

KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 31.12.2020 RM'000	Unaudited 3 months ended 31.12.2019 RM'000	Unaudited 31.12.2020 RM'000	Audited 31.12.2019 RM'000
Revenue	333,239	446,305	1,324,148	1,632,595
Operating profit	41,125	36,157	143,953	137,279
Finance costs	(12,609)	(14,061)	(60,071)	(67,525)
Interest income	31	110	404	660
Profit before tax	28,547	22,206	84,286	70,414
Tax expense	(8,000)	(15,504)	(21,438)	(35,357)
Net profit for the period/year	20,547	6,702	62,848	35,057
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations	10,980	10,151	75,319	(36,771)
Hedge of net investment in subsidiaries	(32,882)	(15,250)	(84,803)	(37,110)
Cash flow hedge	(302)	1,399	(342)	1,202
Revaluation of property, plant and equipment	(71)	103,547	-	103,547
Share of gain of equity-accounted associates and joint ventures	9	6	106	1,365
Other comprehensive (expense)/income for the period/year, net of tax	(22,266)	99,853	(9,720)	32,233
Total comprehensive (expense)/income for the period/year	(1,719)	106,555	53,128	67,290
Profit attributable to:				
Owners of the Company	21,011	9,025	70,471	45,525
Non-controlling interests	(464)	(2,323)	(7,623)	(10,468)
	20,547	6,702	62,848	35,057
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(1,155)	103,374	61,733	78,297
Non-controlling interests	(564)	3,181	(8,605)	(11,007)
Total comprehensive (expense)/income for the period/year	(1,719)	106,555	53,128	67,290
Profit per share:				
Total comprehensive (expense)/income attributable to:				
- Basic (Sen)	0.78	0.36	2.63	1.83
- Diluted (Sen)	0.78	0.36	2.61	1.79

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 31.12.2020 RM'000	Audited As at 31.12.2019 RM'000
Assets			
Non-current assets			
Intangible assets		416,278	412,434
Goodwill		933,637	869,316
Property, plant and equipment		1,515,734	1,501,530
Right-of-use assets		48,911	57,907
Other investments, including derivatives		187	174
Investments in associates and joint ventures		47	-
Deferred tax assets		64	65
		<u>2,914,858</u>	<u>2,841,426</u>
Current assets			
Inventories		96,912	99,020
Contract assets		294,577	205,032
Trade and other receivables		288,697	368,522
Cash and bank balances		275,297	343,653
		<u>955,483</u>	<u>1,016,227</u>
Asset classified as held for sale		-	40,626
		<u>955,483</u>	<u>1,056,853</u>
TOTAL ASSETS		<u>3,870,341</u>	<u>3,898,279</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		2,005,665	1,924,046
Treasury shares		(53,425)	(53,425)
Reserves		(171,501)	(206,552)
		<u>1,780,739</u>	<u>1,664,069</u>
Non-controlling interests		<u>(22,820)</u>	<u>(14,215)</u>
Total Equity		<u>1,757,919</u>	<u>1,649,854</u>
Non-current liabilities			
Long term payables			
Long service leave liability		7,630	7,560
Lease liabilities		6,940	6,884
Loans and borrowings	B9	39,463	41,415
Deferred tax liabilities		667,877	1,008,218
		<u>215,179</u>	<u>207,786</u>
		<u>937,089</u>	<u>1,271,863</u>
Current liabilities			
Trade and other payables		336,293	357,367
Contract liabilities		100,655	113,741
Lease liabilities		12,595	12,345
Loans and borrowings	B9	692,497	459,393
Current tax liabilities		33,293	33,716
		<u>1,175,333</u>	<u>976,562</u>
Total liabilities		<u>2,112,422</u>	<u>2,248,425</u>
TOTAL EQUITY AND LIABILITIES		<u>3,870,341</u>	<u>3,898,279</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.60</u>	<u>0.64</u>

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KNM GROUP BERHAD
(Company No:521348-H)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2020**

	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 2019	1,883,498	(53,425)	(2,571)	18,893	27,468	(258,803)	93,301	(167,583)	1,540,778	(2,454)	1,538,324
Other comprehensive income/(expense) for the year	-	-	1,202	-	-	(71,977)	92,753	10,794	32,772	(539)	32,233
Profit for the year	-	-	-	-	-	-	-	45,525	45,525	(10,468)	35,057
Total comprehensive income/(expense) for the year	-	-	1,202	-	-	(71,977)	92,753	56,319	78,297	(11,007)	67,290
Transactions with owners of the Company											
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	-	-	(754)	(754)
Share issuance arising from ESOS	3,012	-	-	-	-	-	-	-	3,012	-	3,012
Share-based payment	-	-	-	4,446	-	-	-	-	4,446	-	4,446
Share issuance arising from private placement	37,536	-	-	-	-	-	-	-	37,536	-	37,536
As at 31 December 2019 (Audited)	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
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 income/(expense) for the year	-	-	(342)	-	-	(8,523)	(12,399)	12,526	(8,738)	(982)	(9,720)
Profit for the year	-	-	-	-	-	-	-	70,471	70,471	(7,623)	62,848
Total comprehensive income/(expense) for the year	-	-	(342)	-	-	(8,523)	(12,399)	82,997	61,733	(8,605)	53,128
Transactions with owners of the Company											
Share-based payment	-	-	-	786	-	-	-	-	786	-	786
Share issuance arising from private placement	43,685	-	-	-	-	-	-	-	43,685	-	43,685
Share issuance arising from ESOS	10,117	-	-	-	-	-	-	-	10,117	-	10,117
Net gain on disposal of treasury shares	349	-	-	-	-	-	-	-	349	-	349
Transfer of share option reserve upon cancellation of unexercised share options	-	-	-	(20,321)	-	-	-	20,321	-	-	-
Transfer of warrant reserve upon expiry of Warrant B	27,468	-	-	-	(27,468)	-	-	-	-	-	-
As at 31 December 2020 (Unaudited)	2,005,665	(53,425)	(1,711)	3,804	-	(339,303)	173,655	(7,946)	1,780,739	(22,820)	1,757,919

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KNM GROUP BERHAD(Company No. 521348-H)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 DECEMBER 2020**

(Unaudited)

	31.12.2020 (Unaudited) RM '000	31.12.2019 (Audited) RM '000
Cash flows from operating activities		
Profit before tax	84,286	70,414
Adjustments for:		
Amortisation of intangible assets	29,285	30,187
Depreciation of property, plant and equipment	22,134	24,278
Depreciation of right-of-use assets	5,369	6,173
Share-based payment	786	4,446
Interest expense	57,052	63,976
Interest income	(404)	(660)
Unrealised (gain)/loss on foreign exchange	(31,043)	33,121
Impairment loss on property, plant and equipment	-	2,834
Change in fair value of forward contracts	(230)	(792)
Change in fair value of other investments	-	74
Reversal of provision for foreseeable loss	-	(9,867)
Reversal of provision for re-organisation expenses	-	(24,924)
Bad debts written off	-	1,667
(Reversal of)/Provision for impairment loss on trade receivables	(4,396)	11,064
Reversal of provision for warranty	(5,865)	(6,510)
Provision for late delivery charges	337	511
Gain on disposal of property, plant and equipment	(242)	(255)
Gain on disposal of investment in subsidiaries	(1,965)	-
Gain on disposal of asset held for sale	-	(2,853)
Reversal of impairment loss on amounts due from joint ventures	-	(422)
Inventories written down to net realisable value	-	1,042
Goodwill written off	-	14,268
Plant and equipment written off	220	3
Operating profit before working capital changes	<u>155,324</u>	<u>217,775</u>
Changes in working capital:		
Inventories	7,726	38,044
Trade and other receivables	93,915	(53,316)
Trade and other payables	<u>(87,509)</u>	<u>(135,275)</u>
Cash generated from operations	169,456	67,228
Income taxes paid	(21,786)	(9,983)
Interest paid	(457)	(343)
Interest received	404	660
Net cash generated from operating activities	<u>147,617</u>	<u>57,562</u>
Cash flows from investing activities		
Change in pledged deposits	12,467	(21,511)
Acquisition of property, plant and equipment	(12,535)	(13,767)
Acquisition of right-of-use assets	(7,542)	-
Acquisition of subsidiaries, net of cash inflow	-	1,557
Acquisition of intangible assets	(2,245)	(43)
Proceeds from disposal of asset held for sale	-	20,746
Proceeds from disposal of property, plant and equipment	968	1,337
Net cash used in investing activities	<u>(8,887)</u>	<u>(11,681)</u>
Cash flows from financing activities		
Net proceed from disposal of treasury shares	350	-
Net (repayment of)/proceed from bills payable	(5,690)	8,641
Repayment of finance lease liabilities	(10,579)	(2,742)
Repayment of term loans, bond and revolving credits	(134,937)	(17,719)
Payments for lease liabilities	(1,702)	(16,912)
Interest paid	(57,052)	(62,411)
Proceeds from share issuance arising from private placement	43,685	37,536
Proceeds from share issuance arising from ESOS	<u>10,117</u>	<u>3,012</u>
Net cash used in financing activities	<u>(155,808)</u>	<u>(50,595)</u>
Net decrease in cash and cash equivalents	(17,078)	(4,714)
Cash and cash equivalents at beginning of year	290,111	381,043
Effect of foreign currency translation	(42,059)	(86,218)
Cash and cash equivalents at end of year	<u>230,974</u>	<u>290,111</u>
Cash and bank balances	238,759	295,670
Deposits with financial institutions	-	-
Deposits with licensed banks	36,538	47,983
Less: Pledged deposits	<u>(35,057)</u>	<u>(47,524)</u>
	240,240	296,129
Bank overdrafts	<u>(9,266)</u>	<u>(6,018)</u>
	<u>230,974</u>	<u>290,111</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 December 2020

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 2019. 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 2019.

A2. Significant Accounting Policies

The audited financial statements of the Group for the financial year ended 31 December 2019 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 2019 except for the adoption of new MFRSs and amendments that are mandatory for the Group for the financial year with effect from 1 January 2020:

Amendments to MFRS 3	<i>Definition of a Business</i>
Amendments to MFRS 101 and MFRS 108	<i>Definition of Material</i>
Amendments to MFRS 9, MFRS 139 and MFRS 7	<i>Interest Rate Benchmark Reform</i>

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

MFRS 17	<i>Insurance Contracts</i>
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MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>
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MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

Amendments to MFRS 10	<i>Consolidated Financial Statements</i>
MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</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 17, *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 2019.

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 29 December 2020, the Company resold 6,500,000 of its issued ordinary shares listed on the Main Market of Bursa Malaysia Securities Berhad from the open market at an average price of approximately RM0.205 per ordinary share. The total consideration received was RM1,327,863.

As at 31 December 2020, the Company held 23,341,275 ordinary shares as treasury shares out of its total issued and paid-up share capital. Hence the number of outstanding shares in issue and paid-up after deducting treasury shares as at 31 December 2020 is 2,969,234,280 ordinary shares. The treasury shares have no rights to voting, dividends or participation in other distribution.

Other than the above, 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 during the current financial quarter under review.

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	EBITDA/ (LBITDA)
	12 months ended	12 months ended	12 months ended
	31.12.2020	31.12.2020	31.12.2020
	RM'000	RM'000	RM'000
Asia & Oceania	213,228	20,898	92,371
Europe	1,110,920	240,952	153,772
Americas	-	-	(2,254)
	1,324,148	261,850	243,889

	Revenue	Gross Profit	EBITDA/ (LBITDA)
	12 months ended	12 months ended	12 months ended
	31.12.2019	31.12.2019	31.12.2019
	RM'000	RM'000	RM'000
Asia & Oceania	366,582	39,688	61,788
Europe	1,262,440	254,819	183,126
Americas	3,573	(727)	(5,134)
	1,632,595	293,780	239,780

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 2019.

The next revaluation of property and plant of the Group shall be conducted in the financial year ending 31 December 2024.

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

The coronavirus (COVID-19) pandemic was announced by the World Health Organisation in March 2020 due to the global outbreak of the said coronavirus virus, including in Malaysia. The COVID-19 pandemic has prompted many countries to introduce unprecedented measures to contain the pandemic, including temporary shutdown of businesses and restrictions on travel and mobility.

As at the date of this interim financial report is authorised for issuance, the COVID-19 infections in Malaysia and globally is still evolving and unpredictable. As such, it is difficult to quantify the full magnitude of the impact of this unprecedented pandemic to global economy and to the Group at this juncture. Nevertheless, the Group is actively monitoring and managing the Group's operations to minimise any impacts that may have caused by the COVID-19 pandemic.

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

A12. Changes in the composition of the Group

There were no other material changes in the composition of the Group since the last update in the Q3 2020 results.

A13. Contingent liabilities and Assets

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

	31.12.2020	31.12.2019
	RM'000	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	617,633	620,545
Share of joint ventures' contingent liabilities incurred jointly with other investors		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	11,810	12,033

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	154,732

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	1,067
IM Bina Sdn. Bhd. (a)	
- Contract billing payable	425
Inter Merger Realty & Development Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	24

(a) A company in which Mr. Lee Swee Eng and Madam Gan Siew Liat are directors.

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

B1. Performance of 12 months ended 31 December 2020 against 31 December 2019

The Group posted a lower revenue of approximately RM1.32 billion for the twelve months ended 31 December 2020 (“FY2020”) as compared with RM1.63 billion achieved in the corresponding financial year of 2019 (“FY2019”). The decline in revenue recognition in FY2020 was mainly due to divestment of non-performing business units coupled with the consequence of temporary closure of the fabrication plants in Malaysia due to COVID-19 lockdown restrictions and lower ethanol production in Thailand’s operations.

Consequently, the Group registered a lower gross profit of approximately RM261.85 million in FY2020 as compared with of approximately RM293.78 million in FY2019. It is noticeable that the gross profit margin had improved from 18.0% in FY2019 to 19.8% in FY2020 amid the COVID-19 pandemic mainly due to rigorous cost savings achieved in fabrication projects.

Despite of a lower gross profit, the Group posted a higher Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of approximately RM243.89 million in FY2020 as compared with RM239.78 million in FY2019. The improvement in EBITDA was mainly attributable to greater savings achieved in the administration costs from the operating units and lower fixed overhead incurred by the supportive business units in FY2020.

The Group posted an improved profit before tax (“PBT”) of approximately RM84.29 million in the FY2020 as compared with RM70.41 million in FY2019 due to lower finance costs incurred in the current financial year as a result of a lower borrowings of RM1.36 billion as at 31 December 2020 as compared with RM1.47 billion as at 31 December 2019.

Asia & Oceania Segment

Asia & Oceania Segment posted a lower revenue of approximately RM213.23 million in FY2020 as compared with RM366.58 million in FY2019. The lower revenue recognition in FY2020 was mainly due to temporary closure of the fabrication plants in Malaysia following the COVID-19 lockdown restrictions coupled with reduced ethanol production in Thailand’s operations and disposal of a fabrication operation in China in September 2020.

Consequently, this Segment registered a lower gross profit amount of approximately RM20.90 million in FY2020 as compared with RM39.69 million in FY2019. It is noticeable that the EBITDA of this Segment had improved from RM61.79 million in FY2019 to RM92.37 million in FY2020, mainly due to a leaner operating and administration and an unrealised exchange gain in the current financial year.

Europe Segment

The Europe Segment posted a lower revenue recognition of approximately RM1.11 billion in FY2020 as compared with RM 1.26 billion in FY2019 mainly due to lower sales from the compressor business unit in this Segment.

Despite of a lower gross profit of approximately RM240.95 million achieved by this Segment in FY2020 as compared with RM254.82 million in FY2019, it is noticeable that the gross profit margin had continue to improve from 20.2% in FY2019 to 21.7% in FY2020 on the back of leaner operations and higher profit margin from heat exchanger business unit.

This Segment registered a lower EBITDA of approximately RM153.77 million in FY2020 as compared with RM183.13 million in FY2019 mainly due to unrealised exchange loss in the current financial year.

America Segment

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

This Segment registered a lower Loss Before Interest, Tax, Depreciation and Amortisation (“LBITDA”) of approximately RM2.25 million in FY2020 as compared with RM5.13 million in FY2019, mainly due to reduction in fixed overhead.

B2. Performance of the current quarter against the preceding quarter (4th Quarter 2020 versus 3rd Quarter 2020)

The Group’s revenue was posted higher at approximately of RM333.24 million in the current quarter as compared with of approximately RM321.32 million in the preceding quarter. The improvement in revenue was mainly due to higher revenue recognition from the fabrication projects in Europe Segment towards the end of the year of 2020.

Consequently, the Group recorded a higher gross profit of approximately RM68.16 million in the current quarter as compared with RM61.30 million in the preceding quarter coupled with a further improved gross profit margin of 20.5% achieved in the current quarter as compared with 19.1% achieved in the preceding quarter.

The Group posted a higher PBT of approximately RM28.55 million in the current quarter as compared with RM22.74 million in the preceding quarter mainly attributable to a lower operating and finance costs as well as cost savings due to the divestment of fabrication operation in China and rightsizing of the compressor business unit since last quarter.

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 and impacts of COVID-19 pandemic. The Board will take the necessary measures to manage and mitigate these uncertainties.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months ended 31.12.2020 RM’000	3 months ended 31.12.2019 RM’000	12 months ended 31.12.2020 RM’000	12 months ended 31.12.2019 RM’000
Current period/year	5,216	16,066	28,442	35,917
Prior period/year	(3,892)	1,039	(4,042)	1,244
Deferred tax	6,676	(1,601)	(2,962)	(1,804)
	<u>8,000</u>	<u>15,504</u>	<u>21,438</u>	<u>35,357</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 of its entire equity interests comprising one (1) ordinary share of EUR24,000 and one (1) ordinary share of EUR1,000 held in BZM to Borsig ZM Schweiz AG and Iskra-Neftegaz Compressor Limited Liability Company, for a cash consideration of EUR28 million (equivalent to approximately RM130.76 million based on the exchange rate of EUR1.00 : RM4.67) (“the Proposed Disposal”).

On 31 December 2019, the Company had also announced that the completion date of the Proposed Disposal had been postponed to a date to be determined.

Until to-date, there is no update on the Proposed Disposal.

- b. 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”), 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 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 utilised as follows: -

Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of Private Placement	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	26,050	17,319
Expenses for the Private Placement	Within 1 month	1,180	1,180	-
Total		44,549	27,230	17,319

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 year were as follows:

	As at 31.12.2020 RM'000
Short-term:	
Bank overdrafts	9,266
Borrowings (secured)	415,403
Borrowings (unsecured)	151,363
Bills Payable	51,259
Hire Purchase	3,504
Revolving credits	61,702
	<u>692,497</u>
Long-term:	
Borrowings (secured)	131,903
Borrowings (unsecured)	514,261
Hire Purchase	11,189
Revolving credits	10,524
	<u>667,877</u>
	<u>1,360,374</u>

The above are also inclusive of other borrowings in foreign currency of EUR132.31 million, CAD6.65 million, USD26.36 million, THB2.80 billion, and AED18.43 million.

The exchange rates used are 1 EUR = RM4.9395, 1 CAD = RM3.1502, 1 USD = RM4.0170, 1 THB = RM0.1341, and 1 AED = RM1.0936.

B10. Financial Instruments

The outstanding forward foreign currency exchange contracts as at the end of the financial year 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	28,728	597
	<u>28,728</u>	<u>597</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. PROFIT FOR THE PERIOD/YEAR

	3 months ended 31.12.2020	3 months ended 31.12.2019	12 months ended 31.12.2020	12 months ended 31.12.2019
	RM'000	RM'000	RM'000	RM'000
(a)				
Profit for the period/year is arrived at after charging:				
Bad debt written off	-	995	-	1,667
Goodwill written off	-	14,268	-	14,268
Change in fair value of forward contracts	(122)	1,096	(230)	(792)
Impairment loss on property, plant and equipment	-	2,834	-	2,834
(Reversal of)/Provision for impairment loss on trade receivables	(1,983)	15,727	(4,396)	11,064
Inventories written down to net realisable value	-	1,042	-	1,042
Amortisation of intangible assets	7,551	11,543	29,285	30,187
(Reversal of)/Provision for warranty	(3,135)	1,662	(5,865)	(6,510)
Reversal of foreseeable loss	-	(9,867)	-	(9,867)
Reversal of impairment loss on amounts due from joint ventures	-	(422)	-	(422)
Provision for late delivery charges	10	511	337	511
Plant and equipment written off	169	(62)	220	3
Changes in fair value of other investment	-	74	-	74
Reversal of provision for re-organisation expenses	-	(24,924)	-	(24,924)
(Gain)/Loss on disposal of property, plant and equipment	(99)	3,981	(242)	(255)
Gain on disposal of asset held for sale	-	(2,853)	-	(2,853)
Gain on disposal of investment in subsidiaries	-	-	(1,965)	-
Share-based payment	(423)	4,216	786	4,446
And crediting:				
Interest income	31	110	404	660
(b)				
Interest expense	13,631	16,712	59,052	67,525
(c)				
Depreciation charge for the period/year is allocated as follow:				
Income statement	7,004	9,277	27,503	30,451
Construction work in progress	11,323	16,095	43,149	41,863
	<u>18,327</u>	<u>25,372</u>	<u>70,652</u>	<u>72,314</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. Earnings per share

<u>Basic earnings per ordinary share</u>	Individual Quarter		Cumulative Quarter	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Net profit attributable to shareholders (RM'000)	21,011	9,025	70,471	45,525
Number of shares at the beginning of the year ('000)	2,608,073	2,369,437	2,608,073	2,369,437
Issuance of share Private Placement ('000)	32,065	138,832	32,065	138,832
Effect of Share buy-back ('000)	(5,253)	(23,341)	(5,253)	(23,341)
Weighted average number of shares issued under ESOS ('000)	47,566	4,661	47,566	4,661
Weighted average number of ordinary shares ('000)	<u>2,682,451</u>	<u>2,489,589</u>	<u>2,682,451</u>	<u>2,489,589</u>
Basic earnings per ordinary share (Sen)	0.78	0.36	2.63	1.83

<u>Diluted earnings per ordinary shares</u>	Individual Quarter		Cumulative Quarter	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Net profit attributable to shareholders (RM'000)	21,011	9,025	70,471	45,525
Weighted average number of ordinary shares ('000)	2,682,451	2,489,589	2,682,451	2,489,589
Effect of ESOS share options issued ('000)	18,190	51,902	18,190	51,902
Weighted average number of shares ('000)	2,700,641	2,541,491	2,700,641	2,541,491
Diluted earnings per ordinary share (Sen)	0.78	0.36	2.61	1.79

The calculation of diluted earnings per ordinary share was based on the profit 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. The ESOS options granted on 25 July 2014 at an exercise price of RM0.65 ("ESOS Batch 1 options") and warrants are excluded from the computation of diluted earnings per ordinary share as they do not have any potential dilutive effect.

The Company had on 25 September 2020 announced that all the outstanding ESOS Batch 1 options totalling 146,717,001 was cancelled upon mutual agreement with the respective ESOS option holders.

B15. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 24 February 2021.