

Quarterly rpt on consolidated results for the financial period ended 31 Mar 2021

KNM GROUP BERHAD

Financial Year End 31 Dec 2021
 Quarter 1 Qtr
 Quarterly report for the financial period ended 31 Mar 2021
 The figures have not been audited

Attachments

[KNM_Financial Results_Q12021 \(FINAL\).pdf](#)
 105.8 kB

Default Currency Other Currency

Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 31 Mar 2021

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	231,237	336,560	231,237	336,560
2 Profit/(loss) before tax	-1,162	18,887	-1,162	18,887
3 Profit/(loss) for the period	-4,162	17,455	-4,162	17,455
4 Profit/(loss) attributable to ordinary equity holders of the parent	-2,009	20,260	-2,009	20,260
5 Basic earnings/(loss) per share (Subunit)	-0.07	0.77	-0.07	0.77
6 Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.00	0.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7 Net assets per share attributable to ordinary equity holders of the parent (\$\$)	0.6000		0.6000	

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

KNM GROUP BERHAD

(Company No:521348-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2021 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 31.03.2021 RM'000	Unaudited 3 months ended 31.03.2020 RM'000	Unaudited 31.03.2021 RM'000	Unaudited 31.03.2020 RM'000
Revenue	231,237	336,560	231,237	336,560
Operating profit	18,177	31,275	18,177	31,275
Finance costs	(19,352)	(12,553)	(19,352)	(12,553)
Interest income	13	165	13	165
(Loss)/Profit before tax	(1,162)	18,887	(1,162)	18,887
Tax expense	(3,000)	(1,432)	(3,000)	(1,432)
Net (loss)/profit for the period	(4,162)	17,455	(4,162)	17,455
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations	(22,617)	55,702	(22,617)	55,702
Hedge of net investment in subsidiaries	(73)	(30,667)	(73)	(30,667)
Cash flow hedge	(1,546)	(29)	(1,546)	(29)
Share of gain of equity-accounted associates and joint ventures	1,357	88	1,357	88
Other comprehensive (expense)/income for the period, net of tax	(22,879)	25,094	(22,879)	25,094
Total comprehensive (expense)/income for the period	(27,041)	42,549	(27,041)	42,549
(Loss)/Profit attributable to:				
Owners of the Company	(2,009)	20,260	(2,009)	20,260
Non-controlling interests	(2,153)	(2,805)	(2,153)	(2,805)
	(4,162)	17,455	(4,162)	17,455
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(24,715)	44,501	(24,715)	44,501
Non-controlling interests	(2,326)	(1,952)	(2,326)	(1,952)
Total comprehensive (expense)/income for the period	(27,041)	42,549	(27,041)	42,549
Profit per share:				
Total comprehensive (expense)/income attributable to:				
- Basic (Sen)	(0.07)	0.77	(0.07)	0.77
- Diluted (Sen)	(0.07)	0.76	(0.07)	0.76

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report

KNM GROUP BERHAD

(Company No:521348-H)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 31.03.2021 RM'000	Audited As at 31.12.2020 RM'000
Assets			
Non-current assets			
Intangible assets		402,473	416,278
Goodwill		888,646	902,467
Property, plant and equipment		1,565,942	1,517,621
Right-of-use assets		167,441	48,911
Other investments, including derivatives		184	187
Investments in associates and joint ventures		49	47
Deferred tax assets		81	82
		<u>3,024,816</u>	<u>2,885,593</u>
Current assets			
Inventories		105,072	96,912
Contract assets		253,397	303,075
Trade and other receivables		316,604	297,161
Cash and bank balances		224,440	275,297
		<u>899,513</u>	<u>972,445</u>
TOTAL ASSETS		<u>3,924,329</u>	<u>3,858,038</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		2,056,216	2,005,665
Treasury shares		(53,425)	(53,425)
Reserves		(201,852)	(177,164)
		<u>1,800,939</u>	<u>1,775,076</u>
Non-controlling interests		<u>(25,150)</u>	<u>(22,824)</u>
Total Equity		<u>1,775,789</u>	<u>1,752,252</u>
Non-current liabilities			
Long term payables		7,498	7,721
Long service leave liability		7,316	6,940
Lease liabilities		149,576	37,834
Loans and borrowings	B9	615,018	650,701
Deferred tax liabilities		208,568	218,366
		<u>987,976</u>	<u>921,562</u>
Current liabilities			
Trade and other payables		313,745	333,510
Contract liabilities		81,354	93,522
Lease liabilities		19,066	11,996
Loans and borrowings	B9	711,123	711,903
Current tax liabilities		35,276	33,293
		<u>1,160,564</u>	<u>1,184,224</u>
Total liabilities		<u>2,148,540</u>	<u>2,105,786</u>
TOTAL EQUITY AND LIABILITIES		<u>3,924,329</u>	<u>3,858,038</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.60</u>	<u>0.60</u>

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KNM GROUP BERHAD

 (Company No:521348-H)
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
 ENDED 31 MARCH 2021**

	← Attributable to Equity Holders of the Parent → Non-distributable							Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000	
	Share Capital RM'000	Treasury Shares RM'000	Hedging Reserve RM'000	Share Option Reserve RM'000	Warrant Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000				Accumulated Losses RM'000
As at 1 January 2020	1,924,046	(53,425)	(1,369)	23,339	27,468	(330,780)	186,054	(111,264)	1,664,069	(14,215)	1,649,854
Other comprehensive (expense)/income for the period	-	-	(29)	-	-	24,270	-	-	24,241	853	25,094
Profit for the period	-	-	-	-	-	-	-	20,260	20,260	(2,805)	17,455
Total comprehensive (expense)/income for the period	-	-	(29)	-	-	24,270	-	20,260	44,501	(1,952)	42,549
Transactions with owners of the Company											
Share issuance arising from ESOS	1,464	-	-	-	-	-	-	-	1,464	-	1,464
Share-based payment	-	-	-	-	-	-	402	-	402	-	402
Share buy-back	-	(978)	-	-	-	-	-	-	(978)	-	(978)
As at 31 March 2020 (Unaudited)	1,925,510	(54,403)	(1,398)	23,339	27,468	(306,510)	186,456	(91,004)	1,709,458	(16,167)	1,693,291
As at 1 January 2021	2,005,665	(53,425)	(1,711)	3,804	-	(338,343)	173,507	(14,421)	1,775,076	(22,824)	1,752,252
Other comprehensive (expense)/income for the period	-	-	(1,546)	-	-	(21,160)	-	-	(22,706)	(173)	(22,879)
Loss for the period	-	-	-	-	-	-	-	(2,009)	(2,009)	(2,153)	(4,162)
Total comprehensive (expenses)/income for the period	-	-	(1,546)	-	-	(21,160)	-	(2,009)	(24,715)	(2,326)	(27,041)
Transactions with owners of the Company											
Share-based payment	-	-	-	27	-	-	-	-	27	-	27
Share issuance arising from private placement	50,135	-	-	-	-	-	-	-	50,135	-	50,135
Share issuance arising from ESOS	416	-	-	-	-	-	-	-	416	-	416
As at 31 MARCH 2021 (Unaudited)	2,056,216	(53,425)	(3,257)	3,831	-	(359,503)	173,507	(16,430)	1,800,939	(25,150)	1,775,789

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report

KNM GROUP BERHAD(Company No. 521348-H)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
31 MARCH 2021**

(Unaudited)

	31.03.2021 (Unaudited) RM '000	31.03.2020 (Unaudited) RM '000
Cash flows from operating activities		
Profit before tax	(1,162)	18,887
Adjustments for:		
Amortisation of intangible assets	7,484	6,982
Depreciation of property, plant and equipment	5,503	5,311
Depreciation of right-of-use assets	1,453	1,003
Share-based payment	27	403
Interest expense	18,311	11,866
Interest income	(13)	(165)
Unrealised gain on foreign exchange	(1,385)	(3,162)
Change in fair value of forward contracts	379	854
Provision for warranty	1,178	587
(Reversal of)/ provision for Impairment loss on trade receivables	(59)	23
Provision for late delivery charges	166	-
Gain on disposal of property, plant and equipment	(291)	-
Operating profit before working capital changes	<u>31,591</u>	<u>42,589</u>
Changes in working capital:		
Inventories	(8,924)	(16,646)
Trade and other receivables	40,999	(67,856)
Trade and other payables	(47,895)	40,135
Cash generated from/(used in) operations	<u>15,771</u>	<u>(1,778)</u>
Income taxes paid	(8,879)	(462)
Interest paid	(136)	(362)
Interest received	13	165
Net cash generated from/(used in) operating activities	<u>6,769</u>	<u>(2,437)</u>
Cash flows from investing activities		
Change in pledged deposits	(979)	11,733
Acquisition of property, plant and equipment	(5,864)	(3,057)
Acquisition of right-of-use assets	(2,793)	-
Acquisition of intangible assets	-	(73)
Proceeds from disposal of property, plant and equipment	396	-
Net cash (used in)/generated from investing activities	<u>(9,240)</u>	<u>8,603</u>
Cash flows from financing activities		
Treasury shares purchased	-	(978)
Net proceed from/(repayment) of bills payable	365	(12,058)
Repayment of term loans, bond and revolving credits	(15,726)	(20,443)
Repayment of hire purchase liabilities	(1,069)	(416)
Payments for lease liabilities	(502)	(160)
Interest paid	(18,175)	(11,866)
Proceeds from share issuance arising from private placement	50,135	-
Proceeds from share issuance arising from ESOS	416	1,464
Net cash generated from/(used in) financing activities	<u>15,444</u>	<u>(44,457)</u>
Net increase/(decrease) in cash and cash equivalents	12,973	(38,291)
Cash and cash equivalents at beginning of year	230,974	381,043
Effect of foreign currency translation	(64,700)	(47,731)
Cash and cash equivalents at end of year	<u>179,247</u>	<u>295,021</u>
Cash and bank balances	186,945	292,818
Deposits with licensed banks	37,495	22,720
Less: Pledged deposits	(36,036)	(14,280)
	<u>188,404</u>	<u>301,258</u>
Bank overdrafts	(9,157)	(6,237)
	<u>179,247</u>	<u>295,021</u>

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report

Notes to the Quarterly Interim Financial Report – 31 March 2021

PART A: EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirement of MFRS 134: *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020. These explanatory notes attached to the interim financial statements provide explanation of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

A2. Significant Accounting Policies

The audited financial statements of the Group for the financial year ended 31 December 2020 were prepared in accordance with MFRS. Except for certain differences, the requirements under IFRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2020 except for the adoption of new MFRSs and amendments that are mandatory for the Group for the financial year with effect from 1 January 2021:

Amendments to MFRS 9	<i>Financial Instruments</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures</i>
Amendments to MFRS 4	<i>Insurance Contracts</i>
Amendments to MFRS 16	<i>Leases – Interest Rate Benchmark Reform – Phase 2</i>

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

MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards</i>
Amendments to MFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to MFRS 9	<i>Financial Instruments</i>
MFRS 16	<i>Leases</i>
MFRS 116	<i>Proceeds before Intended use</i>
MFRS 137	<i>Cost of Fulfilling a Contract</i>
MFRS 141	<i>Agriculture</i>

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

MFRS 17	<i>Insurance Contracts</i>
Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to MFRS 108	<i>Definition of Accounting Estimates</i>

The Group plans 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, except for MFRS 4, *Insurance Contracts* that is effective for annual year beginning on or after 1 January 2021 as it is not applicable to the Group.

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

A3. Qualification of annual financial statements

There was no audit qualification in the annual financial statements of the Group for the financial year ended 31 December 2020.

A4. Seasonal and cyclical factors

The Group's business operation results were not materially affected by any major seasonal or cyclical factors.

A5. Unusual nature and amount of items affecting assets, liabilities, equity, net income or cash flows

There were no unusual nature and amount of items affecting assets, liabilities, equity, net income or cash flows for the current financial quarter and financial year to date.

A6. Material changes in estimates

There were no material changes in estimates of amounts reported in the current financial quarter.

A7. Debt and equity securities

On 2 April 2021 and 23 April 2021, the Company resold 9,000,000 and 12,500,000 of its issued ordinary shares listed on the Main Market of Bursa Malaysia Securities Berhad respectively from the open market at an average price of approximately RM0.195 and RM0.185 per ordinary share respectively. The total consideration received was RM4,067,500.

As at 11 May 2021, the Company held 1,841,275 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 11 May 2021 was 3,291,725,680 ordinary shares.

The treasury shares have no rights to voting, dividends or participation in other distribution.

Save for the above disclosure, there were no issuances, repurchases or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares since the update in last quarterly report.

A8. Dividend Paid

No dividend was paid during the current financial quarter under review.

A9. Segment information

Segmental analysis of the revenue and result:-

Geographical segments:

	Revenue	Gross Profit	(LBITDA)/ EBITDA
	3 months ended	3 months ended	3 months ended
	31.03.2021	31.03.2021	31.03.2021
	RM'000	RM'000	RM'000
Asia & Oceania	19,888	305	(8,014)
Europe	211,349	47,537	49,621
Americas	-	-	1,267
	<hr/>	<hr/>	<hr/>
	231,237	47,842	42,874

	Revenue	Gross Profit	EBITDA/ (LBITDA)
	3 months ended	3 months ended	3 months ended
	31.03.2020	31.03.2020	31.03.2020
	RM'000	RM'000	RM'000
Asia & Oceania	54,937	6,351	31,896
Europe	281,623	59,940	24,051
Americas	-	-	(988)
	<hr/>	<hr/>	<hr/>
	336,560	66,291	54,959

A10. Valuation of property, plant and equipment

Valuation of property and plant of the Group has been brought forward without amendment from the financial statements for the financial year ended 31 December 2020.

The next revaluation of property and plant of the Group shall be conducted in the financial year ending 31 December 2025.

A11. Material events subsequent to the end of the interim year

Save for item no. B8, there were no other material events subsequent to the end of the reporting period and up to the date of issuance of this report.

A12. Changes in the composition of the Group

On 12 March 2021, the Company had announced that Verwater KNM Sdn Bhd ("VKNM"), a subsidiary of the Company had been officially struck-off from the Register of Companies upon publication in the Gazette by the Registrar of Companies ("Registrar") on 9 February 2021, following an application made by VKNM to the Registrar for the striking-off pursuant to Section 550 of the Companies Act 2016.

A13. Contingent liabilities and Assets

The contingent liabilities for the Group as at the date of this announcement were :-

	31.03.2021	31.03.2020
	RM'000	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	597,683	612,032
Share of joint ventures' contingent liabilities incurred jointly with other investors		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	-	12,642

There were no other material changes in the contingent liabilities.

There were no material contingent assets for the Group.

A14. Capital commitments

	Contracted but not provided for RM'000
Property, plant and equipment	153,179

A15. Related party transactions

Significant related party transactions for the financial year to date are as follows:

	RM'000
Inter Merger Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	263
Inter Merger Realty & Development Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	6

(a) A company in which Madam Gan Siew Liat and her spouse are directors.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS

B1. Performance of 3-month ended 31 March 2021 against 31 March 2020

The Group posted a lower revenue of approximately RM231.24 million for the first quarter of 2021 (“Q1 2021”) as compared with RM336.56 million achieved in the corresponding financial year of 2020 (“Q1 2020”). The lower revenue recognition in Q1 2021 was mainly due to depressed economic activities worldwide caused by the health pandemic resulting in lower orders secured.

Consequently, the Group registered a lower gross profit of approximately RM47.84 million in Q1 2021 as compared with RM66.29 million in Q1 2020. It is noticeable that the gross profit margin had improved from 19.7% in Q1 2021 to 20.7% in Q1 2020 mainly attributable to effective cost management in process equipment fabrication projects.

Despite a lower gross profit and a lower Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of approximately RM42.87 million achieved in Q1 2021, down by RM12.09 million quarter on quarter, there was a 7.4% saving in the general administration expenses achieved in the current quarter on the back of a leaner operating costs within the Group.

The Group posted a loss before tax (“LBT”) of approximately RM1.16 million in the Q1 2021 as compared with a profit before tax (“PBT”) of approximately RM 18.89 million in Q1 2020 partly due to finance costs incurred for certain construction projects within the Group have been expensed off into income statement in the current quarter.

Asia & Oceania Segment

Amid the COVID-19 pandemic, the Asia & Oceania Segment posted a lower revenue of approximately RM19.89 million in Q1 2021 as compared with RM54.94 million in Q1 2020 mainly due to slower order replenishment and no contribution from Thailand’s operations.

Consequently, this Segment registered a lower gross profit of approximately RM0.31 million in Q1 2021 as compared with RM6.35 million in Q1 2020, and a Loss Before Interest, Taxes, Depreciation and Amortisation (“LBITDA”) of RM8.01 million in the current quarter as compared with an EBITDA of RM31.90 million in Q1 2020, partly due to unrealised exchange loss in the current quarter.

Europe Segment

The Europe Segment posted a lower revenue recognition of approximately RM211.35 million in Q1 2021 as compared with RM281.62 million in Q1 2020 mainly due to lower orders received resulting from the depressed economic activities worldwide caused by the prolonged pandemic.

Despite a lower gross profit of approximately RM47.54 million achieved by this Segment in Q1 2021 as compared with RM59.94 million in Q1 2020, the gross profit margin had continued to improve from 21.3% in Q1 2020 to 22.5% in Q1 2021 on the back of leaner operations and higher profit margin from heat exchanger business unit.

This Segment registered a higher EBITDA of approximately RM49.62 million in Q1 2021 as compared with RM24.05 million in Q1 2020 mainly due to unrealised exchange gain in the current quarter.

America Segment

The business activities in this Segment remained slow with minimal operational fixed overhead.

This Segment registered an EBITDA of approximately RM1.27 million in Q1 2021 as compared with a LBITDA of approximately RM0.99 million in Q1 2020 mainly due to unrealised exchange gain in the current quarter.

B2. Performance of the current quarter against the preceding quarter (1st Quarter 2021 versus 4th Quarter 2020)

The Group posted a lower revenue of approximately RM231.24 million in the current quarter as compared with of approximately RM360.54 million in the preceding quarter. The lower revenue was mainly due to higher deliveries of orders in last quarter from Europe Segment.

Consequently, the Group recorded a lower gross profit of approximately RM47.84 million in the current quarter as compared with RM97.02 million in the preceding quarter despite significant reduction achieved in the general operating cost in the current quarter.

The lower gross profit achieved by the Group has reduced the Group's PBT from of approximately RM25.40 million in the last quarter of 2020 to a LBT of approximately RM1.16 million in the current quarter partly due to finance costs incurred for certain construction projects within the Group have been expensed off in income statement since the end of financial year 2020.

B3. Prospects

The Board anticipates that the outlook for financial year ending 31 December 2021 will remain challenging due to the continuous uncertainties in the global economy outlook arising from impacts of COVID-19 pandemic.

The underlying industries that drive our business prospect such as oil & gas, petrochemical and energy will remain challenging as recovery of the disruption from the COVID-19 pandemic is largely depending on the roll-out speed of vaccination to majority of the population, stability of the crude oil price and the resurgence of COVID-19 pandemic particularly in Asia. The Board will take the necessary measures to manage and mitigate these uncertainties.

We believe that with the various efforts undertaken by the various governments, the global economy will show improvement beginning from second half of 2021 with higher vaccination rate and easing of lockdowns particularly in major economies including United States, Europe and China.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months ended 31.03.2021 RM'000	3 months ended 31.03.2020 RM'000
Current period	(9,674)	(3,679)
Prior period	(590)	-
Deferred tax	7,264	2,247
	<u>(3,000)</u>	<u>(1,432)</u>

The Group's effective tax rate for the financial periods are higher than statutory tax rate mainly due to non-deductible expenses and no deferred tax assets have been recognised on tax losses subsidiaries.

B6. Unquoted investments and properties

There were no significant investments or disposals in unquoted investments and properties for the current financial quarter and financial year to date.

B7. Quoted and marketable investments

There were no significant investments or disposals in quoted and marketable securities during the current financial quarter and financial year to date.

B8. Status of corporate proposals announced

- a. On 28 August 2019, the Company had announced on the disposal of Borsig ZM Compression GmbH (“BZM”) by Borsig GmbH (“Seller”) of its entire equity interests comprising one (1) ordinary share of EUR24,000 and one (1) ordinary share of EUR1,000 held in BZM to Borsig ZM Schweiz AG (“Purchaser”) and Iskra-Neftegaz Compressor Limited Liability Company, for a cash consideration of EUR28 million (equivalent to approximately RM130.76 million based on the exchange rate of EUR1.00 : RM4.67) (“the Proposed Disposal”).

Subsequently on 23 April 2021, the Company had announced that the Proposed Disposal was terminated by the Seller due to the Purchaser unable to fulfill the payment schedule under the terms of the contract.

- b. Since the beginning of year 2021, the Company had announced the additional listing of 4,068,000 ordinary shares in the Company allotted to the eligible employees pursuant to the Company’s Employee Share Option Scheme (“ESOS”).
- c. On 8 October 2020, Bursa Securities Berhad had vide its letter dated 7 October 2020, approved the listing of and quotation for up to 269,184,800 new ordinary shares in the Company to be issued (“Private Placement 1”), pursuant to the proposed private placement of up to 10% of the issued ordinary shares in the Company which had been submitted to Bursa Securities on 29 September 2020.

On 20 November 2020, the Company completed the Private Placement 1 by raising a total of RM44,548,916 for a total 269,184,800 new ordinary shares issued. As at the date of this report, the said proceeds have been fully utilised as follows:-

Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of Private Placement 1	Proposed Utilisation (based on actual amount raised) RM’000	Actual utilisation as of the date of this report RM’000	Balance available for utilisation RM’000
Payment for procurement of raw materials and consumables, payment to sub-contractor/suppliers for fabrication and site works, professional services and logistic expenses	Within 6 months	43,369	43,369	-
Expenses for the Private Placement	Within 1 month	1,180	1,180	-
Total		44,549	44,549	-

- d. On 21 January 2021, Bursa Securities Berhad had vide its letter dated 20 January 2021, approved the listing of and quotation for up to 296,923,400 new ordinary shares in the Company to be issued (“Private Placement 2”), pursuant to the proposed private placement of up to 10% of the issued ordinary shares in the Company.

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

Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of Private Placement 2	Proposed Utilisation (based on actual amount raised) RM'000	Actual utilisation as of the date of this report RM'000	Balance available for utilisation RM'000
Payment for procurement of raw materials and consumables, payment to sub-contractor/suppliers for fabrication and site works, professional services and logistic expenses	Within 6 months	30,662	30,662	-
Repayment of bank Borrowings	Within 3 months	20,000	20,000	-
Expenses for the Private Placement	Within 1 month	1,300	1,300	-
Total		51,962	51,962	-

- e. On 24 May 2021, the Company had announcement a proposed private placement of up to 987,517,700 new ordinary shares in the Company, representing not more than 30% of the issued ordinary shares in the Company to be issued (“Proposed Private Placement”).

Subject to the prevailing market conditions and depending on investors’ interest at the point of implementation, the Proposed Private Placement may be implemented in a single or multiple tranche(s) within 6 months upon the approval of Bursa Malaysia Securities Berhad is obtained or such other approved extended period.

Save for the above, there is no other corporate proposal announced but not completed during the current financial quarter under review.

B9. Group borrowings and debt securities

The Group’s borrowings as at the end of the financial period were as follows:

	As at 31.03.2021 RM'000
Short-term:	
Bank overdrafts	9,157
Borrowings (secured)	422,054
Borrowings (unsecured)	155,870
Bills Payable	50,864
Hire Purchase	3,891
Revolving credits	69,287
	<u>711,123</u>
Long-term:	
Borrowings (secured)	121,470
Borrowings (unsecured)	472,729
Hire Purchase	11,763
Revolving credits	9,056
	<u>615,018</u>
	<u>1,326,141</u>

The above are also inclusive of other borrowings in foreign currency of EUR128.34 million, CAD6.58 million, USD24.25 million, THB2.84 billion, and AED19.25 million.

The exchange rates used are 1 EUR = RM4.8639, 1 CAD = RM3.3014, 1 USD = RM4.1465, 1 THB = RM0.1327, and 1 AED = RM1.1289.

B10. Financial Instruments

The outstanding forward foreign currency exchange contracts as at the end of the financial period were as follows:-

Type of Derivative	Contract/Notional value RM'000	Loss on Fair value changes RM'000
Foreign Exchange Contracts		
-Less than 1 year	28,531	76
	<u>28,531</u>	<u>76</u>

Exposure to foreign currency fluctuation of underlying commitments is monitored on on-going and timely basis. The Company's objective to incept derivative instrument contract is mainly to hedge against foreign exchange exposure on transactions in currencies other than its own.

Forward foreign exchange contracts are entered into with licensed banks to hedge the Group's exposure to foreign exchange risk in respect of its export sales, import purchases and other obligations by establishing the basis rate at which a foreign currency asset or liability will be settled. These contracts are executed with credit-worthy/reputable financial institutions and as such, credit risk and liquidity risk in respect of non-performance by counterparties to these contracts is minimal.

The fair values of the forward foreign currency exchange contracts are subject to market risk and the fair values were derived from marking to available market quoted price as of the reporting year. The fair value of the forward contracts may change in accordance to the fluctuation of the exchange rate of the underlying currency resulting in gain or loss in fair value.

The cash requirement for these derivatives will be fulfilled by future contract and other proceeds on the respective maturity date.

B11. (LOSS) /PROFIT FOR THE PERIOD

	3 Months ended 31.03.2021 RM'000	3 Months ended 31.03.2020 RM'000
(a) (Loss)/Profit for the period is arrived at after charging:		
(Reversal of)/Provision for impairment loss on trade receivables	(59)	23
Change in fair value of forward contracts	379	854
Amortisation of intangible assets	7,484	6,982
Provision for warranty	1,178	587
Gain on disposal of property, plant and equipment	(291)	-
Provision for late delivery charges	166	-
Share-based payment	27	403
And crediting:		
Interest income	13	165
(b) Interest expense	18,311	11,866
(c) Depreciation of property, plant and equipment and right-of use asset charge for the period are allocated as follow:		
Income statement	6,956	6,314
Construction work in progress	10,257	10,388
	<u>17,213</u>	<u>16,702</u>

B12. Material litigation

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 (“SCC”).

The Request concerns disputes arising from a contract entered into with the Respondent on 3 December 2010. The hearing is currently scheduled to take place in Geneva, starting from 6 September 2021 to 24 September 2021.

As at the date of this announcement, there were no other material litigation since the last annual balance sheet date.

B13. Dividend payable

There was no dividend declared or recommended during quarter under review.

B14. (Loss)/Earnings per share

<u>Basic (loss)/earnings per ordinary share</u>	Individual Quarter		Cumulative Quarter	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Net (loss)/profit attributable to shareholders (RM'000)	(2,009)	20,260	(2,009)	20,260
Number of shares at the beginning of the year ('000)	2,969,235	2,631,414	2,969,235	2,631,414
Issuance of share Private Placement ('000)	45,555	-	45,555	-
Effect of Share buy-back ('000)	-	(23,733)	-	(23,733)
Weighted average number of shares issued under ESOS ('000)	600	11,343	600	11,343
Weighted average number of ordinary shares ('000)	3,015,390	2,619,024	3,015,390	2,619,024
Basic (loss)/earnings per ordinary share (Sen)	(0.07)	0.77	(0.07)	0.77

<u>Diluted earnings per ordinary shares</u>	Individual Quarter		Cumulative Quarter	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Net (loss)/profit attributable to shareholders (RM'000)	(2,009)	20,260	(2,009)	20,260
Weighted average number of ordinary shares ('000)	3,015,390	2,619,024	3,015,390	2,619,024
Effect of ESOS share options issued ('000)	277	54,743	277	54,743
Weighted average number of shares ('000)	3,015,667	2,673,767	3,015,667	2,673,767
Diluted (loss)/ earnings per ordinary share (Sen)	(0.07)	0.76	(0.07)	0.76

The calculation of diluted (loss)/earnings per ordinary share was based on the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial periods after adjustment for the effects of dilutive potential ordinary shares in issue and issuable under the ESOS options granted on 27 March 2019 at an exercise price of RM0.11.

B15. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 31 May 2021.