

Quarterly rpt on consolidated results for the financial period ended 31 Dec 2019

KNM GROUP BERHAD

Financial Year End	31 Dec 2019
Quarter	4 Qtr
Quarterly report for the financial period ended	31 Dec 2019
The figures	have not been audited

Attachments

[KNM_Financial Results_Q42019.pdf](#)
378.6 kB

Remarks :

This announcement is dated 25 February 2020

Default Currency	Other Currency
------------------	----------------

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION 31 Dec 2019

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
		\$\$'000	\$\$'000	\$\$'000	\$\$'000
1	Revenue	457,847	367,083	1,644,137	1,432,333
2	Profit/(loss) before tax	29,491	-354,167	77,699	-412,352
3	Profit/(loss) for the period	9,101	-712,423	37,456	-784,676
4	Profit/(loss) attributable to ordinary equity holders of the parent	11,290	-705,693	47,790	-774,816
5	Basic earnings/(loss) per share (Subunit)	0.43	-30.08	1.82	-33.03
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 (\$\$)	0.6700	0.6600
---	--------	--------

Remarks :

This announcement is dated 25 February 2020

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 YEAR ENDED 31 DECEMBER 2019 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 31.12.2019 RM'000	Unaudited 3 months ended 31.12.2018 RM'000	Unaudited 31.12.2019 RM'000	Audited 31.12.2018 RM'000
Revenue	<u>457,847</u>	<u>367,083</u>	<u>1,644,137</u>	<u>1,432,333</u>
Operating profit/(loss)	43,566	(324,630)	144,688	(347,413)
Finance costs	(14,185)	(21,795)	(67,649)	(60,717)
Interest income	110	253	660	1,368
Share of loss of equity-accounted associates and joint ventures, net of tax	-	(7,995)	-	(5,590)
Profit/(Loss) before tax	<u>29,491</u>	<u>(354,167)</u>	<u>77,699</u>	<u>(412,352)</u>
Tax expense	(20,390)	(358,256)	(40,243)	(372,324)
Net profit/(loss) for the period/year	<u>9,101</u>	<u>(712,423)</u>	<u>37,456</u>	<u>(784,676)</u>
Other comprehensive income/(expense), net of tax				
Foreign currency translation differences for foreign operations	(7,436)	(14,573)	(54,359)	(22,942)
Hedge of net investment in subsidiaries	16,813	(10,434)	(5,047)	(27,512)
Cash flow hedge	1,399	427	1,202	(669)
Realisation of revaluation reserve on property, plant and equipment written off	89,655	-	89,655	-
Share of gain of equity-accounted associates and joint ventures	6	-	1,365	101
Other comprehensive income/(expense) for the period/year, net of tax	<u>100,437</u>	<u>(24,580)</u>	<u>32,816</u>	<u>(51,022)</u>
Total comprehensive income/(expense) for the period/year	<u>109,538</u>	<u>(737,003)</u>	<u>70,272</u>	<u>(835,698)</u>
Attributable to:				
Owners of the Company	11,290	(705,693)	47,790	(774,816)
Non-controlling interests	<u>(2,189)</u>	<u>(6,730)</u>	<u>(10,334)</u>	<u>(9,860)</u>
	<u>9,101</u>	<u>(712,423)</u>	<u>37,456</u>	<u>(784,676)</u>
Total comprehensive income/(expense) attributable to:				
Owners of the Company	109,308	(735,137)	84,230	(824,945)
Non-controlling interests	<u>230</u>	<u>(1,866)</u>	<u>(13,958)</u>	<u>(10,753)</u>
Total comprehensive income/(expense) for the period/ year	<u>109,538</u>	<u>(737,003)</u>	<u>70,272</u>	<u>(835,698)</u>
Profit/(Loss) per share:				
- Basic / Diluted (sen)	0.43	(30.08)	1.82	(33.03)

The notes set out on pages 5 to 14 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 31.12.2019 RM'000	Audited As at 31.12.2018 RM'000
Assets			
Non-current assets			
Intangible assets		412,419	456,049
Goodwill		869,316	895,461
Property, plant and equipment		1,490,022	1,294,584
Right of use assets		55,305	-
Other investments, including derivatives		174	254
Deferred tax assets		65	10,922
		<u>2,827,301</u>	<u>2,657,270</u>
Current assets			
Inventories		99,021	139,813
Contract assets		232,584	188,708
Trade and other receivables		408,772	393,293
Cash and bank balances		343,653	411,149
		<u>1,084,030</u>	<u>1,132,963</u>
Asset classified as held for sale		40,588	58,956
		<u>1,124,618</u>	<u>1,191,919</u>
TOTAL ASSETS		<u>3,951,919</u>	<u>3,849,189</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,924,046	1,883,498
Treasury shares		(53,425)	(53,425)
Reserves		(201,434)	(289,295)
		<u>1,669,187</u>	<u>1,540,778</u>
Non-controlling interests		(17,166)	(2,454)
Total Equity		<u>1,652,021</u>	<u>1,538,324</u>
Non-current liabilities			
Long term payables		7,560	8,051
Long service leave liability		6,884	7,851
Lease liabilities		38,992	-
Loans and borrowings	B9	1,006,539	1,047,525
Deferred tax liabilities		212,966	193,852
		<u>1,272,941</u>	<u>1,257,279</u>
Current liabilities			
Trade and other payables		370,330	411,229
Contract liabilities		149,221	202,876
Lease liabilities		15,378	-
Loans and borrowings	B9	458,746	423,081
Current tax liabilities		33,282	16,400
		<u>1,026,957</u>	<u>1,053,586</u>
Total liabilities		<u>2,299,898</u>	<u>2,310,865</u>
TOTAL EQUITY AND LIABILITIES		<u>3,951,919</u>	<u>3,849,189</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.67</u>	<u>0.66</u>

The notes set out on pages 5 to 14 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 CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	←----- Attributable to Equity Holders of the Parent -----→						Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Hedging Reserve RM'000	Warrant Reserve RM'000	Revaluation and Other Reserves RM'000	Retained Earnings/ (Accumulated Losses) RM'000			
As at 1 January 2018	1,883,513	(53,425)	(1,902)	27,468	(97,677)	638,245	2,396,222	13,514	2,409,736
- as previously reported									
Adjustment on initial application of MFRS 15, net of tax	-	-	-	-	-	(31,012)	(31,012)	-	(31,012)
As at 1 January 2018 (Restated)	1,883,513	(53,425)	(1,902)	27,468	(97,677)	607,233	2,365,210	13,514	2,378,724
Other comprehensive expense for the year	-	-	(669)	-	(49,460)	-	(50,129)	(893)	(51,022)
Loss for the year	-	-	-	-	-	(774,816)	(774,816)	(9,860)	(784,676)
Total comprehensive expense for the year	-	-	(669)	-	(49,460)	(774,816)	(824,945)	(10,753)	(835,698)
Transactions with owners of the Company									
Share-based payment	-	-	-	-	528	-	528	-	528
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(5,215)	(5,215)
Share issue expenses	(15)	-	-	-	-	-	(15)	-	(15)
As at 31 December 2018 (Audited)	1,883,498	(53,425)	(2,571)	27,468	(146,609)	(167,583)	1,540,778	(2,454)	1,538,324
As at 1 January 2019	1,883,498	(53,425)	(2,571)	27,468	(146,609)	(167,583)	1,540,778	(2,454)	1,538,324
Other comprehensive income/(expense) for the year	-	-	1,202	-	25,011	10,227	36,440	(3,624)	32,816
Profit for the year	-	-	-	-	-	47,790	47,790	(10,334)	37,456
Total comprehensive income/(expenses) for the year	-	-	1,202	-	25,011	58,017	84,230	(13,958)	70,272
Transactions with owners of the Company									
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	(754)	(754)
Share-based payment	-	-	-	-	3,631	-	3,631	-	3,631
Share issuance arising from private placement	37,536	-	-	-	-	-	37,536	-	37,536
Share issuance arising from ESOS	3,012	-	-	-	-	-	3,012	-	3,012
As at 31 December 2019 (Unaudited)	1,924,046	(53,425)	(1,369)	27,468	(117,967)	(109,566)	1,669,187	(17,166)	1,652,021

The notes set out on pages 5 to 14 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 YEAR ENDED

31 December 2019

(Unaudited)

	31.12.2019 (Unaudited) RM '000	31.12.2018 (Audited) RM '000
Cash flows from operating activities		
Profit/(Loss) before tax	77,699	(412,352)
Adjustments for:		
Amortisation of intangible assets	30,249	29,584
Depreciation	31,147	25,007
Share-based payment	3,631	528
Interest expense	64,100	57,538
Interest income	(660)	(1,368)
Unrealised (gain)/loss on foreign exchange	(18,804)	14,425
Impairment loss on property, plant and equipment	-	22,388
Share of loss in associates and joint ventures, net of tax	-	5,590
Change in fair value of forward contracts	(792)	109
Change in fair value of other investments	-	4,956
Provision for foreseeable loss	-	37,441
Bad debts written off	672	5,875
(Reversal) of/provision for warranty	(8,172)	36,710
Reversal of provision for late delivery charges	(291)	-
Gain on disposal of property, plant and equipment	(3,105)	(345)
Provision of other operating loss for non-performing business units	-	42,848
Impairment loss on other receivables	-	1,563
Impairment loss on investment in joint ventures	-	212
Impairment loss on inventories	-	10,450
Impairment loss on trade receivables	-	55,825
Impairment loss on amounts due from joint ventures	-	32,576
Impairment loss on contract assets	-	27,462
Other receivable written off	-	2,640
Investments in associates written off	-	49
Goodwill written off	14,268	-
Property, plant and equipment written off	68	1,431
Operating profit before working capital changes	<u>190,010</u>	<u>1,142</u>
Changes in working capital:		
Inventories	39,086	11,412
Trade and other receivables	(56,364)	46,792
Trade and other payables	(119,665)	(50,202)
Cash generated from operations	<u>53,067</u>	<u>9,144</u>
Income taxes paid	(10,694)	(18,026)
Interest paid	(343)	(355)
Interest received	660	1,368
Net cash generated from/(used in) operating activities	<u>42,690</u>	<u>(7,869)</u>
Cash flows from investing activities		
Change in pledged deposits	(21,511)	(4,483)
Acquisition of property, plant and equipment	(12,210)	(11,219)
Acquisition of right of use assets	(5,677)	-
Acquisition of subsidiaries, net of cash outflow	1,607	-
Acquisition of investment in Joint-controlled entity and associates	-	(29)
Acquisition of other intangible assets	(44)	(1,737)
Proceeds from disposal of property, plant and equipment	25,003	2,985
Net cash used in investing activities	<u>(12,832)</u>	<u>(14,483)</u>
Cash flows from financing activities		
Net repayment of bills payable	8,641	(99,450)
Repayment of finance lease liabilities	(5,094)	(10,347)
Drawdown of term loans, bond, and revolving credits	(18,547)	376,859
Lease interest paid	(1,146)	-
Interest paid	(64,100)	(57,183)
Proceeds from issuance of shares	37,536	-
Share issue expenses	-	(15)
Dividend paid to non-controlling interests	-	(5,215)
Net cash (used in)/generated from financing activities	<u>(42,710)</u>	<u>204,649</u>
Net (decrease)/increase in cash and cash equivalents	<u>(12,852)</u>	<u>182,297</u>
Cash and cash equivalents at beginning of year	381,043	195,585
Effect of foreign currency translation	(78,080)	3,161
Cash and cash equivalents at end of year	<u>290,111</u>	<u>381,043</u>
Cash and bank balances	295,670	383,962
Deposits with licensed banks	47,983	27,187
Less: Pledged deposits	<u>(47,524)</u>	<u>(26,013)</u>
	296,129	385,136
Bank overdrafts	<u>(6,018)</u>	<u>(4,093)</u>
	<u>290,111</u>	<u>381,043</u>

The notes set out on pages 5 to 14 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 2019

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 2018. 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 2018.

A2. Significant Accounting Policies

The audited financial statements of the Group for the financial year ended 31 December 2018 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 2018 except for the adoption of new MFRSs and amendments that are mandatory for the Group for the financial year with effect from 1 January 2019:

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

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

MFRS 16 has been adopted by the Group as at 1 January 2019 using the modified retrospective method of adoption which measures the lease liabilities based on the present value of future lease payments calculated using the incremental borrowing rate and exchange rate at date of transition. Lease payments would be split into principal and interest payments, using the effective interest method. Correspondingly, the right-of-use ("ROU") assets will be the present value of the liability at the commencement date of the lease, adding any directly attributable costs. The ROU asset will be depreciated on a straight-line basis over the shorter of the lease term and useful life of the leased asset. As the modified retrospective method of adoption is applied, comparative figures are not restated.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The adoption of MFRS 16 have the following impact on the unaudited consolidated financial statements for the year ended 31 December 2019 as shown below:

Group	Unaudited 31.12.2019 RM'000	Impact of MFRS 16 Adoption RM'000	Unaudited 31.12.2019 with adoption of MFRS 16 RM'000
Right of use assets	-	55,305	55,305
Lease liabilities – Current	-	(15,378)	(15,378)
Lease liabilities – Non-current	-	(38,992)	(38,992)
Depreciation	25,258	5,889	31,147
Operating lease	6,626	(5,889)	737
Finance costs	62,954	1,146	64,100

The following are accounting standards, amendments and interpretations of the MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

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

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

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

MFRS 17	<i>Insurance Contracts</i>
---------	----------------------------

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>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

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.

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 2018.

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 quarter and financial period to date.

A6. Material changes in estimates

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

A7. Debt and equity securities

- a. The Company had on 19 June 2019 obtained its shareholders' approval for the Share Buy Back exercise and thus far, there were no repurchase of shares conducted for the current financial period to-date.

As at the date of this report, generally the Company has repurchased a total of 23,341,275 of its issued share capital from the open market. The average price paid for the shares repurchased was RM2.29 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares and treated in accordance with the requirement of Section 127 of the Companies Act 2016.

- b. On 18 April 2019, the Company announced to undertake a private placement of up to 234,609,500 new ordinary shares ("Proposed Private Placement") and Bursa Malaysia Securities Berhad 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.

The private Placement was completed on 3 June 2019 and the exact total placement shares issued were 234,600,000 and fixed at RM0.16 per placement shares.

- c. As of the date of this report, the Company had announced the additional listing of 40,673,500 ordinary shares in the Company allotted to the eligible employees pursuant to the Company's Employees' Share Option Scheme.

A8. Dividend Paid

No dividend was paid during the quarter under review.

A9. Segment information

Segmental analysis of the revenue and result:-

Geographical segments:

	Revenue	Gross Profit/ (Loss)	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	378,124	39,508	70,225
Europe	1,262,440	255,221	183,234
Americas	3,573	(912)	(2,899)
	<hr/>	<hr/>	<hr/>
	1,644,137	293,817	250,560

	Revenue	Gross Profit/ (Loss)	EBITDA/ (LBITDA)
	12 months ended	12 months ended	12 months ended
	31.12.2018	31.12.2018	31.12.2018
	RM'000	RM'000	RM'000
Asia & Oceania	204,173	(110,975)	(344,383)
Europe	1,228,160	238,069	115,533
Americas	-	(9,959)	(20,625)
	<hr/>	<hr/>	<hr/>
	1,432,333	117,135	(249,475)

A10. Valuation of property, plant and equipment

Valuation of freehold lands of the Group has been brought forward without amendment from the financial statements for the financial year ended 31 December 2018.

There revaluation of property, plant and equipment of the Group has been concluded at 31 December 2019.

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

On 28 August 2019, the Company announced that its indirect wholly-owned subsidiaries, Borsig GmbH and Borsig ZM Compression GmbH ("BZM") had on 27 August 2019 entered into a Sale and Purchase Agreement ("SPA") with Borsig ZM Schweiz AG and Iskra-Neftegaz Compressor Limited Liability Company for the disposal of its entire equity interests comprising 1 ordinary share of EUR24,000 and 1 ordinary share of EUR1,000 held in BZM for a cash consideration of EUR28 million (equivalent to approximately RM130.76 million based on the exchange rate of EUR1.00 : RM4.67) (hereinafter referred to as the "Proposed Disposal").

Upon completion of the Proposed Disposal, BZM will cease to be a subsidiary company of Borsig GmbH and an indirect wholly-owned subsidiary of KNM Group Berhad.

Save for the above, 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

Please refer to Note A11 above.

Save for the above, there were no other changes in the composition of the Group since the last update in the Q3 2019 results.

A13. Contingent liabilities and Assets

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

	31.12.2019	31.12.2018
	RM'000	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	596,238	751,602
Share of joint ventures' contingent liabilities incurred jointly with other investors		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	25,989	15,555

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	1,096,452

A15. Related party transactions

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

	RM'000
Inter Merger Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	1,074
IM Bina Sdn. Bhd. (a)	
- Contract billing payable	120
Inter Merger Realty & Development Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	12

(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-month ended 31 December 2019 against 31 December 2018

The Group posted a higher revenue of approximately RM1.64 billion in the financial year ended 31 December 2019 as compared with RM1.43 billion achieved in the corresponding financial year of 2018. The higher revenue was mainly contributed by encouraging performance of Asia & Oceania and Europe Segments on the back of more new orders secured since the beginning of 2019 and higher profit margins from new projects secured. As a result, the Group registered an approximately 1.5 times increase in the gross profit to RM293.82 million in the current financial year as compared with RM117.14 million in the corresponding financial year of 2018.

Therefore, the Group turned around and posted a higher Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM250.56 million in the current financial year as compared with a Loss Before Interest, Tax, Depreciation and Amortisation (“LBITDA”) of RM249.48 million in the corresponding financial year of 2018. The overall improvement in EBITDA is further enhanced due to rigorous cost reduction and cost control exercise carried out by the management.

Consequently, the Group posted a positive recovery with a profit after tax of RM37.46 million in the current financial year as compared with a loss after tax of RM784.68 million in the corresponding financial year of 2018.

Asia & Oceania Segment

Asia & Oceania Segment posted a higher revenue at approximately RM378.12 million in the current financial year as compared with RM204.17 million in the corresponding financial year of 2018, mainly due to higher new orders secured.

As a result, this Segment turned around and registered an improved gross profit and EBITDA of approximately RM39.51 million and RM70.23 million respectively in the current financial year as compared with a gross loss of approximately RM110.98 million and a LBITDA of approximately RM344.38 million in the corresponding financial year of 2018, mainly due to the higher revenue recognised and better profit margins.

Europe Segment

The Europe Segment posted a higher revenue of approximately RM1.26 billion in current financial year as compared with RM1.23 billion in the corresponding year of 2018 mainly due to higher new orders secured.

Consequently, this Segment recorded a higher gross profit of approximately RM255.22 million and an EBITDA of approximately RM183.23 million in current financial year as compared with RM238.07 million and RM115.53 million respectively in the corresponding financial year of 2018.

America Segment

The business activities in this Segment are still low despite a higher revenue recorded in the current financial year as compared with the same financial year of 2018.

This Segment registered a lower LBITDA in the current financial year mainly due to a lower unabsorbed fixed overhead.

B2. Performance of the current quarter against the preceding quarter (4th Quarter 2019 versus 3rd Quarter 2019)

The Group's revenue has been improved to approximately RM457.85 million in the current quarter from approximately RM447.88 million in the preceding quarter.

Consequently, the Group posted an improved gross profit of approximately RM88.64 million in the current quarter as compared with RM79.18 million in the previous quarter.

The Group reported a higher profit before tax ("PBT") of RM29.49 million as compared with RM15.59 million in preceding quarter, mainly due to higher revenue recognition as well as improved profitability in the current quarter. It is noticeable that should there be no one time write off of goodwill of RM14.27 million in the current quarter, the PBT registered is even higher at RM43.76 million which is 2.8 times of preceding quarter.

B3. Prospects

The Board anticipates the outlook for financial year ending 31 December 2020 will remain challenging due to the continuous uncertainties in the global economy outlook and impacts of infectious COVID-19. 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 31.12.2019 RM'000	3 months ended 31.12.2018 RM'000	12 months ended 31.12.2019 RM'000	12 months ended 31.12.2018 RM'000
Current	15,556	12,058	35,407	29,878
Prior period	947	217	1,152	3
Deferred tax	3,887	345,981	3,684	342,443
	<u>20,390</u>	<u>358,256</u>	<u>40,243</u>	<u>372,324</u>

The Group's effective tax rate for the financial period is 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 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 quarter and financial year to date.

B8. Status of corporate proposals announced but not completed

Please refer to Note A11.

Save for the above, there is no other corporate proposals announced but not completed.

B9. Group borrowings and debt securities

The Group's borrowings as at the end of the reporting year were as follows:

	As at 31.12.2019 RM'000
Short-term:	
Bank overdraft	6,018
Borrowings (secured)	92,612
Borrowings (unsecured)	145,191
Bills Payable	58,999
Hire Purchase	3,806
Revolving credits	152,120
	<u>458,746</u>
 Long-term:	
Borrowings (secured)	94,162
Borrowings (unsecured)	899,747
Hire Purchase	12,630
	<u>1,006,539</u>
	<u>1,465,285</u>

The above are also inclusive of other borrowings in foreign currency of RMB40.00 million, EURO 145.68 million, CAD6.81 million, USD43.83 million, THB2.93 billion, and AED19.29 million.

The exchange rates used are 1 RMB = RM0.5876, 1 EURO = RM4.5875, 1 CAD = RM3.1367, 1 USD = RM4.0930, 1 THB = RM0.1371, and 1 AED = RM1.1143.

B10. Financial Instruments

The outstanding forward foreign currency exchange contracts as at the end of the reporting 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	49,702	105
	<u>49,702</u>	<u>105</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/(LOSS) FOR THE PERIOD/YEAR

	3 Months ended 31.12.2019 RM'000	3 Months ended 31.12.2018 RM'000	12 Months ended 31.12.2019 RM'000	12 Months ended 31.12.2018 RM'000
(a)				
Profit/(Loss) for the period/year is arrived at after charging:				
Bad debts written off	-	1,833	672	5,875
Change in fair value of forward contracts	1,096	497	(792)	109
Change in fair value of other investments	-	4,956	-	4,956
Amortisation of intangible assets	11,605	7,534	30,249	29,584
(Reversal of)/Provision for warranty	-	(4,783)	(8,172)	36,710
Loss/(Gain) on disposal of property, plant and equipment	1,131	5,160	(3,105)	(345)
Impairment loss on property, plant and equipment	-	22,388	-	22,388
Property, plant and equipment written off	3	1,431	68	1,431
Reversal of provision for late delivery charges	(291)	-	(291)	-
Provision of other operating loss for non-performing business units	-	42,848	-	42,848
Impairment loss on other receivables	-	1,563	-	1,563
Impairment loss on amounts due from joint ventures	-	32,576	-	32,576
Impairment loss on contract assets	-	27,462	-	27,462
Impairment loss on trade receivables	-	55,825	-	55,825
Impairment loss on investment in joint ventures	-	212	-	212
Impairment loss on inventories	-	10,450	-	10,450
Provision for foreseeable loss	-	37,441	-	37,441
Goodwill written off	14,268	-	14,268	-
Other receivable written off	-	2,640	-	2,640
Investment in associates written off	-	49	-	49
Share-based payment	3,401	494	3,631	528
And crediting:				
Interest income	110	253	660	1,368
(b)				
Interest expense	13,287	20,914	64,100	57,338

(c)
Depreciation charge for the year is allocated as follow:

Income statement	9,973	6,721	31,147	25,007
Construction work in progress	18,707	10,042	44,475	43,347
	<u>28,680</u>	<u>16,816</u>	<u>75,622</u>	<u>68,354</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.

The Request concerns disputes arising from a contract entered into with the Respondent on 3 December 2010 and the matter is currently pending.

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. Profit/(Loss) per share

	Individual Quarter		Cumulative Quarter	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Basic profit/(loss) per share				
Net profit/(loss) attributable to shareholders (RM'000)	11,290	(705,693)	47,790	(774,816)
Number of shares at the beginning of the year ('000)	2,369,437	2,175,420	2,369,437	2,175,420
Issuance of share-Private Placement ('000)	279,965	194,017	279,965	194,017
Effect of Share buy-back ('000)	(23,341)	(23,341)	(23,341)	(23,341)
Issuance of shares-ESOS('000)	4,661	-	4,661	-
Weighted average number of shares ('000)	<u>2,630,722</u>	<u>2,346,096</u>	<u>2,630,722</u>	<u>2,346,096</u>
Basic profit/(loss) per share (sen)	0.43	(30.08)	1.82	(33.03)

B15. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 25 February 2020.