due from joint ventures		32,576	–	2,387	–
- Amounts due from subsidiaries		–	–	103,330	–
- Other receivables		1,563	(2,172)	–	–
Share-based payments	18	528	78	314	44
Share of loss/(gain) of equity-accounted associates and joint ventures, net of tax		5,590	(2,301)	–	–
Unrealised loss/(gain) on foreign exchange		14,425	(19,368)	(876)	5,598
Write offs:					
- Property, plant and equipment		1,431	1,065	–	–
- Interests in subsidiaries		–	–	–	1,200
- Investments in associates		49	–	29	–
- Other receivables		2,640	–	–	–
Operating profit/(loss) before changes in working capital		1,142	30,706	(2,252)	4,358

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Operating profit/(loss) before changes in working capital (continued)		1,142	30,706	(2,252)	4,358
Changes in working capital:					
Inventories		11,412	(37,806)	–	–
Contract assets		49,837	3,528	–	–
Contract liabilities		(28,345)	22,860	–	–
Trade and other receivables		(3,045)	68,623	9,682	11,882
Trade and other payables		(21,857)	(152,676)	(999)	(8,490)
Cash generated from/(used in) operations		9,144	(64,765)	6,431	7,750
Tax (paid)/refunded		(18,026)	(16,486)	70	(1,055)
Interest paid		(355)	(369)	–	–
Interest received		1,368	517	–	–
Net cash (used in)/generated from operating activities		(7,869)	(81,103)	6,501	6,695
Cash flows from investing activities					
Acquisition of other intangible assets		(1,737)	(491)	–	–
Acquisition of property, plant and equipment	(i)	(11,219)	(29,511)	–	–
Increase in investments in associates		(29)	–	(29)	–
Change in pledged deposits		(4,483)	(18,976)	–	–
Proceeds from disposal of property, plant and equipment		2,985	7,217	–	–
Repayment from/(Advances to) subsidiaries		–	–	6,928	(260,557)
Net cash (used in)/generated from investing activities		(14,483)	(41,761)	6,899	(260,557)
Cash flows from financing activities					
Interest paid		(57,183)	(43,921)	(13,526)	(13,752)
Net (repayments of)/proceeds from					
- Bills payable		(99,450)	(6,129)	–	–
- Finance lease liabilities		(10,347)	(9,799)	–	–
- Term loans, bonds and revolving credits		376,859	(68,105)	–	–
Proceeds from issuance of shares		–	49,944	–	49,944
Share buy-back		–	(3)	–	(3)
Share issue expenses		(15)	–	(15)	–
Dividend paid to non-controlling interests		(5,215)	–	–	–
Issuance of ordinary shares to non-controlling interest		–	13,925	–	–
Net cash generated from/(used in) financing activities		204,649	(64,088)	(13,541)	36,189

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Net increase/(decrease) in cash and cash equivalents		182,297	(186,952)	(141)	(217,673)
Effect of foreign currency translation		3,161	(29,182)	–	–
Cash and cash equivalents at beginning of year		195,585	411,719	365	218,038
Cash and cash equivalents at end of year	(ii)	381,043	195,585	224	365

Reconciliation of liabilities arising from financing activities

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

	Bills payable RM'000	Term loans RM'000	Revolving credits RM'000	Lease liabilities RM'000
Group				
At 1 January 2017	182,374	590,519	513,920	29,676
Acquisition of property, plant and equipment	–	–	–	6,548
Net (repayments)/proceeds	(6,129)	9,526	(77,631)	(9,799)
Unrealised gain on foreign exchange	(2,732)	(4,403)	(1,985)	–
Effect of foreign currency translation	(14,762)	(3,182)	(41,435)	(62)
At 31 December 2017/1 January 2018	158,751	592,460	392,869	26,363
Acquisition of property, plant and equipment	–	–	–	2,869
Net (repayments)/proceeds	(99,450)	437,160	(60,301)	(10,347)
Unrealised (gain)/loss on foreign exchange	(7,140)	32,224	–	–
Effect of foreign currency translation	(986)	(1,983)	4,360	(336)
At 31 December 2018	51,175	1,059,861	336,928	18,549

	Fixed rate guaranteed Thai Baht bonds 2018 RM'000	Fixed rate guaranteed Thai Baht bonds 2017 RM'000
Company		
At 1 January	334,107	333,937
Amortisation effect of borrowing costs	16,493	16,647
Unrealised loss/(gain) on foreign exchange	8,595	(2,725)
Interest paid	(13,526)	(13,752)
At 31 December	345,669	334,107

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 RM54,536,000 (2017: RM93,608,000). Property, plant and equipment of RM2,869,000 (2017: RM6,548,000) was acquired by means of hire purchase and RM40,448,000 (2017: RM57,549,000) was self-constructed assets.

(ii) Cash and cash equivalents

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

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash and bank balances	14	383,962	214,108	224	365
Deposits with licensed banks and financial institutions	14	27,187	21,530	–	–
Less: Pledged deposits	14	(26,013)	(21,530)	–	–
		385,136	214,108	224	365
Less: Bank overdraft	17	(4,093)	(18,523)	–	–
		381,043	195,585	224	365

The notes on pages 64 to 163 are an integral part of these financial statements.

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 2018 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 2018 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 32 to the financial statements.

These financial statements were authorised for issuance by the Board of Directors on 26 April 2019.

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 that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

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

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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, amendments and interpretations in the respective financial years when the abovementioned accounting standards, interpretation and amendments become effective, where applicable.

The initial application of the abovementioned accounting standards, interpretations or 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 except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments.

There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 123 clarifies that if any specific borrowing becomes outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period.

The Group is currently assessing the financial impact that may arise from the adoption of amendments to MFRS 123.

(b) Basis of measurement

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

1. BASIS OF PREPARATION (CONTINUED)

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is 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 2014.

- *Note 4 - Measurement of the recoverable amounts of cash-generating units*

  The Group assesses goodwill and other intangible assets for impairment annually. 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 4 to the financial statements.

- *Note 21 - Construction contracts revenue, costs and profits*

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of :

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impact arising from the changes are disclosed in Note 36.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

(v) Associates

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

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

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

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

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. Investment in joint venture is measured in the Company's statement of financial position at cost less any impairment loss, unless the investment is 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 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 equity instruments when 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 reclassified 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 reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(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.

Financial assets

Previous financial year

Financial assets were classified as financial assets at fair value through profit or loss, available-for-sale or loans and receivables, as appropriate. The Group and the Company determined the classification of financial assets at initial recognition. The Group's and the Company's financial assets included cash and cash equivalents, other investments, trade and other receivables, loans and advances, and derivative instruments.

A financial instrument was recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

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

Current financial year

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.

No change to the accounting policy in relation to regular way purchases or sales of financial assets (purchase or sales under a contract whose terms require delivery of financial assets within a time frame established by regulation or convention in the marketplace concerned).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

Financial liabilities

Previous financial year

Financial liabilities were classified as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortised cost, as appropriate. The Group and the Company determined the classification of financial liabilities at initial recognition.

Financial liabilities were recognised initially at fair value plus or minus, in the case of loans and borrowings, any direct attributable transaction costs.

The Group's and the Company's financial liabilities include borrowings, trade and other payables, and derivative financial instruments.

Current financial year

Upon adoption of MFRS 9 *Financial Instruments* in the current financial year, financial liabilities are classified as measured at fair value through profit or loss or amortised cost, as appropriate. Financial liabilities are recognised initially at fair value plus or minus, in the case of financial instrument not at fair value through profit or loss, any directly attributable transaction costs incurred at the acquisition to issuance of financial instrument.

The Group's and the Company's financial liabilities include loan and borrowings, trade and other payables and derivative financial instruments.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured were measured at cost.

Financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(c) **Financial instruments (continued)**

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

Financial assets (continued)

Previous financial year (continued)

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprised investment in equity and debt securities instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value cannot be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method was recognised in profit or loss.

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

Current financial year

Upon adoption of MFRS 9 *Financial Instruments*, financial assets are classified as measured at fair value through profit or loss (FVTPL) and amortised cost, as appropriate.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial assets (continued)

Current financial year (continued)

(a) Amortised cost

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

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

(b) Fair value through profit or loss

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

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

Financial liabilities

Previous financial year

The subsequent measurement of financial liabilities was dependent on their classification as follows:

Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprised financial liabilities that were derivatives financial instrument (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that were specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair value with gains or losses recognised in the profit or loss.

Financial liabilities measured at amortised cost

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

Gains or losses were recognised in the profit or loss when the liabilities were derecognised as well as through the amortisation process.

Current financial year

The subsequent measurement of financial liabilities depends on their classification as follows:

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 recognised in the profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(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.

Previous financial year

Fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

Current financial year

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

(a) Cash flow hedge

Current financial year

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

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

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

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.

Previous financial year

In the previous financial year, cost of hedging was expensed to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

(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 expire 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.

(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 2014. The next valuation is expected to be in 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

Leasehold land	45 - 77 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) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Goodwill

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

(ii) Other intangible assets

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

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

(iii) Subsequent expenditure

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

(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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

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

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

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

(i) Contract assets/Contract liabilities

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

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

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

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Assets classified as held for sale (continued)

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

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, and investments in subsidiaries, joint ventures and associates) were assessed at each reporting date to determine whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. If any such objective evidence existed, then the financial asset's recoverable amount was estimated. Losses expected as a result of future events, no matter how likely, were not recognised.

An impairment loss in respect of loans and receivables was recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Current financial year

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

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.

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

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

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

(ii) Other assets

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

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

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(l) **Impairment (continued)**

(ii) **Other assets (continued)**

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Equity instruments (continued)

(iv) Warrant reserves

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

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

(n) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

(iii) Defined benefit plans (continued)

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

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

(iv) Long service leave

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

(v) Share-based payment transactions

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

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

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

(o) Provisions

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

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) Earnings per ordinary share

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

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

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

(t) Operating segments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingencies

(i) Contingent liabilities

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

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

(ii) Contingent assets

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

(v) Fair value measurements

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

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

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

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

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM'000	Buildings RM'000	Building improvements 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 2017	321,492	373,133	11,308	634,020	17,686	122,620	540,295	2,020,554
Additions	567	4,848	219	9,554	2,044	7,370	69,006	93,608
Disposals	(6,076)	–	(349)	(1,970)	(872)	(485)	–	(9,752)
Reclassification	–	303,947	–	23,555	–	–	(327,502)	–
Write offs	–	–	–	–	–	(8)	(1,065)	(1,073)
Effect of movements in exchange rates	2,615	(14,854)	(147)	(21,791)	(563)	(1,530)	(13,078)	(49,348)
At 31 December 2017/ 1 January 2018	318,598	667,074	11,031	643,368	18,295	127,967	267,656	2,053,989
Additions	–	63	351	7,160	1,161	4,617	41,184	54,536
Disposals	–	(629)	(651)	(5,064)	(23)	(523)	–	(6,890)
Reclassification	–	1,902	–	–	–	–	(1,902)	–
Write offs	–	(10,224)	(36)	–	–	(9)	(1,385)	(11,654)
Transfer to assets classified as held for sale (Note 15)	(24,953)	(42,868)	–	–	–	–	–	(67,821)
Effect of movements in exchange rates	(3,568)	4,729	(312)	(3,318)	(34)	(1,593)	519	(3,577)
At 31 December 2018	290,077	620,047	10,383	642,146	19,399	130,459	306,072	2,018,583

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Land RM'000	Buildings RM'000	Building improvements 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
Depreciation and impairment loss								
At 1 January 2017								
Accumulated depreciation	826	31,097	1,358	455,513	12,378	96,907	–	598,079
Accumulated impairment loss	4,353	11,347	–	1,958	–	–	–	17,658
	5,179	42,444	1,358	457,471	12,378	96,907	–	615,737
Depreciation for the year	292	21,090	966	39,285	1,541	7,534	–	70,708
Disposals	–	–	–	(1,953)	(303)	(303)	–	(2,559)
Write offs	–	–	–	–	–	(8)	–	(8)
Effect of movements in exchange rates	55	(3,278)	(43)	(18,854)	(399)	(1,127)	–	(23,646)
At 31 December 2017/ 1 January 2018								
Accumulated depreciation	1,173	48,909	2,281	473,991	13,217	103,003	–	642,574
Accumulated impairment loss	4,353	11,347	–	1,958	–	–	–	17,658
	5,526	60,256	2,281	475,949	13,217	103,003	–	660,232
Depreciation for the year	245	25,188	733	33,910	1,460	6,818	–	68,354
Disposals	–	(49)	(204)	(3,462)	(23)	(512)	–	(4,250)
Write offs	–	(10,208)	(13)	–	–	(2)	–	(10,223)
Impairment loss	–	4,158	–	874	–	56	17,300	22,388
Transfer to assets classified as held for sale (Note 15)	(413)	(8,452)	–	–	–	–	–	(8,865)
Effect of movements in exchange rates								
Accumulated depreciation	(31)	(530)	(173)	(2,125)	(42)	(1,247)	–	(4,148)
Accumulated impairment loss	–	74	–	21	–	2	414	511
At 31 December 2018								
Accumulated depreciation	974	64,720	2,624	502,314	14,612	108,060	–	693,304
Accumulated impairment loss	4,353	5,717	–	2,853	–	58	17,714	30,695
	5,327	70,437	2,624	505,167	14,612	108,118	17,714	723,999
Carrying amounts								
At 1 January 2017	316,313	330,689	9,950	176,549	5,308	25,713	540,295	1,404,817
At 31 December 2017/ 1 January 2018	313,072	606,818	8,750	167,419	5,078	24,964	267,656	1,393,757
At 31 December 2018	284,750	549,610	7,759	136,979	4,787	22,341	288,358	1,294,584

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Depreciation charge for the year is allocated as follows:

		Group	
	Note	2018 RM'000	2017 RM'000
Construction work-in-progress	11.1	43,347	62,825
Profit or loss	22	25,007	7,883
		68,354	70,708

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 2014 by chartered surveyors in W.M. Malik & Kamaruzaman, Jiangsu Zhongda Real Estate Appraisal & Consultation Co., Ltd., PT Duta Perkasa Propertindo, Cluttons LLC, Suncorp Valuations Ltd., Gabetti Property Solutions Franchising Agency and PWC AG WPG.

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	
	2018 RM'000	2017 RM'000
Freehold land	152,267	156,069
Leasehold land	6,027	6,146
Buildings	594,530	646,118
	752,824	808,333

3.3 Security

Certain freehold land, leasehold land and buildings of subsidiaries costing/valued at RM457,539,000 (2017: RM468,991,000) are charged to certain financial institutions as security for credit facilities granted to the subsidiaries (Note 17).

3.4 Assets acquired under finance lease

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

	Group	
	2018 RM'000	2017 RM'000
Freehold land	5,348	5,489
Buildings	10,096	11,097
Plant and machineries	33,071	40,853
Motor vehicles	2,774	1,615
Furniture fittings and equipment	290	337
	51,579	59,391

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.5 Capital work-in-progress

Included in carrying amounts of capital work-in-progress are costs of self-constructed assets of RM243,987,000 (2017: RM202,991,000).

3.6 Impairment

During the financial year, an impairment loss of RM22,388,000 (2017 : Nil) was made after having assessed 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).

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. INTANGIBLE ASSETS

Group	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Cost			
At 1 January 2017	897,296	864,249	1,761,545
Additions	–	491	491
Effect of movements in exchange rates	23,806	23,832	47,638
At 31 December 2017/1 January 2018	921,102	888,572	1,809,674
Additions	–	1,737	1,737
Effect of movements in exchange rates	(22,847)	(22,895)	(45,742)
At 31 December 2018	898,255	867,414	1,765,669
Amortisation and impairment loss			
At 1 January 2017			
Accumulated amortisation	–	(352,178)	(352,178)
Accumulated impairment loss	(2,794)	–	(2,794)
	(2,794)	(352,178)	(354,972)
Amortisation for the year	–	(30,167)	(30,167)
Effect of movements in exchange rates	–	(9,725)	(9,725)
At 31 December 2017/1 January 2018			
Accumulated amortisation	–	(392,070)	(392,070)
Accumulated impairment loss	(2,794)	–	(2,794)
	(2,794)	(392,070)	(394,864)
Amortisation for the year	–	(29,584)	(29,584)
Effect of movements in exchange rates	–	10,289	10,289
At 31 December 2018			
Accumulated amortisation	–	(411,365)	(411,365)
Accumulated impairment loss	(2,794)	–	(2,794)
	(2,794)	(411,365)	(414,159)

4. INTANGIBLE ASSETS (CONTINUED)

Group	Goodwill RM'000	Other intangible assets RM'000	Total RM'000
Carrying amounts			
At 1 January 2017	894,502	512,071	1,406,573
At 31 December 2017/1 January 2018	918,308	496,502	1,414,810
At 31 December 2018	895,461	456,049	1,351,510
	Note 4.1	Note 4.2	

4.1 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.

4.2 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 while those with infinite useful lives are tested for impairment annually or shorter if there is an indication of impairment.

4.3 Amortisation and impairment charge

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

4.4 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 2018 RM'000	Group 2017 RM'000
Germany unit	864,291	887,138
Thailand unit	31,170	31,170
	895,461	918,308

4. INTANGIBLE ASSET (CONTINUED)

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

Germany unit

The recoverable amounts of the cash-generating units ("CGU") were based on fair value less costs of disposal calculations. These calculations use after-tax cash flow projections based on financial budgets approved by management covering a five-year detailed planning period and a five-year gross planning period. The estimated EBITDA margin used for the five-year period is 16% (2017: 14%).

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

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

(ii) The after-tax discount rate used is 8.27% (2017: 7.93%).

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

The estimates are particularly sensitive in the following areas:-

- An increase of 1.36% (2017: 1.36%) in the discount rate used would result in an impairment loss of RM59.1 million (2017: RM121.9 million).

- A decrease of 2.00% (2017: 2.00%) in the EBITDA margin used would not result in an impairment loss (2017: RM28.6 million).

Thailand unit

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

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

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

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

(iii) The pre-tax discount rate used is 8.91% (2017: 8.91%); and the terminal growth rate is 2.60% (2017: 2.60%).

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

5. INTERESTS IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares - at cost	1,658,891	1,658,891
Amounts due from subsidiaries	397,239	395,723
Less: Impairment loss	(69,500)	–
	1,986,630	2,054,614

The amounts due from subsidiaries relate to advances which are unsecured, non-repayable and interest free except for RM331,389,000 (2017: RM329,873,000) due from a subsidiary which is subject to interest at rate of 6.25% (2017: 6.25%). As these advances are not repayable within the next 12 months after reporting date, hence these advances are recognised as the Company's interest in subsidiaries.

Details of the subsidiaries are shown in Note 32 to the financial statements.

Non-controlling interests in subsidiaries

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

6. INVESTMENTS IN ASSOCIATES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares - at cost	69	40	29	–
Share of post-acquisition reserve	(20)	(19)	–	–
Less: Written off	(49)	–	(29)	–
	–	21	–	–

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 2018 %	Effective ownership interest and voting interest 2017 %
Dimensi Bumijaya Sdn. Bhd.**	Dormant	Malaysia	40	40
Konsortium AHHK Sdn. Bhd. ^#~	Dormant	Malaysia	21	29
Impress Farming Co., Ltd. ^	Plantation and distributor of cassava	Thailand	49	49

** Audited by another firm of accountants.
^ Equity-accounted using management accounts as at 31 December 2018.
# Direct interest owned by the Company.
~ The associate has applied for voluntary liquidation on 16 November 2018.

7. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares - at cost	5,354	5,540	40	40
Share of post-acquisition reserve	(5,180)	1,221	–	–
Effect of movements in exchange rates	38	(1,282)	–	–
Less: Impairment loss	(212)	–	–	–
	–	5,479	40	40

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 2018 %	2017 %
Petrosab Petroleum Sdn. Bhd. **	Investment holdings	Malaysia	40	40
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
Subsidiary of Petrosab Petroleum Sdn. Bhd.				
Petrosab Petroleum Engineering Sdn. Bhd. **	Operate the business of providing 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	52	52

** Audited by another firm of accountants.

7. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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.

	Group	
	2018 RM'000	**2017 RM'000**
As at 31 December		
Group's share of net assets/Carrying amount in the statement of financial position	–	5,479
Group's share of results for the year ended 31 December		
Group's share of (loss)/profit for the year	(5,590)	2,301
Group's share of other comprehensive income	101	1,362
Group's share of total comprehensive (expense)/ income	(5,489)	3,663
Contingent liability		
Share of joint ventures' contingent liability incurred jointly with other investor:		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	15,555	62,115

8. OTHER INVESTMENTS

Group	Unquoted Shares RM'000	Club Member-ship RM'000	Total RM'000
2018			
Non-current			
Financial assets measured at fair value through profit or loss – Mandatorily required by MFRS 9 ("FVTPL")	254	–	254
2017			
Non-current			
Available-for-sale financial asset	7,320	70	7,390
Less: Impairment loss	(1,913)	(10)	(1,923)
	5,407	60	5,467

Impairment losses were previously recognised before adoption of MFRS 9 as the carrying amounts of these investments exceeded their estimated recoverable amounts, which were determined based on the projection of income and other future cashflows.

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Property, plant and equipment	5,430	4,556	(21,978)	(21,369)	(16,548)	(16,813)
Revaluation*	13,443	13,798	(197,633)	(213,107)	(184,190)	(199,309)
Provisions	11,420	22,529	–	–	11,420	22,529
Other items	8,103	7,721	(4,236)	(4,168)	3,867	3,553
Other incentives	–	325,383	–	–	–	325,383
Tax loss carry-forward and unutilised capital allowances	2,521	29,901	–	–	2,521	29,901
Tax assets/(liabilities)	40,917	403,888	(223,847)	(238,644)	(182,930)	165,244
Set off of tax	(29,995)	(46,357)	29,995	46,357	–	–
Net tax assets/(liabilities)	10,922	357,531	(193,852)	(192,287)	(182,930)	165,244

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

At 31 December 2017, deferred tax assets of RM337,583,000 were recognised on tax loss carry-forward, unutilised capital allowance and other incentives granted to a subsidiary of the Group as it was projected that the related tax benefits will be utilised against any future taxable profits. During the financial year, due to revision in estimates, as a result of a combination of continuing adverse market conditions and a change in tax legislation, the related deferred tax asset has been reversed.

9. 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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Tax loss carry-forward	560,258	238,571	2,246	897
Unutilised capital allowances	63,289	43,751	–	–
Other incentives	1,355,763	–	–	–
Other deductible temporary differences	(6,254)	(16,960)	_	–
	1,973,056	265,362	2,246	897

Due to a change in tax legislation in current year, tax loss carry-forward of RM489,986,000 will expire in 7 years (2017: No expiry limitation).

Deferred tax assets have not been recognised in respect of the tax loss carry-forward and unutilised capital allowances above because it is not probable that future taxable profit will be available against which the Group entities can utilise the benefits therefrom.

Movement in temporary differences during the year

Group	At 1.1.2017 RM'000	Recognised in profit or loss (Note 23) RM'000	Effect of movements in exchange rates RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 23) RM'000	Effect of movements in exchange rates RM'000	At 31.12.2018 RM'000
Property, plant and equipment	(17,056)	321	(78)	(16,813)	125	140	(16,548)
Revaluation*	(201,056)	6,934	(5,187)	(199,309)	11,857	3,262	(184,190)
Provisions	18,604	3,340	585	22,529	(10,635)	(474)	11,420
Other items	11,608	(8,094)	39	3,553	300	14	3,867
Other incentives	325,383	–	–	325,383	(317,272)	(8,111)	–
Tax loss carry-forward and unutilised capital allowance	29,901	–	–	29,901	(26,818)	(562)	2,521
	167,384	2,501	(4,641)	165,244	(342,443)	(5,731)	(182,930)

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

10. INVENTORIES

	Group 2018 RM'000	Group 2017 RM'000 Restated
At cost:		
Raw materials	12,606	15,582
Tools and consumables	35,324	44,435
Work-in-progress	51,608	63,806
Finished goods	–	15,700
	99,538	139,523
At net realisable value:		
Raw materials	36,096	20,613
Tools and consumables	281	1,830
Finished goods	3,898	–
	139,813	161,966
Recognised in profit or loss:		
Inventories written down to net realisable value	10,450	1,622

11. CONTRACT ASSETS/(LIABILITIES)

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated
Contract assets			
Amounts due from contract customers	11.1	188,708	356,505
Contract liabilities			
Amounts due to contract customers	11.1	(148,992)	(105,783)
Other advance payment received		(53,884)	(83,582)
		(202,876)	(189,365)

11. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

11.1 Construction work-in-progress

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated
Aggregate costs incurred to date		4,607,674	6,647,082
Add: Attributable profits		684,871	1,401,584
Less: Foreseeable losses	22	(37,441)	–
Less: Impairment loss	22	(27,462)	–
		5,227,642	8,048,666
Less: Progress billings		(5,187,926)	(7,797,944)
		39,716	250,722
Represented by:			
Amounts due from contract customers		188,708	356,505
Amounts due to contract customers		(148,992)	(105,783)
		39,716	250,722

Additions to aggregate costs incurred during the year include:

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated
Depreciation of property, plant and equipment	3.1	43,347	62,825
Hire of plant and machineries		13,547	8,131
Staff costs		232,520	277,101

12. TRADE AND OTHER RECEIVABLES

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Trade					
Trade receivables		270,666	353,798	–	–
Amounts due from					
- subsidiaries	12.1	–	–	3,560	9,908
- joint ventures	12.1	2,438	18,676	–	–
- a related party	12.2	9,929	–	–	–
		283,033	372,474	3,560	9,908
Non-trade					
Amounts due from					
- subsidiaries	12.1	–	–	119,292	203,845
- joint ventures	12.1	4,087	7,678	1,715	4,102
Other receivables	12.3	34,808	38,505	434	135
Deposits	12.4	2,771	5,310	3	3
Prepayments	12.5	52,689	37,820	1,995	1,500
		94,355	89,313	123,439	209,585
		377,388	461,787	126,999	219,493

12.1 Amounts due from subsidiaries, associates and joint ventures

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

The amounts due from joint ventures and associates are unsecured, interest free and repayable on demand except for RM14,737,000 (2017: RM9,757,000) due from joint ventures which are subject to interest of 3.42% (2017: 1.43%) per annum.

12.2 Amount due from a related party

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

12.3 Other receivables

Included in other receivables of the Group and of the Company are Goods and Services Tax ("GST") and Value Added Tax ("VAT") receivable amounting to RM21,413,000 (2017: RM16,812,000) and RM223,000 (2017: RM55,000) respectively.

12.4 Deposits

Included in deposits of the Group are rental deposit for a building of RM165,000 (2017: RM165,000) paid to a company in which certain directors have financial interest.

12.5 Prepayments

Included in prepayments of the Group are advance payments to suppliers of RM33,217,000 (2017: RM21,680,000).

13. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2018 Nominal value RM'000	2018 Assets RM'000	2018 Liabilities RM'000	2017 Nominal value RM'000	2017 Assets RM'000	2017 Liabilities RM'000
Group						
Derivatives held for trading at fair value through profit or loss						
- Forward foreign exchange contracts ("FFEC")	82,186	227	(3,268)	25,786	678	(3,514)
Derivatives used for hedging	41,168	104	–	1,520,285	1,564	–
	123,354	331	(3,268)	1,546,071	2,242	(3,514)

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.

14. CASH AND BANK BALANCES

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash and bank balances	383,962	214,108	224	365
Deposits with licensed banks	27,187	21,530	–	–
	411,149	235,638	224	365

Included in the deposits placed with licensed banks of the Group is RM26,013,000 (2017: RM21,530,000) pledged for bank facilities.

15. ASSETS CLASSIFIED AS HELD FOR SALE

	Group 2018 RM'000	Group 2017 RM'000
Land	24,540	–
Buildings	34,416	–
	58,956	–

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

16. CAPITAL AND RESERVES

16.1 Share capital

	Group and Company			
	Number of shares 2018 '000	Amount 2018 RM'000	Number of shares 2017 '000	Amount 2017 RM'000
Issued and fully paid shares:				
At 1 January	2,369,437	1,883,513	2,156,133	1,005,617
Issued for cash				
- Warrant A (Note c)	–	–	23	23
- Private placement (Note d)	–	(15)	213,281	49,921
Expiration of Warrant A	–	–	–	44,981
Transfer from share premium in accordance with Section 618(2) of Companies Act 2016 (Note e)	–	–	–	782,971
At 31 December	2,369,437	1,883,498	2,369,437	1,883,513

(a) Under the Companies Act 2016 in Malaysia, which became effective on 31 January 2017 (except Section 241 and Division 8 of Part III), the concept of authorised share capital was abolished.

(b) In accordance with Section 74 of the Companies Act 2016 in Malaysia, the Company's shares no longer have a par or nominal value with effect from 31 January 2017. There is no impact on the number of shares in use or the relative entitlement of any of the members as a result of this transition.

(c) In prior year, the Company issued 23,213 new ordinary shares for a total cash consideration of RM22,748 arising from the exercise of Warrant A at an exercise price of RM0.98 per ordinary share.

(d) In prior year, the Company issued 213,281,400 new ordinary shares via a private placement to eligible investors for a total cash consideration of RM51,187,536 including transaction costs of RM1,266,528.

(e) In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital account. Included in the Company's share capital is share premium amounting to RM782,971,000 that was available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74 of Companies Act 2016). As at the date of issuance of the financial statements, the Company did not utilise the share premium.

16. CAPITAL AND RESERVES (CONTINUED)

16.2 Treasury shares

On 27 June 2018, the shareholders of the Company renewed the Company's plan to repurchase its own shares. There was no share buy-back during the financial year.

As at 31 December 2018, the Company held 23,341,275 (2017 : 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 2018 is 2,346,095,980 (2017 : 2,346,095,980) ordinary shares. The treasury shares have no rights to voting, dividends or participation in other distribution.

16.3 Revaluation reserve

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

16.4 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.

16.5 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 18.

16.6 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.

16.7 Warrant reserve

The Warrant A expired on 15 November 2017 and the corresponding warrant reserve transferred to share capital. At the end of the reporting period, the unexercised warrants comprise 161,578,504 Warrant B which will expire on 21 April 2020 (2017: 161,578,504 Warrant B).

17. LOANS AND BORROWINGS

		Note	Group 2018 RM'000	Group 2017 RM'000
Non-current				
Floating rate term loans	- secured		158,905	89,612
	- unsecured		70,800	–
Fixed rate term loans	- secured		44,055	21,988
	- unsecured		356,917	–
Fixed rate guaranteed Thai Baht bonds		17.7	345,669	334,107
Revolving credits	- secured		–	149,186
	- unsecured		56,998	87,880
Floating rate finance lease liabilities			–	161
Fixed rate finance lease liabilities			14,181	18,977
			1,047,525	701,911
Current				
Bank overdraft	- secured		4,093	–
	- unsecured		–	18,523
Bills payable	- secured		23,100	14,027
	- unsecured		28,075	144,724
Floating rate term loans	- secured		42,331	13,456
	- unsecured		39,734	74,541
Fixed rate term loans	- secured		1,450	26,380
	- unsecured		-	32,376
Revolving credits	- secured		148,868	34,444
	- unsecured		131,062	121,359
Floating rate finance lease liabilities			156	1,712
Fixed rate finance lease liabilities			4,212	5,513
			423,081	487,055
			1,470,606	1,188,966

	Note	Company 2018 RM'000	Company 2017 RM'000
Non-current			
Fixed rate guaranteed Thai Baht bonds	17.7	345,669	334,107

17. LOANS AND BORROWINGS (CONTINUED)

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

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

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

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

In respect of the Group for the financial year ended 31 December 2018:

a. Minimum consolidated total net worth of RM1.5 billion (2017: RM1.5 billion).

b. The Group's consolidated debt to equity shall not be more than 1.0 time (2017: 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 (2017: 0.4 time).

d. The Group's consolidated EBITDA over interest expense shall not be less than 2.0 times (2017: 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 March 2018 shall exceed a ratio of 4.5 times (2017: 4.5 times).

b. Maintenance of leverage ratio of not more than 2.5 times (2017: 2.0 times) for the financial year ended 31 December 2018.

c. Working Capital Cover ratio for periods ending on or after 31 March 2018 shall be equal to or more than 120% (2017: 120%).

d. Minimum Equity for the financial year ended 31 December 2018 shall not be less than 35% (2017: 30%).

17. LOANS AND BORROWINGS (CONTINUED)

17.2 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 17.1(iii) are also applicable.

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

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

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

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

(i) The Group's consolidated Debt Service Cover Ratio (DSCR) shall not be less than 1.25 times (2017: 1.25 times).

(ii) The Group's consolidated debt to equity shall not be more than 1.5 times at all times (2017: 1.5 times).

17.6 Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
Group	**Future minimum lease payments RM'000**	**Interest RM'000**	**Present value of minimum lease payments RM'000**	**Future minimum lease payments RM'000**	**Interest RM'000**	**Present value of minimum lease payments RM'000**
Less than one year	5,085	(717)	4,368	8,235	(1,010)	7,225
Between one and five years	10,417	(1,380)	9,037	14,372	(1,875)	12,497
More than five years	5,577	(433)	5,144	7,283	(642)	6,641
	21,079	(2,530)	18,549	29,890	(3,527)	26,363

The finance lease liabilities are subject to interest at rates ranging from 1.79% to 7.47% (2017: 1.79% to 6.58%) per annum.

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

18. EMPLOYEE BENEFITS

Share-based payment arrangement

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

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

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
	113,029		

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

	2018		2017	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Outstanding at 1 January	RM0.65	82,628	RM0.65	67,417
Adjustment at 1 January	RM0.65	57	RM0.65	–
Granted during the year	RM0.65	18,401	RM0.65	20,428
Lapsed during the year	RM0.65	(9,918)	RM0.65	(5,217)
Outstanding at 31 December	RM0.65	91,168	RM0.65	82,628
Exercisable at 31 December	RM0.65	91,168	RM0.65	82,628

The options outstanding at 31 December 2018 have an exercise price of RM0.65 and a weighted average contractual life of 4 years.

18. EMPLOYEE BENEFITS (CONTINUED)

Share-based payment arrangement (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

	2018	2017
Fair value at grant date	RM0.029	RM0.004
Weighted average share price	RM0.07	RM0.22
Share price at grant date	RM0.21	RM0.24
Expected volatility	135.89%	38.41%
Option life	3.4 years	4.4 years
Expected dividends	3.09%	3.09%
Risk-free interest rate	3.73%	3.56%

Value of employee services received for issue of share options

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Total expense recognised as share-based payments	528	78	314	44

The total expense for the year is not fully recognised in the profit or loss of the Company as RM214,000 (2017: RM34,000) has been re-charged to the respective subsidiaries whose employees are eligible for the ESOS.

19. 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.

20. TRADE AND OTHER PAYABLES

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Trade					
Trade payables		221,935	268,914	–	–
Non-trade					
Amounts due to					
- associates	20.1	1,678	1,483	–	–
- joint ventures	20.1	–	53	–	–
- related parties	20.1	10,593	12,328	299	298
Other payables	20.2	16,953	49,588	2,618	2,970
Accrued expenses	20.3	156,802	104,623	614	1,258
		186,026	168,075	3,531	4,526
		407,961	436,989	3,531	4,526

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

20.2 Including in other payables of the Group are Sales and Services Tax ("SST") and Value Added Tax ("VAT") payable amounting to RM4,114,000 (2017: RM4,039,000).

20.3 Included in accrued expenses of the Group are provision for warranty and provison for re-organisation expense of RM36,710,000 and RM42,848,000 (2017: Nil). Provision for warranty is made for remedies required for certain construction contracts, whereas provision for re-organisation expense relates to accrued expenses to streamline the Group's non-performing operations.

21. REVENUE

	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Construction contract				
- In time	230,494	112,304	–	–
- Over time	821,562	887,831	–	–
Sales of goods	263,670	184,307	–	–
Management fees	–	–	3,604	3,692
Services	116,607	177,640	–	–
	1,432,333	1,362,082	3,604	3,692
Major products and services lines				
- Construction contracts	1,052,056	1,000,135	–	–
- Renewable energy	119,775	37,561	–	–
- Others	260,502	324,386	3,604	3,692
	1,432,333	1,362,082	3,604	3,692

21. REVENUE (CONTINUED)

Nature of goods and services provided

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

22. RESULTS FROM OPERATING ACTIVITIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Results from operating activities is arrived at after charging:				
Auditors' remuneration:				
Audit fees:				
KPMG in Malaysia:				
- Current year	603	620	180	180
- Prior year	48	29	48	26
Overseas affiliates of KPMG in Malaysia	2,077	2,040	–	–
Other auditors	193	339	–	–
Non-audit fees:				
KPMG Malaysia	10	10	10	10
Local affiliates of KPMG in Malaysia	107	125	10	9
Overseas affiliates of KPMG in Malaysia	651	348	–	–
Other auditors	36	36	–	–
Depreciation of property, plant and equipment (Note 3.1)	25,007	7,883	–	–
Amortisation of intangible assets	29,584	30,167	–	–
Bad debts written off	5,875	1,338	–	–
Change in fair value of other investments	4,956	–	–	–
Impairment loss on:				
- Amounts due from joint ventures	32,576	–	2,387	–
- Amounts due from subsidiaries	–	–	103,330	–
- Contract assets	27,462	–	–	–
- Interests in subsidiaries	–	–	69,500	–
- Investments in joint ventures	212	–	–	–
- Other receivables	1,563	–	–	–
- Property, plant and equipment	22,388	–	–	–
- Trade receivables	55,825	8,352	–	–
Inventories written down to net realisable value	10,450	1,622	–	–
Investments in subsidiaries written off	–	–	–	1,200
Investments in associates written off	49	–	29	–
Other receivables written off	2,640	–	–	–
Loss on fair value of forward contracts	109	–	–	–
Net loss on foreign exchange:				
- Realised	–	–	124	–
- Unrealised	14,425	–	–	5,598
Personnel expenses:				
- Contribution to Employees' Provident Fund	9,949	9,953	–	–
- Share-based payments	528	78	314	44
- Wages, salaries and others	89,371	100,217	–	–
Provision for foreseeable losses (Note 11.1)	37,441	–	–	–
Property, plant and equipment written off	1,431	1,065	–	–
Provision for re-organisation expense (Note 20)	42,848	104	–	–
Provision for warranty (Note 20)	36,710	2,410	–	–

22. RESULTS FROM OPERATING ACTIVITIES (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
and after crediting:				
Gain on disposal of property, plant and equipment	345	24	–	–
Gain on fair value of forward contracts	–	5,621	–	–
Net gain on foreign exchange:				
- Realised	2,389	7,130	–	5,426
- Unrealised	–	19,368	876	–
Reversal of impairment loss:				
- Other receivables	–	2,172	–	–

23. TAX EXPENSE

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Income tax expense				
- Current year	29,878	16,447	–	–
- (Over)/Under provision in prior year	3	315	–	4
	29,881	16,762	–	4
Deferred tax expense				
- Current year	342,497	(2,473)	–	–
- Over provision in prior year	(54)	(28)	–	–
	342,443	(2,501)	–	–
Total tax expense	372,324	14,261	–	4

23. TAX EXPENSE (CONTINUED)

	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Reconciliation of tax expense				
(Loss)/Profit for the year	(784,676)	(50,861)	(171,769)	2,896
Total income tax expense	372,324	14,261	–	4
(Loss)/Profit before tax	(412,352)	(36,600)	(171,769)	2,900
Income tax using Malaysian tax rate of 24%	(98,965)	(8,784)	(41,225)	696
Effect of tax rates in foreign jurisdictions*	6,436	1,758	–	–
Non-deductible expenses	55,167	15,460	42,431	450
Tax exempt income	(83)	(13,388)	(1,530)	(1,292)
Effect of tax losses and other incentives not recognised	409,938	20,943	324	146
Utilisation of previously unrecognised temporary differences	(118)	(1,988)	–	–
Others	–	(27)	–	–
	372,375	13,974	–	–
Under/(Over) provision in prior year				
- Income tax expense	3	315	–	4
- Deferred tax expense	(54)	(28)	–	–
	372,324	14,261	–	4

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

24. EARNINGS PER ORDINARY SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the losses attributable to owners of the Company of RM774,816,000 (2017: RM48,664,000) and the weighted average number of ordinary shares outstanding during the year of 2,346,096,000 (2017: 2,152,083,000).

	2018 '000	2017 '000
Issued ordinary shares at beginning of the year	2,369,437	2,156,133
Issuance of shares	–	19,287
Effect of treasury shares held	(23,341)	(23,337)
Weighted average number of ordinary shares	2,346,096	2,152,083

	2018 Sen	2017 Sen Restated
Basic earnings per ordinary share	(33.03)	(2.26)

Diluted earnings per ordinary share

Diluted earnings per ordinary share of the Group is calculated by dividing the losses attributable to owners of the Company for the financial year by the weighted average number of shares in issue and issuable under the ESOS options and warrants. The ESOS options and warrants are excluded from the computation of diluted earnings per ordinary share as the ESOS options and warrants are out-of-the-money as at the end of the financial year and do not have any potential dilutive effect. Thus, the Group's diluted earnings per ordinary share at 31 December 2017 and 2018 are equivalent to its basic earnings per ordinary share as disclosed above.

25. DIVIDENDS

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

26. CONTINGENT LIABILITIES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Contingent liabilities				
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries				
- Secured	209,722	30,300	590,474	325,087
- Unsecured	541,880	676,710	607,183	627,765
	751,602	707,010	1,197,657	952,852
Share of joint ventures' contingent liabilities incurred jointly with other investor:				
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	15,555	62,115	1,599	48,159

27. COMMITMENTS

	Group	
	2018 RM'000	**2017 RM'000**
Capital commitments:		
Property, plant and equipment		
- Contracted but not provided for in the financial statements	2,017,901	2,945

28. 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.

28. RELATED PARTIES (CONTINUED)

Identity of related parties (continued)

Controlling related party relationships are as follows:

(i) Its subsidiary companies as disclosed in Note 32.

(ii) Its associates as disclosed in Note 6.

(iii) Its joint ventures as disclosed in Note 7.

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

(v) Inter Merger Sdn. Bhd. and IM Bina Sdn. Bhd., companies in which the Directors, Ir Lee Swee Eng and Gan Siew Liat have substantial financial interest.

(vi) Tofield Realty Development Corporation, a wholly-owned subsidiary of Asiavertek Sdn. Bhd. in which the Directors, Ir Lee Swee Eng and Gan Siew Liat have substantial financial interest.

(vii) KPS Technology & Engineering LLC, a company in which Ir Lee Swee Eng is a substantial shareholder.

(viii) Key management personnel.

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below:

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
A.	**Subsidiaries**				
	Management fees received	–	–	(3,604)	(3,692)
	Loan interest received	–	–	(21,660)	(22,031)
	ESOS charged	–	–	(34)	(381)
B.	**Joint ventures**				
	CNI Engineering & Construction Malaysia Sdn. Bhd.				
	Manpower supply	257	374	–	–
	Contract billing receivable	6,357	16,984	–	–
C.	**Related parties**				
	Inter Merger Sdn. Bhd.				
	Rental of premises	810	1,209	–	–
	Administrative charges	310	334	–	–
	IM Bina Sdn. Bhd.				
	Contract billing payable	8,855	26,723	–	–

28. RELATED PARTIES (CONTINUED)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
D. Key management personnel				
Directors				
- Fees	867	1,050	867	1,050
- Remuneration	4,139	4,598	3,736	3,792
- Employee benefits (including estimated monetary value of benefit-in-kind)	25	49	–	–
- Share-based payments	283	44	283	44
	5,314	5,741	4,886	4,886
Subsidiaries directors				
- Remuneration	8,377	10,441	–	–
- Share-based payments	25	11	–	–
	8,402	10,452	–	–
Other key management personnel				
- Remuneration	3,370	3,323	–	–
- Employee benefits (including estimated monetary value of benefit-in-kind)	5	–	–	–
- Share-based payments	61	6	–	–
	3,436	3,329	–	–
	17,152	19,522	4,886	4,886

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

Significant related party balances related to the above transactions are disclosed in Notes 5, 12, 19 and 20.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 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
Financial assets				
Group				
Other investments	254	–	254	–
Contract assets	188,708	188,708	–	–
Trade and other receivables	303,286	303,286	–	–
Derivative financial assets	331	–	227	104
Cash and bank balances	411,149	411,149	–	–
	903,728	903,143	481	104
Company				
Trade and other receivables	124,781	124,781	–	–
Cash and bank balances	224	224	–	–
	125,005	125,005	–	–

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Financial liabilities			
Group			
Loans and borrowings	(1,470,606)	(1,470,606)	–
Trade and other payables	(419,749)	(419,749)	–
Derivative financial liabilities	(3,268)	–	(3,268)
	(1,893,623)	(1,890,355)	(3,268)
Company			
Loans and borrowings	(345,669)	(345,669)	–
Trade and other payables	(3,531)	(3,531)	–
	(349,200)	(349,200)	–

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss : Held for trading ("FVTPL-HFT");
(c) Available-for-sale financial assets ("AFS"); and
(d) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R RM'000	FVTPL -HFT RM'000	AFS RM'000	Derivatives used for hedging RM'000
Financial assets					
Group					
Other investments	5,467	–	–	5,467	–
Contract assets	356,505	356,505	–	–	–
Trade and other receivables	407,155	407,155	–	–	–
Derivative financial assets	2,242	–	678	–	1,564
Cash and bank balances	235,638	235,638	–	–	–
	1,007,007	999,298	678	5,467	1,564
Company					
Trade and other receivables	217,938	217,938	–	–	–
Cash and bank balances	365	365	–	–	–
	218,303	218,303	–	–	–

	Carrying amount RM'000	FL RM'000	FVTPL - HFT RM'000
Financial liabilities			
Group			
Loans and borrowings	(1,188,966)	(1,188,966)	–
Trade and other payables	(449,500)	(449,500)	–
Derivative financial liabilities	(3,514)	–	(3,514)
	(1,641,980)	(1,638,466)	(3,514)
Company			
Loans and borrowings	(334,107)	(334,107)	–
Trade and other payables	(4,526)	(4,526)	–
	(338,633)	(338,633)	–

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net (losses)/gains arising on:				
Financial assets measured at fair value through profit or loss				
- Mandatorily required by MFRS 9	(5,065)	–	–	–
- Held for trading	–	5,621	–	–
Amortised cost	(64,678)	–	31,259	–
Loans and receivables	–	(4,568)	–	15,707
Financial liabilities measured at amortised cost	(77,485)	(26,296)	(25,094)	(10,497)
	(147,228)	(25,243)	6,165	5,210
Net loss on impairment of financial assets at amortised cost	(88,441)	–	(105,717)	–

29.3 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.

29.4 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.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Credit risk (continued)

Policies and processes

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

(i) Contract customer

Process & Specialised Equipment & Turnkey Contracts

These orders are attributable to the Group's construction contracts, which duration ranges from 12 to 36 months, where billings are based on the progress milestones which typically are divided into four or more stages of a project's life cycle. For large orders such as Engineering, Procurement and Constructions, billings are negotiated to closely mirror the cash flow requirements in contract execution. An advance from the customers would normally be required before the commencement of work, and the customer would demand a Bank or Corporate Guarantee in return as a form of guaranteeing performance. Customers' orders are usually components of a larger project which has secured financing. As such, credit risk exposure is typically low at the early and mid-stages of a project life cycle, but increases towards the last milestone payment arising from possible variation or contractual disputes. This tail-end risk is managed or mitigated with one or more of the following:

- Professional lien on goods and materials
- Transactional credit documents (i.e. Letter of Credit) on export delivery
- Contract customers are assessed on credit, and sovereign nation risks where applicable, on both quantitative and qualitative elements
- Credit exposure is monitored on the aging of receivables, and the projects' progression and variations

(ii) Financial institutions

The Group places its funds in banks in over 14 (2017: 14) countries in which it has business presence. The Group also enters into forward foreign exchange contracts with licensed financial institutions for hedging purposes. Credit risk is generally low as the counter-parties are all reputable licensed institutions. Where financial derivatives are involved, mandatory International Swaps and Derivatives Association (ISDA) agreements are incepted where necessary.

(iii) Financial guarantees and advances for subsidiaries

The Group through 4 (four) (2017: 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 those 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 RM30,172,000 (2017: RM4,759,000) in respect of RM270,666,000 (2017: RM353,798,000) trade receivables. The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Credit risk (continued)

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 2018 RM'000	Maximum exposure 2017 RM'000 Restated
Group		
Financial assets		
Trade receivables	270,666	353,798
Contract assets	188,708	356,505
Amounts due from related parties, associates and joint ventures	16,454	26,354
Other receivables and deposits	16,166	27,003
Deposits with licensed banks	27,187	21,530
Cash and bank balances	383,962	214,108
	903,143	999,298
Company		
Financial assets		
Amounts due from subsidiaries	122,852	213,753
Amounts due from joint ventures	1,715	4,102
Other receivables and deposits	214	83
Cash and bank balances	224	365
	125,005	218,303

Trade receivables and contract assets

Concentration of credit risk

The credit risk concentration of the Group is mainly in the trade receivables and amount due from contract customers, and this is further analysed by its source of operation - geographic location.

	2018 RM'000	2018 %	2017 Restated RM'000	2017 Restated %
Asia and Oceania	60,987	13	242,492	34
Europe	398,387	87	455,753	64
America	–	–	12,058	2
	459,374	100	710,303	100

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment loss

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

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

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

Group	Gross RM'000	Impairment loss allowance RM'000	Net RM'000
2018			
Not past due	181,514	(539)	180,975
Past due 0 - 30 days	21,863	–	21,863
Past due 31 - 60 days	8,394	(402)	7,992
Past due 61 - 120 days	22,829	(805)	22,024
Past due more than 120 days	123,922	(86,110)	37,812
	358,522	(87,856)	270,666
2017			
Not past due	210,449	–	210,449
Past due 0 - 30 days	33,574	–	33,574
Past due 31 - 60 days	21,295	–	21,295
Past due 61 - 120 days	21,529	(704)	20,825
Past due more than 120 days	113,708	(46,053)	67,655
	400,555	(46,757)	353,798

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 2018 RM'000	2017 RM'000
At 1 January	46,757	45,428
Impairment loss recognised	55,825	8,352
Impairment loss written off	(14,685)	(3,734)
Effect on the movement of exchange rate	(41)	(3,289)
At 31 December	87,856	46,757

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Credit risk (continued)

Amounts due from a related party, associates, joint ventures and subsidiaries

Risk management objectives, policies and processes for managing the risk

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

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

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

Recognition and measurement of impairment loss

The following table provides information about the exposure to credit risk and expected credit losses ("ECLs") for amounts due from a related party, associates, joint ventures and subsidiaries as at 31 December 2018. 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
Group			
Low credit risk	10,277	–	10,277
Credit impaired	38,753	(32,576)	6,177
	49,030	(32,576)	16,454
Company			
Low credit risk	124,567	–	124,567
Credit impaired	108,085	(108,085)	–
	232,652	(108,085)	124,567

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.4 Credit risk (continued)

Amounts due from a related party, associates, joint ventures and subsidiaries (continued)

Recognition and measurement of impairment loss (continued)

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At 1 January	–	–	2,368	2,368
Impairment loss recognised	32,576	–	105,717	–
At 31 December	32,576	–	108,085	2,368

Cash and bank balances

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

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

29.5 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) 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

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.5 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.

Group 2018	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Term loans - secured							
- EUR	26,213	1.65% - 2.52%	28,268	4,294	3,261	5,921	14,792
- RM	177,239	5.71% - 9.15%	198,344	48,597	71,723	55,785	22,239
- CAD	19,237	6.20%	25,309	2,436	2,364	6,633	13,876
- RMB	24,052	18.00%	45,698	4,329	4,329	37,040	–
Term loans - unsecured							
- EUR	410,662	2.67% - 11.50%	576,871	81,478	81,792	413,601	–
- USD	56,789	4.29% - 10.50%	63,831	11,325	52,506	–	–
Guaranteed Thai Baht bonds							
- THB	345,669	3.00%	359,901	17,056	17,248	325,597	–
Revolving credits - secured							
- USD	148,868	4.50% - 5.35%	156,420	88,857	65,680	1,883	–
Revolving credits - unsecured							
- USD	94,337	4.87% - 5.05%	99,291	40,866	52,550	5,875	–
- EUR	93,723	0.50% - 3.60%	93,723	93,723	–	–	–
Bills payable - secured							
- EUR	159	1.95%	160	160	–	–	–
- USD	22,299	4.65% - 5.52%	22,602	22,602	–	–	–
- RM	642	5.05% - 5.50%	677	677	–	–	–
Bills payable - unsecured							
- EUR	598	1.56%	598	598	–	–	–
- RM	1,690	4.75% - 4.90%	1,773	1,773	–	–	–
- USD	269	1.40% - 3.30%	278	278	–	–	–
- THB	25,518	4.75%	25,689	25,689	–	–	–
Hire purchase and lease creditors							
- EUR	13,596	2.02% - 4.59%	15,689	2,648	2,202	5,262	5,577
- RM	4,140	1.79% - 4.84%	4,506	2,070	1,411	1,025	–
- THB	813	4.18% - 7.47%	884	367	442	75	–
Bank overdraft - secured							
- RM	4,093	8.15%	4,396	4,396	–	–	–
Trade and other payables	419,749	–	419,749	403,847	15,902	–	–
Financial guarantee	–	–	652,377	652,377	–	–	–
	1,890,355		2,797,034	1,510,443	371,410	858,697	56,484

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.5 Liquidity risk (continued)

Maturity analysis (continued)

Group 2018	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	2,203	–	121,929	121,929	–	–	–
- Inflow	–	–	(119,726)	(119,726)	–	–	–
	2,203		2,203	2,203	–	–	–
			2,799,237	1,512,646	371,410	858,697	56,484

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.5 Liquidity risk (continued)

Maturity analysis (continued)

Group 2017	Carrying amount RM'000	Contractual interest/ profit rates per annum %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Term loans - secured							
- EUR	31,092	1.95% - 5.50%	31,720	4,925	3,652	7,038	16,105
- RM	73,480	5.46% - 7.30%	78,692	9,204	9,364	27,169	32,955
- CAD	21,985	5.45%	23,183	1,696	1,696	5,090	14,701
- RMB	24,879	18.00%	29,357	29,357	–	–	–
Term loans - unsecured							
- EUR	51,238	2.67% - 4.07%	52,255	52,255	–	–	–
- USD	55,679	4.29% - 12.00%	60,565	60,565	–	–	–
Guaranteed Thai Baht bonds							
- THB	334,107	3.00%	350,744	16,383	33,215	301,146	–
Revolving credits - secured							
- USD	183,630	4.50% - 4.75%	200,755	43,119	150,213	7,423	–
Revolving credits - unsecured							
- RM	39,000	4.05% - 4.39%	41,429	41,429	–	–	–
- USD	122,653	3.92% - 9.17%	130,432	39,347	91,085	–	–
- EUR	47,586	0.50% - 2.25%	48,657	48,657	–	–	–
Bills payable - secured							
- EUR	975	3.35%	1,007	1,007	–	–	–
- USD	10,523	3.00% - 3.75%	10,908	10,908	–	–	–
- RM	2,529	5.05% - 5.50%	2,668	2,668	–	–	–
Bills payable - unsecured							
- USD	8,175	0.50% - 5.02%	8,404	8,404	–	–	–
- RM	127,976	2.00% - 4.90%	134,225	134,225	–	–	–
- THB	6,224	6.25%	6,613	6,613	–	–	–
- JPY	2,349	0.51% - 2.25%	2,402	2,402	–	–	–
Hire purchase and lease creditors							
- EUR	17,903	2.02% - 6.30%	20,623	4,538	2,713	6,192	7,180
- RM	7,484	1.79% - 4.84%	8,226	3,052	2,562	2,509	103
- THB	976	6.58%	1,041	645	396	–	–
Bank overdraft - unsecured							
- RM	18,523	4.05% - 7.40%	19,451	19,451	–	–	–
Trade and other payables	449,500	–	449,500	432,950	16,550	–	–
Financial guarantee	–	–	582,044	582,044	–	–	–
	1,638,466		2,294,901	1,555,844	311,446	356,567	71,044

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.5 Liquidity risk (continued)

Maturity analysis (continued)

Group 2017	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
Derivative financial liabilities							
Forward exchange contracts (gross settled):							
- Outflow	–	–	119,566	119,566	–	–	–
- Inflow	(708)	–	(120,274)	(120,274)	–	–	–
	(708)		(708)	(708)	–	–	–
			2,294,193	1,555,136	311,446	356,567	71,044

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.5 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
Company						
2018						
Non-derivative financial liabilities						
Loans and borrowings	345,669	3.00%	359,901	17,056	17,248	325,597
Trade and other payables	3,531	–	3,531	3,531	–	–
Financial guarantee	–	–	1,189,329	1,189,329	–	–
	349,200		1,552,761	1,209,916	17,248	325,597
2017						
Non-derivative financial liabilities						
Loans and borrowings	334,107	3.00%	350,744	16,383	33,215	301,146
Trade and other payables	4,526	–	4,526	4,526	–	–
Financial guarantee	–	–	972,111	972,111	–	–
	338,633		1,327,381	993,020	33,215	301,146

Financial guarantees

The Group and the Company provide guarantees relating to borrowings and performance obligation of joint ventures and subsidiaries of RM652,377,000 and RM1,189,329,000 respectively (2017: RM582,044,000 and RM972,111,000 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.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.6 Foreign currency risk

The Group operates in 16 (2017: 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, EUR, THB and RM. RM exposure is attributed to certain subsidiaries located in Malaysia but adopting USD as their functional currency. The Group's foreign currency risk management objective is to minimise transactional FX exposure that gives rise to economic impact.

Policies and Processes

i) Transactional forward obligations or rights denominated in foreign currency.

Transactional FX risk arises mainly from contracted projects' future monetary obligation and rights denominated in a currency other than the transaction originating currency. These highly probable future cash flows in foreign currency are first netted based on matching FX risk characteristics for natural hedge, with any net balance exposure being further hedge off with FX Forward Contracts. It is the Group's policy to attain best full hedge in transactional FX risk.

ii) Net investment in Foreign Operations.

The Group considers matching foreign currency borrowing with the functional currency of its foreign operations in mitigating FX translation gain/loss that are recognised in a separate component of equity. However, this decision is driven by feasibility factors such as the ability to time the future cash flows, availability of foreign currency debt funding, and the foreign currencies' fiscal position and borrowing cost.

Where circumstances permit, FX hedges on the abovementioned would be designated for hedge accounting either as cash-flow hedges, fair value hedges, or net investment hedges.

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

	Denominated in			
	USD RM'000	EUR RM'000	THB RM'000	RM RM'000
Group				
2018				
Trade receivables	67,890	7,652	–	983
Other receivables	9,148	87	–	11,189
Cash and bank balances	41,288	1,071	14	10,237
Deposit with licensed financial institutions	–	–	–	1,008
Trade payables	(8,682)	(1,073)	–	(1,160)
Other payables and accruals	(30)	–	(128)	(8,136)
Term loans	(56,789)	(304,411)	(345,669)	(70,898)
Finance lease liabilities	–	–	–	(4,140)
Bills payable	–	(159)	–	(2,332)
Forward exchange contracts	2,203	–	–	–
Net exposure in the statement of financial position	55,028	(296,833)	(345,783)	(63,249)

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.6 Foreign currency risk (continued)

	Denominated in			
	USD RM'000	EUR RM'000	THB RM'000	RM RM'000
Group				
2017				
Trade receivables	91,799	14,531	–	18,799
Other receivables	124	664	–	7,874
Cash and bank balances	8,784	48,860	11	1,990
Trade payables	(7,075)	(2,041)	–	(1,146)
Other payables and accruals	(30)	(153)	(125)	(7,455)
Term loans	(23,303)	–	(334,107)	(73,480)
Bank overdrafts	–	–	–	(13,215)
Revolving credits	–	–	–	(15,000)
Finance lease liabilities	–	–	–	(7,484)
Bills payable	(7,669)	(975)	–	(129,370)
Forward exchange contracts	(2,104)	(1,549)	–	–
Net exposure in the statement of financial position	60,526	59,337	(334,221)	(218,487)

	THB RM'000
Company	
2018	
Cash and bank balances	14
Borrowings	(345,669)
Net exposure in the statement of financial position	(345,655)
2017	
Cash and bank balances	11
Borrowings	(334,107)
Net exposure in the statement of financial position	(334,096)

A 5 percent strengthening of Malaysian Ringgit against the US Dollar, Euro and Thai Baht 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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group				
USD	(73,075)	(99,161)	(2,751)	(3,026)
EUR	(70,381)	(70,040)	14,842	(2,967)
THB	(2,269)	(3,604)	17,289	16,711
RM	–	–	3,162	10,924

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.6 Foreign currency risk (continued)

	Profit or loss 2018 RM'000	2017 RM'000
Company		
THB	17,283	16,705

A 5 percent weakening of Malaysian Ringgit against the US Dollar, Euro and Thai Baht 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.

29.7 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.

<u>Policies and processes</u>

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
Financial assets	27,187	21,530	–	–
Financial liabilities	(766,484)	(439,341)	(345,669)	(334,107)
	(739,297)	(417,811)	(345,669)	(334,107)
Floating rate instruments				
Financial assets	14,737	9,757	–	–
Financial liabilities	(704,122)	(749,625)	–	–
	(689,385)	(739,868)	–	–

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.7 Interest rate risk (continued)

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.

(b) *Cash flow sensitivity analysis for variable rate instruments*

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**
2018		
Floating rate instruments	(1,723)	1,723
2017		
Floating rate instruments	(1,850)	1,850

29.8 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:

Group	**Net cash flows RM'000**	**Expected cash flows RM'000**	**Under 1 year RM'000**
2018			
Proceeds from accounts receivables			
- inflow	–	38,727	38,727
- outflow	(1,852)	(40,579)	(40,579)

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.8 Cash flow hedge (continued)

Group	Net cash flows RM'000	Expected cash flows RM'000	Under 1 year RM'000
2017			
Proceeds from accounts receivables			
- inflow	1,681	80,693	80,693
- outflow	–	(79,012)	(79,012)
Proceeds from accounts payables			
- inflow	–	13,349	13,349
- outflow	(1,550)	(14,899)	(14,899)

During the year, net loss of RM669,000 (2017: a net gain of RM435,000) was recognised in other comprehensive income. An ineffective net gain of RM5,000 (2017: RM1,433,000) was recognised in profit or loss during the year.

29.9 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 finance lease 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.

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.9 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
2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
Financial assets										
Forward exchange contracts	–	331	–	331	–	–	–	–	331	331
Financial liabilities										
Forward exchange contracts	–	(3,268)	–	(3,268)	–	–	–	–	(3,268)	(3,268)
Fixed rate term loans	–	–	–	–	–	–	(402,427)	(402,427)	(402,427)	(402,422)
Fixed rate guaranteed Thai Baht bonds	–	–	–	–	–	–	(345,919)	(345,919)	(345,919)	(345,669)
Fixed rate finance lease liabilities	–	–	–	–	–	–	(18,490)	(18,490)	(18,490)	(18,393)
Long term payables	–	–	–	–	–	–	(8,051)	(8,051)	(8,051)	(8,051)
Long service leave liability	–	–	–	–	–	–	(7,851)	(7,851)	(7,851)	(7,851)
	–	(3,268)	–	(3,268)	–	–	(782,738)	(782,738)	(786,006)	(785,654)
Company										
Financial liabilities										
Fixed rate guaranteed Thai Baht bonds	–	–	–	–	–	–	(345,919)	(345,919)	(345,919)	(345,669)

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.9 Fair value of financial instruments (continued)

2017	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Group										
Financial assets										
Forward exchange contracts	–	2,242	–	2,242	–	–	–	–	2,242	2,242
Financial liabilities										
Forward exchange contracts	–	(3,514)	–	(3,514)	–	–	–	–	(3,514)	(3,514)
Fixed rate term loans	–	–	–	–	–	–	(80,744)	(80,744)	(80,744)	(80,744)
Fixed rate guaranteed Thai Baht bonds	–	–	–	–	–	–	(334,107)	(334,107)	(334,107)	(334,107)
Fixed rate finance lease liabilities	–	–	–	–	–	–	(24,545)	(24,545)	(24,545)	(24,490)
Long term payables	–	–	–	–	–	–	(8,976)	(8,976)	(8,976)	(8,976)
Long service leave liability	–	–	–	–	–	–	(7,574)	(7,574)	(7,574)	(7,574)
	–	(3,514)	–	(3,514)	–	–	(455,946)	(455,946)	(459,460)	(459,405)
Company										
Financial liabilities										
Fixed rate guaranteed Thai Baht bonds	–	–	–	–	–	–	(334,107)	(334,107)	(334,107)	(334,107)

29. FINANCIAL INSTRUMENTS (CONTINUED)

29.9 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 (2017: 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

	2018	2017
Group		
Fixed rate term loans	2.52% - 18.00%	4.29% - 18.00%
Fixed rate guaranteed Thai Baht bonds	3.00%	3.00%
Fixed rate finance lease liabilities	1.79% - 7.47%	1.79% - 6.58%
Company		
Fixed rate guaranteed Thai Baht bonds	3.00%	3.00%

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

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

30. 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 2018, the Group recorded a DER of 0.96 (2017: 0.50) as compared to the financial covenants of not exceeding 1.0 time (2017: 1.0 time). The Group is also required to maintain certain financial covenant ratios as disclosed in Note 17.

	Group	
	2018 RM'000	**2017 RM'000 Restated**
Total loans and borrowings (Note 17)	1,470,606	1,188,966
Total equity	1,538,324	2,378,724
DER	0.96	0.50

31. OPERATING SEGMENT

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

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

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

The segments are classified into geographical presence as follows:

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

31. OPERATING SEGMENT (CONTINUED)

Geographical segments

	Asia and Oceania		Europe		America		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000 Restated
Revenue	204,173	201,472	1,228,160	1,152,145	–	8,465	1,432,333	1,362,082
Cost of sales	(315,148)	(188,459)	(990,091)	(944,378)	(9,959)	(15,828)	(1,315,198)	(1,148,665)
Gross (loss)/profit	(110,975)	13,013	238,069	207,767	(9,959)	(7,363)	117,135	213,417
Administration expenses and others	(264,622)	(33,389)	(185,445)	(165,516)	(14,481)	(6,083)	(464,548)	(204,988)
Operating (loss)/profit	(375,597)	(20,376)	52,624	42,251	(24,440)	(13,446)	(347,413)	8,429
Add: Depreciation and amortisation	31,214	29,158	62,909	67,112	3,815	4,605	97,938	100,875
Segment (loss)/profit	(344,383)	8,782	115,533	109,363	(20,625)	(8,841)	(249,475)	109,304
Share of (loss)/profit of equity-accounted investees, net of tax							(5,590)	2,301
Less: Depreciation and amortisation							(97,938)	(100,875)
							(353,003)	10,730
Finance costs							(60,717)	(47,847)
Finance income							1,368	517
Loss before tax							(412,352)	(36,600)

Major customers

The Group does not have any customers where the Group generates revenue equal to or more than 10% of the Group's total revenue.

	Asia and Oceania		Europe		America		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000 Restated
Segment assets	919,093	1,549,517	2,881,887	2,791,529	48,209	69,431	3,849,189	4,410,477
Segment liabilities	990,982	1,088,292	1,295,926	917,660	23,957	25,801	2,310,865	2,031,753
Capital expenditure	28,500	73,152	27,763	20,947	10	–	56,273	94,099
Depreciation and amortisation charged to profit or loss	17,356	6,415	33,420	31,052	3,815	583	54,591	38,050
Non-cash expenses other than depreciation and amortisation	228,350	4,492	40,954	15,391	13,122	–	282,426	19,883

32. 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 2018 %	2017 %
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

32. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
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 HMS Energy Sdn. Bhd. $1	Dormant	Malaysia	–	70
KNM Capital (PIC) Sdn. Bhd. @	Dormant	Malaysia	100	100
KNM Global (S) Pte Ltd. $2	Dormant	Singapore	–	100
Splendid Investments Limited @	Dormant	Labuan	100	100
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 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

32. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiaries of KNM Process Systems Sdn. Bhd. (continued)				
KNM Europa BV ^	Investment holding, financing, marketing and business development services to the related companies of KNM Group in Europe	Netherlands	100	100
KNM BORSIG Services Sdn. Bhd. @	Contractor for oil and gas industries and provision of technical services	Malaysia	100	100
Deutsche KNM GmbH *	Investment holding	Germany	100	100
KNM OGPET (Sabah) Sdn. Bhd. **@	Investment holding	Malaysia	80	80
KNM-DP Fabricators Sdn. Bhd. **@	Dormant	Malaysia	86	86
KNM Transparent Energy Sdn. Bhd. **	Dormant	Malaysia	100	100
Subsidiaries of KNM Renewable Energy Sdn. Bhd.				
Global Green Energy Corporation Ltd. **@	Investment holding	Isle of Man	100	100
Green Energy and Technology Sdn. Bhd. **@	Investment holding and design, engineer, construct, commission and operate waste to energy plants	Malaysia	51	51
Asia Bio-fuels Limited *@	Investment holding	Republic of Mauritius	100	100
Asia Biofuels II Ltd. *@	Investment holding	Republic of Mauritius	100	100

32. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiaries of KNM International Sdn. Bhd.				
FBM Hudson (Asia) Sdn. Bhd. (formerly known as KNM Overseas (China) Sdn. Bhd.) **@	Investment holding and provision of management and consultancy services	Malaysia	100	100
FBM-KNM FZCO *	Provision of manufacture of air cooled heat exchangers, shell and tube heat exchangers, process gas waste heat recovery systems, heavy duty heat exchangers, columns, towers, reactors and other pressure vessels for the oil, gas, petrochemicals and desalination industries	United Arab Emirates	100	100
Verwater KNM Sdn. Bhd. **	Dormant	Malaysia	100	100
Kimma Thai Co., Ltd. **@	Investment holding	Thailand	49	49
KNM Global Ltd. ^	Provision of management, procurement, business development, technical advisory and marketing services	British Virgin Islands	100	100
PT KPE Industries **@	An assets holding company and shall own the land, manufacturing plant and machinery in relation to the Group's intended manufacturing facility at the Kabil Industrial Estate in Batam, Indonesia	Indonesia	100	100
Saudi KNM Ltd. ^@	Dormant	Saudi Arabia	51	51

32. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
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
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

32. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiary of FBM Hudson (Asia) Sdn. Bhd. (formerly known as KNM Overseas (China) Sdn. Bhd.)				
KNM Special Process Equipment (Changshu) Co., Ltd. **	Design, manufacture, assembly, commissioning and maintenance of process equipment, pressure vessels, heat exchangers, skid mounted assemblies, process pipe systems, storage tanks, specialised structural assemblies and module assemblies for the oil, gas and petrochemical industries within the China market	China	100	100
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 80MV Biomass Waste to Energy Power Plant Project in Peterborough, United Kingdom	United Kingdom	100	100
Subsidiary of Asia Bio-fuels Limited & Asia Biofuels II Ltd.				
Impress Ethanol Co., Ltd. *	Manufacturer and distributor of alcohol/ethanol or fuel from agricultural products	Thailand	72	72

32. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
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 **@	Property investment	Isle of Man	100	100
Subsidiaries of KPS Inc				
KPS Technology & Engineering LLC @	Provision of sulphur removal and recovery related services to clients in the oil, gas and energy/power industries in relation to sulphur removal and recovery technology	United States of America	94	94
KPS Technology Group LLC @	Dormant	United States of America	100	100

32. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiary of KNM Process Equipment Inc				
1840355 Alberta Ltd. $3	Dormant	Canada	–	100
Subsidiary of Deutsche KNM GmbH				
BORSIG Beteiligungs-verwaltungsgesell-schaft mbH *	Investment holding	Germany	100	100
Subsidiary of BORSIG Beteiligungsverwaltungsgesellschaft mbH				
BORSIG GmbH *	Advisory and administration services as well as acquisition of and holding shares in other companies on behalf and/or its own account, in particular for and to companies of the BORSIG Group	Germany	100	100
Subsidiaries of BORSIG GmbH				
BORSIG Process Heat Exchanger GmbH *	Processing, planning, fabrication and distribution of and the trading with machines, assets, apparatuses and miscellaneous components, particularly for generating plant, petrochemical and chemical industries	Germany	100	100
BORSIG ZM Compression GmbH *	System engineering, industrial fabrication, assembly services as well as the sale of machines and constructions of compressors, containers, silo and conveyor technique	Germany	100	100

32. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
Subsidiaries of BORSIG GmbH (continued)				
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 (formerly known as BORSIG Compressor Parts GmbH) *	Development, production and distribution of valves, compressor parts, monitoring systems for compressors, provision of maintenance and repair works of compressors and other assets	Germany	100	100
Subsidiary of BORSIG Boiler Systems GmbH				
BORSIG Boiler Systems Sdn. Bhd. @	Sales and marketing, design, fabrication and manufacturing of high capacity industrial boilers, heat recovery steam generators and waste heat boiler for oil, gas, petrochemicals, minerals processing and energy industries	Malaysia	100	100

32. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	2017 %
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 2018:

- * 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 2018.
- $ The Board of Directors approved the dissolution of inactive and/or dormant subsidiaries either by way of voluntary winding up or de-registering/striking off.
- $1 The subsidiary was officially dissolved on 2 July 2018.
- $2 The subsidiary was officially dissolved on 4 September 2018.
- $3 The subsidiary was officially dissolved on 15 May 2018.

<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..

33. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group 2018 RM'000	2017 RM'000
Less than one year	–	501
More than one year	–	3,011
	–	3,512

The lease was for land used to build office space and factory building.

34. SIGNIFICANT EVENT DURING THE YEAR

On 30 November 2018, the Group carried out an Internal Re-organisation of the Group structure by transferring the shares in BORSIG ValveTech GmbH (formerly known as BORSIG Compressor Parts GmbH) previously held by Borsig ZM Compression GmbH to Borsig GmbH at a consideration of EUR1.00 only.

35. EVENTS SUBSEQUENT TO YEAR END

35.1 On 14 January 2019, the Company had 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") from PSB for a consideration of RM1.00 only ("the Acquisition"). The Acquisition has since been completed and PBSB has became a wholly-owned subsidiary of the Company.

35.2 On 11 March 2019, a subsidiary, KNM Process Systems Sdn. Bhd. ("Claimant") had issued and submitted a Request for Arbitration (the "Request") against Lukoil Uzbekistan Operating Company LLC ("Respondent") with the Institute of the Stockholm Chamber of Commerce, in Sweden.

The Request concerns disputes arising from a contract entered into with the Respondent on 3 December 2010.

35.3 On 20 March 2019, KNM BORSIG Services Sdn. Bhd. ("KBS"), an indirect wholly-owned subsidiary of the Company had disposed of its 40,000 shares or 40% equity interest in an associate, Dimensi Bumijaya Sdn. Bhd. ("DBSB"), to a third party for a cash consideration of RM1.00 only. The Disposal has since been completed and DBSB has ceased to become an associate company of KBS and the Group.

35.4 On 18 April 2019, the Company announced to undertake a private placement of up to 234,609,500 new ordinary shares ("Proposed Private Placement"). The issue price of each tranche of the private placement shares, where applicable, shall be determined separately and fixed by the Board of Directors at a later date after obtaining the relevant approvals required for the Proposed Private Placement. The Proposed Private Placement is expected to be completed by the second quarter of financial year 2019.

Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 24 April 2019, approved the listing of and quotation of up to 234,609,500 Placement Shares to be issued pursuant to the Proposed Private Placement.

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. As permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

Impact on financial statements

The following tables summarise the impact arising from the adoption of MFRS 15 and MFRS 9 on the Group's financial statements. There is no material impact on the Company's financial statements, apart from the classification of financial assets at initial adoption date, which is as disclosed below.

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impact on financial statements (continued)

a. *Statement of financial position*

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
1 January 2017			
Deferred tax assets	347,858	10,580	358,438
Inventories	73,732	54,536	128,268
Contract assets	–	360,033	360,033
Trade and other receivables	969,950	(404,014)	565,936
Other assets	3,249,919	–	3,249,919
Total assets	4,641,459	21,135	4,662,594
Contract liabilities	–	(166,221)	(166,221)
Deferred income	(120,383)	120,383	–
Trade and other payables	(588,063)	17	(588,046)
Other liabilities	(1,544,140)	–	(1,544,140)
Total liabilities	(2,252,586)	(45,821)	(2,298,407)
Retained earnings	(681,252)	25,355	(655,897)
Other equity items and reserves	(1,707,621)	(669)	(1,708,290)
Total equity	(2,388,873)	24,686	(2,364,187)
Total equity and liabilities	(4,641,459)	(21,135)	(4,662,594)
31 December 2017			
Deferred tax assets	344,243	13,288	357,531
Inventories	100,870	61,096	161,966
Contract assets	–	356,505	356,505
Trade and other receivables	848,910	(387,123)	461,787
Other assets	3,072,688	–	3,072,688
Total assets	4,366,711	43,766	4,410,477
Contract liabilities	–	(189,365)	(189,365)
Deferred income	(114,571)	114,571	–
Trade and other payables	(437,005)	16	(436,989)
Other liabilities	(1,405,399)	–	(1,405,399)
Total liabilities	(1,956,975)	(74,778)	(2,031,753)
Retained earnings	(638,245)	31,012	(607,233)
Other equity items and reserves	(1,771,491)	–	(1,771,491)
Total equity	(2,409,736)	31,012	(2,378,724)
Total equity and liabilities	(4,366,711)	(43,766)	(4,410,477)

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Impact on financial statements (continued)

b. Statement of profit or loss and other comprehensive income for the year ended 31 December 2017

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Revenue	1,389,654	(27,572)	1,362,082
Contract costs recognised as an expense	(1,131,089)	19,491	(1,111,598)
Administration expenses	(177,583)	(1)	(177,584)
Tax expense	(16,686)	2,425	(14,261)
Others	(109,500)	–	(109,500)
Loss for the year	(45,204)	(5,657)	(50,861)
Other comprehensive income for the year, net of tax	2,123	(669)	1,454
Total comprehensive expense for the year	(43,081)	(6,326)	(49,407)
Basic and diluted earnings per ordinary share (sen)	(2.00)	(0.26)	(2.26)

c. *Statement of cash flows for the year ended 31 December 2017*

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
Loss before tax	(28,518)	(8,082)	(36,600)
Adjustments for:			
- Impairment loss on inventories	–	1,622	1,622
- Change in inventories	(29,624)	(8,182)	(37,806)
- Change in contract assets	–	3,528	3,528
- Change in trade and other receivables	85,513	(16,890)	68,623
- Change in contract liabilities	–	22,860	22,860
- Change in trade and other payable	(158,489)	5,813	(152,676)
- Others	49,346	–	49,346
Net cash used in operating activities	(81,772)	669	(81,103)
Effect of foreign currency translation	(28,513)	(669)	(29,182)

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Transition to MFRS 15, *Revenue from Contracts with Customers*

In the adoption of MFRS 15, the following practical expedients, as permitted, have been adopted. The application of the following practical expedients is not expected to have material impact to the Group.

(a) For completed contracts, the Group did not restate contracts that:

  (i) begun and ended within the same annual reporting period; or
  (ii) were completed contracts at the beginning of the earliest period presented.

(b) For completed contracts with variable consideration, the Group used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

(c) For contracts that were modified before the beginning of the earliest period presented, the Group did not retrospectively restate the contract for the contract modifications. Instead, the Group reflected the aggregate effect of all of the modifications that occurred before the beginning of the earliest period presented when:

  (i) identifying the satisfied and unsatisfied performance obligations;
  (ii) determining the transaction price; and
  (iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

(d) For comparatives, the Group does not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Group expects to recognise revenue.

The following are the changes in revenue recognition from the adoption of MFRS 15:

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Construction contracts	As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract costs were recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion was assessed by reference to surveys of work performed/ completion of a physical proportion of contract work. If the outcome of a construction contract cannot be estimated reliably, contract revenue was 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.	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.

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Transition to MFRS 15, *Revenue from Contracts with Customers* (continued)

The following are the changes in revenue recognition from the adoption of MFRS 15: (continued)

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Sale of goods	Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.	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.
Services	Revenue from services rendered is recognised in profit or loss 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.	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. Other than the above, revenue is recognised at a point in time when services have been completely rendered to the customer.

Transition to MFRS 9, *Financial Instruments*

Based on the Group's assessment, there is no material impact upon adoption at initial application date. In the adoption of MFRS 9, the following transitional exemptions, as permitted, by the standard have been adopted.

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. The information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement*.

ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
- the determination of the business model within which a financial asset is held; and
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Trade and other receivables, and cash and bank balances that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost.

iii) If an investment in a debt security had low credit risk at date of initial application of MFRS 9, the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

iv) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets and financial liabilities on the date of initial application of MFRS 9:

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

Category under MFRS 139	31 December 2017 Restated RM'000	Reclassification to new MFRS 9 category at 1 January 2018 Amortised cost ("AC") RM'000	Fair value through profit or loss ("FVTPL") RM'000
Financial assets			
Group			
Loans and receivables			
Contract assets	356,505	356,505	–
Trade and other receivables	407,155	407,155	–
Cash and bank balances	235,638	235,638	–
	999,298	999,298	–
Available-for-sale			
Other investments	5,467	–	5,467
Fair value through profit or loss - held for trading			
Derivative financial assets	2,242	–	2,242
	1,007,007	999,298	7,709
Company			
Loans and receivables			
Trade and other receivables	217,938	217,938	–
Cash and bank balances	365	365	–
	218,303	218,303	–

36. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets and financial liabilities on the date of initial application of MFRS 9: (continued)

Category under MFRS 139	31 December 2017 Restated RM'000	Reclassification to new MFRS 9 category at 1 January 2018 Amortised cost ("AC") RM'000	Fair value through profit or loss ("FVTPL") RM'000
Financial liabilities			
Group			
Financial liabilities measured at amortised cost			
Loans and borrowings	(1,188,966)	(1,188,966)	–
Trade and other payables	(449,500)	(449,500)	–
	(1,638,466)	(1,638,466)	–
Fair value through profit or loss - held for trading			
Derivative financial liabilities	(3,514)	–	(3,514)
	(1,641,980)	(1,638,466)	(3,514)
Company			
Financial liabilities measured at amortised cost			
Loans and borrowings	(334,107)	(334,107)	–
Trade and other payables	(4,526)	(4,526)	–
	(338,633)	(338,633)	–

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 53 to 163 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 2018 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

……………………………………………………

Lee Swee Eng

Kuala Lumpur,

Date: 26 April 2019

STATUTORY DECLARATION DIRECTORS

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

I, Tan Koon Ping, the officer primarily responsible for the financial management of KNM Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 163 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Tan Koon Ping, at Kuala Lumpur in the Federal Territory on 26 April 2019.

…………………………………………

Tan Koon Ping

Before me:

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 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, consolidated statement of changes in equity, statement of changes in equity of the Company 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 53 to 163.

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 2018, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (On Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. **Valuation of Goodwill and Other Intangible Assets**

Refer to *Note 1(d) – Use of estimates and judgements, Note 2(f) – Intangible assets* and *Note 4 – 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 RM895,461,000 and RM456,049,000 respectively as at 31 December 2018. 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, EBITDA growth, discount rates and terminal growth rates applied to the respective cash flows, by comparing to historical results and competitors in the industry.

To assess reasonableness of the recoverable amounts, a range of sensitivities were performed across the different elements of the impairment model in order to understand the relationship between the judgements and assumptions used and the resulting recoverable amounts.

We also evaluated whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in determining the appropriateness of the carrying values of goodwill and other intangible assets.

Key Audit Matters (continued)

2. **Construction Contracts Revenue, Construction Contracts Profits and Recoverability of Amount due from Contract Customers, and Impact on Adopting MFRS 15, *Revenue from Contracts with Customers***

Refer to *Note 1(d) – Use of estimates and judgements, Note 2(p)(i) – Revenue and other income* and *Note 21 – Revenue* to the financial statements.

MFRS 15, *Revenue from Contracts with Customers* became effective on 1 January 2018, which requires the Group to change its accounting policies on revenue recognition. The accounting standard introduces elements of judgement to evaluate contracts with customers and the appropriate revenue recognition method. 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, and new disclosures to be made in the financial statements.

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's in adopting MFRS 15, appropriateness of the Group's accounting policies on construction contracts revenue and implementation measures for the changes required by MFRS 15. We evaluated the Group's transition approach and the practical expedients applied. We used a variety of quantitative and qualitative factors to select construction contracts with a higher risk of material error based on their size or complexity for testing.

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

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

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

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

3. **Recoverability Assessment of Interests in Subsidiaries and Amounts due from Subsidiaries (Company level)**

Refer to *Note 2(c) – Financial instruments, Note 5 – Interests in subsidiaries* and *Note 12 – 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 2018, 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 positions 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, financial support or remittance of dividends from the subsidiaries. We have compared the impairment loss provided 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 so as to 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 going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group or of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- 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 going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 audit report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.

- 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 represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

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

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 financial year and are therefore the key audit matters. We describe these matters in our audit 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 audit 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 32 to the financial statements.

OTHER MATTER

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

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

Tai Yoon Foo
Approval Number: 02948/05/2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 26 April 2019

LIST OF
TOP 10 MAJOR PROPERTIES
OWNED BY THE GROUP AS AT 31 DECEMBER 2018

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age of The Building	Date of Acquisition/ Revaluation	2018 Net Book Value (RM'000)
279 Moo 13, Khao Hin Sorn Chachoengsao Thailand	(i) Industrial land	Freehold	759,228 m^2	–	–	31/12/2016	299,887
	(ii) Factory			56,995 m^2	11 - 26 years	30/6/2017	
Plot U13, Storeys Bar Road Peterborough United Kingdom	Vacant Land	Freehold	331,800 m^2	–	–	6/2/2015	139,614
Via Valtrighe, 5 & 6 24030 Terno d'Isola (BG);	(i) Fabrication Plant	–	–	48,937 m^2	1st phase - 52 years 2nd phase - 27 years	31/12/2014 –	123,235
	(ii) Staff House	–	–	396 m^2	58 years	31/12/2014	
	(iii) Staff House	–	–	120 m^2	37 years	31/12/2014	
Via Italia 24030 Mapello (BG), Italy	(iv) Industrial Area	–	65,550 m^2	–	–	31/12/2014	
	(v) Industrial Area	–	144,819 m^2	–	–	31/12/2014	
	(vi) Reserved Area	–	3,225 m^2	–	–	31/12/2014	
Lot 105 & 106 Jalan Gebeng 1/6 Gebeng Industrial Estate 26080 Kuantan Pahang Darul Makmur Malaysia	(i) Industrial land	66 years (Leasehold) Expiring on 1/6/2064	36,420 m^2	–	–	31/12/2014	54,600
	(ii) Fabrication plant and office building	–	–	18,778 m^2	18 years	31/12/2014	
6204-46 Ave Tofield, AB TOB 450 Canada	(i) Industrial land	–	457,299 m^2	–	–	19/12/2014	42,781
	(ii) Fabrication plant and office building	–	–	9,862 m^2	14 years	19/12/2014	

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age of The Building	Date of Acquisition/ Revaluation	2018 Net Book Value (RM'000)
Jebel Ali Free Zone Dubai, UAE	Fabrication Plant and Office Building	Leasehold (Renewable every 10 years) Expiring on 31/10/2020	90,000 m²	23,000 m²	27 years	23/11/2014	33,104
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) Expiring on 13/8/2036	82,824 m²	–	–	11/12/2014	32,113
	(ii) Fabrication plant and office building	–	–	20,135 m²	12 years	11/12/2014	
Seiferitzer Allee 26 Meerane, Germany	(i) Fabrication plant and office building	Leasehold (66 years) Expiring on 26/7/2071	12,000 m²	5,806 m²	13 years/ 11 years (due to extension of the building)	18/12/2014	29,225
Egellsstraße 21 Berlin, Germany	(ii) Fabrication plant and office building (Extension on Adjacent Land)	Leasehold (66 years) Expiring on 18/2/2075	10,422 m²	5,562 m²	10 years	18/12/2014	
Seiferitzer Allee 26 Meerane, Germany	(iii) Extension on Adjacent Land without any Buiding	Leasehold (66 years) Expiring on 31/5/2078	16,121 m²	–	–	18/12/2014	
Seiferitzer Allee 27 Meerane, Germany	(iv) Fabrication plant and office building	Freehold	14,757 m²	2,150 m²	11 years	18/12/2014	

LIST OF TOP 10 MAJOR PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2018 (CONTINUED)

Location	Existing Use	Tenure	Land Area	Built-up Area	Approximate Age of The Building	Date of Acquisition/ Revaluation	2018 Net Book Value (RM'000)
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) Expiring on 28/5/2094	5,857 m²	–	–	31/12/2014	23,297
	(ii) Industrial land	Leasehold (99 years) Expiring on 28/5/2094	5,042 m²	6,612 m²	–	31/12/2014	
	(iii) Industrial land	Leasehold (99 years) Expiring on 28/5/2094	17,769 m²	–	–	31/12/2014	
	(iv) Fabrication plant and office building	–	–	6,369 m²	15 years	31/12/2014	
	(v) Fabrication plant and office building	–	–	9,879 m²	27 years	31/12/2014	
Jiangsu Province Changshu Economic Development Area- "Chang Rang Guo Yong (2002) Zi No. 192";	(i) Industrial land	Leasehold (50 years) Expiring on 9/7/2052	33,537 m²	–	–	10/12/2014	20,906
"Shu Fangquanzheng Bixi Zi No. 10001641";	(ii) Fabrication plant and office building	Leasehold (50 years) Expiring on 9/7/2052	–	17,012 m²	17 years	9/12/2014	
"Chang Guo Yong (2009) Zi No. 04329";	(i) Industrial land	Leasehold (50 years) Expiring on 7/5/2057	33,333 m²	–	–	10/12/2014	
"Shu Fangquanzheng Bixi Zi No. 10001644", China	(iv) Fabrication plant and office building	Leasehold (50 years) Expiring on 7/5/2057	–	23,818 m²	12 years	9/12/2014	

A) ANALYSIS OF SHAREHOLDINGS

Total Number of Issued Shares	:	2,369,437,255*
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share held

Note:
* Inclusive of 23,341,275 treasury shares

DISTRIBUTION OF SHAREHOLDINGS (as per Record of Depositors as at 29 March 2019)

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	1,555	4.18	71,447	Negligible
100 to 1,000	4,071	10.95	2,509,713	0.11
1,001 to 10,000	15,253	41.02	75,988,185	3.24
10,001 to 100,000	13,574	36.51	497,583,535	21.21
100,001 to less than 5% of issued shares	2,728	7.34	1,769,943,100	75.44
5% and above of issued shares	0	0.00	0	0.00
TOTAL	**37,181**	**100.00**	**2,346,095,980^**	**100.00**

Note:
^ Excluding 23,341,275 treasury shares

THIRTY LARGEST SHAREHOLDERS (as per Record of Depositors as at 29 March 2019)

No.	Name of Shareholders	No. of Shares Held	%#
1.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Inter Merger Sdn Bhd (MGN-IMS0005M)	113,600,000	4.84
2.	Chua Sim Neo @ Diana Chua	105,208,800	4.48
3.	Pui Cheng Wui	65,901,000	2.81
4.	Affin Hwang Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Inter Merger Sdn Bhd	60,945,042	2.60
5.	Citigroup Nominess (Asing) Sdn Bhd - Exempt An for UBS AG Singapore (Foreign)	57,627,100	2.46
6.	HSBC Nominees (Asing) Sdn Bhd - Exempt An for Bank Julius Baer & Co. Ltd. (Singapore BCH)	33,300,000	1.42
7.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Tan Kim Heung (MY1989)	25,000,000	1.06
8.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	22,850,768	0.97

THIRTY LARGEST SHAREHOLDERS (as per Record of Depositors as at 29 March 2019) (CONT'D)

No.	Name of Shareholders	No. of Shares Held	%#
9.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Inter Merger Sdn Bhd	18,232,951	0.78
10.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Swee Eng (MGN-LSE0004M)	15,580,000	0.66
11.	Kenanga Nominees (Tampatan) Sdn Bhd - Rakuten Trade Sdn Bhd for Pui Cheng Wui	14,170,800	0.60
12.	Affin Hwang Nominees (Asing) Sdn Bhd - Pledged Securities Account for Aveda Assets Capital Inc.	12,850,000	0.55
13.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Funds Board (RHB INV)	12,383,000	0.53
14.	Tee Kim Chee	12,000,000	0.51
15.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Swee Eng	10,259,404	0.44
16.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Koh Kin Lip (MY0502)	10,000,000	0.43
17.	Choong Yean Yaw	9,163,100	0.39
18.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Poh Seng Kian (TJJ/KEN)	8,822,000	0.38
19.	Ooi Cheow Har	8,300,000	0.35
20.	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Affin AM EQ)	8,177,480	0.35
21.	Seng Siaw Wei	8,000,000	0.34
22.	Cartaban Nominees (Asing) Sdn Bhd - SSBT Fund FA2N for Parametric Tax-Managed Emerging Markets Fund	7,927,875	0.34
23.	Ong Ngoh Ing @ Ong Chong Oon	7,900,000	0.34
24.	Citigroup Nominees (Asing) Sdn Bhd - Macquarie Bank Limited (London Branch)	7,651,284	0.33
25.	Tan Kim Kee @ Tan Kee	7,500,000	0.32
26.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Ng Chai Hock (MY0972)	7,320,000	0.31
27.	Chan Tiang Seng	7,300,000	0.31

THIRTY LARGEST SHAREHOLDERS (as per Record of Depositors as at 29 March 2019) (CONT'D)

No.	Name of Shareholders	No. of Shares Held	%#
28.	Gan Siew Liat	7,296,250	0.31
29.	Maybank Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Swee Eng (Margin)	7,116,434	0.30
30	Heng Song Khoon	7,000,000	0.30
TOTAL	**699,383,288**	**29.81**	

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS
(as per Register of Substantial Shareholders of the Company as at 29 March 2019)

Name of Shareholders	No. of Shares Held in KNM Group Berhad Direct	%#	Indirect	%#
Inter Merger Sdn Bhd	192,855,551	8.22	22,413,794[a]	0.96
Ir Lee Swee Eng	37,408,838	1.59	288,111,153[b]	12.28
Gan Siew Liat	9,045,000	0.39	288,111,153[b]	12.28

DIRECTORS' INTERESTS IN SHARES IN KNM GROUP BERHAD AND RELATED CORPORATION
(as per Register of Directors' Shareholdings of the Company as at 31 March 2019)

Name of Directors	No. of Shares Held in KNM Group Berhad Direct	%#	Indirect	%#
Dato' Ab Halim bin Mohyiddin	2,452,500	0.10	–	–
Ir Lee Swee Eng	37,408,838	1.59	288,111,153[b]	12.28
Dato' Dr Khalid bin Ngah	–	–	–	–
Soh Yoke Yan	–	–	–	–
Gan Siew Liat	9,045,000	0.39	288,111,153[b]	12.28

Name of Director	Initial Capital Contribution KPS Technology & Engineering LLC Direct	%	Indirect	%
Ir Lee Swee Eng	USD100,000	5.56	USD1,700,000[e]	94.44

Notes:-

#	Percentage interest is based on the total ordinary shares of 2,346,095,980 (excluding 23,341,275 treasury shares held as at 29 March 2019).
a	Deemed interested by virtue of Inter Merger Sdn Bhd's ("IMSB") financing transaction with Credit Suisse International.
b	Deemed interested by virtue of his indirect interest in IMSB, direct interest in Tegas Klasik Sdn Bhd ("TKSB"), direct interest in Aveda Assets Capital Inc. ("Aveda") and interest of his children in KNM.
c	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.
d	Deemed interested by virtue of his direct interest in TKSB, and interest of his spouse and children in KNM.
e	Deemed interested by virtue of his direct and indirect interests in KNM.

B) ANALYSIS OF WARRANTHOLDINGS

Warrants 2015/2020 (Warrants B) : 161,578,504 Warrants B at an exercise price of RM1.00 each
Maturity Date : 21 April 2020

DISTRIBUTION OF WARRANTHOLDINGS (as per Record of Depositors as at 29 March 2019)

Range of Warrantholdings	No. of Warrantholders	%	No. of Warrants B	%
Less than 100	734	8.58	34,263	0.02
100 to 1,000	4,218	49.30	2,009,515	1.25
1,001 to 10,000	2,649	30.96	8,681,506	5.37
10,001 to 100,000	702	8.20	25,744,682	15.93
100,001 to less than 5% of issued warrants	252	2.95	116,102,086	71.86
5% and above of issued warrants	1	0.01	9,006,452	5.57
TOTAL	**8,556**	**100.00**	**161,578,504**	**100.00**

THIRTY LARGEST WARRANTHOLDERS (as per Record of Depositors as at 29 March 2019)

No.	Name of Warrantholders	No. of Warrants B Held	%^
1.	Affin Hwang Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Inter Merger Sdn Bhd	9,006,452	5.57
2.	Affin Hwang Nominees (Asing) Sdn Bhd - Pledged Securities Account for Aveda Assets Capital Inc.	6,425,000	3.98
3.	Md Nor bin Mansor	5,000,000	3.09
4.	Ngan Teng Han	3,806,000	2.36
5.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Khaw Ski Tian (MP0066)	3,167,400	1.96
6.	Cartaban Nominees (Tempatan) Sdn Bhd - RHB Trustees Berhad for SP Tactical Investment Fund	2,689,500	1.67
7.	Citigroup Nominees (Asing) Sdn Bhd - Exempt An for Citibank New York (Norges Bank 1)	2,511,250	1.55
8.	Affin Hwang Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Swee Eng	2,226,500	1.38
9.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Jit Soon (E-KLC)	2,037,400	1.26
10.	Lim Chin Kiong	2,000,000	1.24
11.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Peng Heng (E-TSA)	1,850,000	1.15

THIRTY LARGEST WARRANTHOLDERS (as per Record of Depositors as at 29 March 2019) (CONT'D)

No.	Name of Warrantholders	No. of Warrants B Held	%^
12.	Citigroup Nominees (Asing) Sdn Bhd - CBLDN for Polunin Emerging Markets Small Cap Fund, LLC	1,833,230	1.14
13.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Chong Hwa Jau (M78040)	1,780,000	1.10
14.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Peng Heng	1,541,350	0.95
15.	Christopher Ling Siew Ming	1,487,800	0.92
16.	Ong Yew Beng	1,450,000	0.90
17.	Lee Foi Chou	1,336,000	0.83
18.	Hii Bik Kuok	1,332,000	0.82
19.	Chiow Ya Yess	1,200,000	0.74
20.	Mohd Najib Bin Md Yahya	1,200,000	0.74
21.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lai Ee Fong (E-TSA)	1,198,000	0.74
22.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Koh Jik Kong (CCTS)	1,110,000	0.69
23.	HSBC Nominees (Asing) Sdn Bhd - JPMCB NA for Vanguard Total International Stock Index Fund	1,085,088	0.67
24.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Loo Tee Peng	1,008,000	0.62
25.	Aslina Binti Mohd Islam	1,000,000	0.62
26.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Mak Pak Lin (MY1378)	1,000,000	0.62
27.	Lim Wei Therk	1,000,000	0.62
28.	Maybank Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Seow Yoke Hock	990,000	0.61
29.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ooi Choi Kiat	910,200	0.56
30.	Citigroup Nominees (Asing) Sdn Bhd - CBLDN for Polunin Developing Countries Fund, LLC	903,790	0.56
TOTAL	**64,084,960**	**39.66**	

DIRECTORS' INTERESTS IN WARRANTS IN KNM GROUP BERHAD
(as per Register of Directors' Warrantholdings of the Company as at 29 March 2019)

	No. of Warrants B Held in KNM Group Berhad			
Name of Directors	**Direct**	**%^**	**Indirect**	**%^**
Dato' Ab Halim bin Mohyiddin	204,375	0.13	–	–
Ir Lee Swee Eng	2,226,562	1.38	16,930,640[a]	10.48
Dato' Dr Khalid bin Ngah	–	–	–	–
Soh Yoke Yan	–	–	10,000[b]	0.01
Gan Siew Liat	874,375	0.54	16,930,640[c]	10.48

Notes:-

^ Percentage interest is based on the total outstanding Warrants B of 161,578,504 as at 29 March 2019.

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 the interest of her spouse in KNM.

c 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.

d Deemed interested by virtue of his direct interest in TKSB, and interest of his spouse and children in KNM.

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 17th Annual General Meeting of the Company to be held at Parameswara Room, Level 2, Philea Mines Beach Resort, Jalan Dulang, MINES Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Wednesday, 19 June 2019 at 10.00 a.m. or at any adjournment thereof, in the manner indicated below:

No.	Resolutions	For	Against
1.	Re-election of Dato' Ab Halim bin Mohyiddin as Director		
2.	Re-election of Gan Siew Liat as Director		
3.	Approval of Directors' Fees and Benefits		
4.	Re-appointment of Messrs KPMG PLT as Auditors		
5.	Retention of Dato' Ab Halim bin Mohyiddin as Independent Director		
6.	Authorisation for Directors to allot and issue shares		
7.	Proposed Renewal of Share Buy-Back Mandate		
8.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions		
No.	**Special Resolution**	**For**	**Against**
1.	Proposed Adoption of New Constitution		

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 ________________, 2019

____
Signature of Shareholder

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

* *Delete if not applicable*

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 forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(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 12 June 2019 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 17th Annual General Meeting will be put to vote by way of poll.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

THE COMPANY SECRETARY
KNM GROUP BERHAD (521348-H)
15 Jalan Dagang SB 4/1
Taman Sungai Besi Indah
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia

1st fold here