

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 JUNE 2021 (Unaudited)

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 30.06.2021 RM'000	Unaudited 3 months ended 30.06.2020 RM'000	Unaudited 30.06.2021 RM'000	Unaudited 30.06.2020 RM'000
<b>Revenue</b>	<u>245,977</u>	<u>333,030</u>	<u>477,214</u>	<u>669,590</u>
<b>Operating profit</b>	32,470	29,164	50,648	60,440
Finance costs	(17,389)	(15,000)	(36,741)	(27,553)
Interest income	1	(49)	14	116
<b>Profit before tax</b>	<u>15,082</u>	<u>14,115</u>	<u>13,921</u>	<u>33,003</u>
Tax expense	(5,877)	(4,759)	(8,877)	(6,191)
<b>Net profit for the period</b>	<u>9,205</u>	<u>9,356</u>	<u>5,044</u>	<u>26,812</u>
<b>Other comprehensive (expense)/income, net of tax</b>				
Foreign currency translation differences for foreign operations	17,602	14,656	(5,016)	70,358
Hedge of net investment in subsidiaries	(24,315)	12,843	(24,388)	(17,824)
Cash flow hedge	1,468	(82)	(78)	(111)
Revaluation of property, plant and equipment	-	71	-	71
Share of (loss)/gain of equity-accounted associates and joint ventures	(1)	1	1,356	89
<b>Other comprehensive (expense)/income for the period, net of tax</b>	<u>(5,246)</u>	<u>27,489</u>	<u>(28,126)</u>	<u>52,583</u>
<b>Total comprehensive income/(expense) for the period</b>	<u>3,959</u>	<u>36,845</u>	<u>(23,082)</u>	<u>79,395</u>
<b>Profit attributable to:</b>				
Owners of the Company	10,558	11,221	8,550	31,482
Non-controlling interests	(1,353)	(1,865)	(3,506)	(4,670)
	<u>9,205</u>	<u>9,356</u>	<u>5,044</u>	<u>26,812</u>
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	4,246	40,087	(20,469)	84,590
Non-controlling interests	(287)	(3,242)	(2,613)	(5,195)
Total comprehensive income/(expense) for the period	<u>3,959</u>	<u>36,845</u>	<u>(23,082)</u>	<u>79,395</u>
Profit per share:				
Total comprehensive (expense)/income attributable to:				
- Basic (Sen)	0.35	0.43	0.29	1.20
- Diluted (Sen)	0.35	0.42	0.28	1.17

The notes set out on pages 5 to 13 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 30.06.2021 RM'000	Audited As at 31.12.2020 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		399,911	416,278
Goodwill		899,307	902,467
Property, plant and equipment		1,561,133	1,517,621
Right-of-use assets		164,377	48,911
Other investments, including derivatives		186	187
Investments in associates and joint ventures		49	47
Deferred tax assets		79	82
		<u>3,025,042</u>	<u>2,885,593</u>
<b>Current assets</b>			
Inventories		121,360	96,912
Contract assets		240,604	303,075
Trade and other receivables		306,624	297,161
Cash and cash equivalents		256,466	275,297
		<u>925,054</u>	<u>972,445</u>
<b>TOTAL ASSETS</b>		<u>3,950,096</u>	<u>3,858,038</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		2,059,243	2,005,665
Treasury shares		(49,357)	(53,425)
Reserves		(197,577)	(177,164)
		<u>1,812,309</u>	<u>1,775,076</u>
<b>Non-controlling interests</b>		<u>(25,437)</u>	<u>(22,824)</u>
<b>Total Equity</b>		<u>1,786,872</u>	<u>1,752,252</u>
<b>Non-current liabilities</b>			
Long term payables		7,149	7,721
Long service leave liability		7,540	6,940
Lease liabilities		147,960	37,834
Loans and borrowings	B9	623,479	650,701
Deferred tax liabilities		216,823	218,366
		<u>1,002,951</u>	<u>921,562</u>
<b>Current liabilities</b>			
Trade and other payables		319,717	333,510
Contract liabilities		79,010	93,522
Lease liabilities		18,422	11,996
Loans and borrowings	B9	711,862	711,903
Current tax liabilities		31,262	33,293
		<u>1,160,273</u>	<u>1,184,224</u>
<b>Total liabilities</b>		<u>2,163,224</u>	<u>2,105,786</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,950,096</u>	<u>3,858,038</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.55</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 30 JUNE 2021

	Attributable to Equity Holders of the Parent							Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000	
	Non-distributable										
	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			
<b>As at 1 January 2020</b>	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	-	-	(111)	-	-	53,219	-	-	53,108	(525)	52,583
Profit for the period	-	-	-	-	-	-	-	31,482	31,482	(4,670)	26,812
<b>Total comprehensive (expense)/income for the period</b>	-	-	(111)	-	-	53,219	-	31,482	84,590	(5,195)	79,395
<b>Transactions with owners of the Company</b>											
Share issuance arising from ESOS	1,464	-	-	-	-	-	-	-	1,464	-	1,464
Share-based payment	-	-	-	806	-	-	-	-	806	-	806
Share buy-back	-	(978)	-	-	-	-	-	-	(978)	-	(978)
<b>As at 30 June 2020 (Unaudited)</b>	<b>1,925,510</b>	<b>(54,403)</b>	<b>(1,480)</b>	<b>24,145</b>	<b>27,468</b>	<b>(277,561)</b>	<b>186,054</b>	<b>(79,782)</b>	<b>1,749,951</b>	<b>(19,410)</b>	<b>1,730,541</b>
<b>As at 1 January 2021</b>	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	-	-	(78)	-	-	(28,941)	-	-	(29,019)	893	(28,126)
Profit for the period	-	-	-	-	-	-	-	8,550	8,550	(3,506)	5,044
<b>Total comprehensive (expense)/income for the period</b>	-	-	(78)	-	-	(28,941)	-	8,550	(20,469)	(2,613)	(23,082)
<b>Transactions with owners of the Company</b>											
Share-based payment	-	-	-	56	-	-	-	-	56	-	56
Share issuance arising from private placement	50,135	-	-	-	-	-	-	-	50,135	-	50,135
Share issuance arising from ESOS	3,457	-	-	-	-	-	-	-	3,457	-	3,457
Share buy-back	-	4,068	-	-	-	-	-	-	4,068	-	4,068
Share issue expenses	(14)	-	-	-	-	-	-	-	(14)	-	(14)
<b>As at 30 JUNE 2021 (Unaudited)</b>	<b>2,059,243</b>	<b>(49,357)</b>	<b>(1,789)</b>	<b>3,860</b>	<b>-</b>	<b>(367,284)</b>	<b>173,507</b>	<b>(5,871)</b>	<b>1,812,309</b>	<b>(25,437)</b>	<b>1,786,872</b>

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

(Unaudited)

	30.06.2021 (Unaudited) RM '000	30.06.2020 (Unaudited) RM '000
<b>Cash flows from operating activities</b>		
Profit before tax	13,921	33,003
Adjustments for:		
Amortisation of intangible assets	14,956	14,187
Depreciation of property, plant and equipment	10,873	10,811
Depreciation of right-of-use assets	3,312	2,806
Share-based payment	56	806
Interest expense	35,245	26,264
Interest income	(14)	(116)
Unrealised gain on foreign exchange	(12,261)	(7,317)
Change in fair value of forward contracts	528	406
Provision for warranty	100	620
Reversal of impairment loss on receivables	(77)	(2,229)
Provision for late delivery charges	3,062	89
Gain on disposal of property, plant and equipment	(443)	(3)
Reversal of impairment loss on amounts due from joint ventures	(3,579)	-
Plant and equipment written off	437	-
Operating profit before working capital changes	<u>66,116</u>	<u>79,327</u>
Changes in working capital:		
Inventories	(24,685)	38,358
Trade and other receivables	98,129	(81,133)
Trade and other payables	<u>(100,368)</u>	<u>22,213</u>
Cash generated from operations	39,192	58,765
Income taxes paid	(12,967)	(4,638)
Interest paid	(277)	(375)
Interest received	14	116
<b>Net cash generated from operating activities</b>	<u>25,962</u>	<u>53,868</u>
<b>Cash flows from investing activities</b>		
Change in pledged deposits	11,985	32,976
Acquisition of property, plant and equipment	(10,084)	(5,099)
Acquisition of right-of-use assets	(4,182)	(3,179)
Acquisition of intangible assets	-	(74)
Proceeds from disposal of property, plant and equipment	606	7
<b>Net cash (used in)/generated from investing activities</b>	<u>(1,675)</u>	<u>24,631</u>
<b>Cash flows from financing activities</b>		
Treasury shares resold/(purchased)	4,068	(978)
Net proceed from/(repayment of) bills payable	1,587	(4,973)
Net proceed from/(repayment of) term loans, bond and revolving credits	15,471	(88,761)
Repayment of hire purchase liabilities	(2,262)	(2,602)
Payments for lease liabilities	(1,607)	(543)
Interest paid	(34,846)	(26,264)
Proceeds from share issuance arising from private placement	50,135	-
Share issue expenses	(14)	-
Proceeds from share issuance arising from ESOS	3,457	1,464
<b>Net cash generated from/(used in) financing activities</b>	<u>35,989</u>	<u>(122,657)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	60,276	(44,158)
<b>Cash and cash equivalents at beginning of period</b>	230,974	290,111
<b>Effect of foreign currency translation</b>	(66,951)	(2,632)
<b>Cash and cash equivalents at end of period</b>	<u>224,299</u>	<u>243,321</u>
Cash and bank balances	231,918	242,355
Deposits with licensed banks	24,548	21,832
Less: Pledged deposits	<u>(23,072)</u>	<u>(14,548)</u>
	233,394	249,639
Bank overdrafts	<u>(9,095)</u>	<u>(6,318)</u>
	<u>224,299</u>	<u>243,321</u>

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## Notes to the Quarterly Interim Financial Report – 30 June 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>
Amendment to MFRS 16	<i>Leases – COVID-19-Related Rent Concessions Beyond 30 June 2021</i>

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

Amendments to 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>
Amendments to MFRS 16	<i>Leases</i>
Amendments to MFRS 116	<i>Proceeds before Intended use</i>
Amendments to MFRS 137	<i>Cost of Fulfilling a Contract</i>
Amendments to 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**

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

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

As at 9 August 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 9 August 2021 and after taking into account the issuance of ESOS shares as stated hereunder, was 3,319,264,830 ordinary shares.

**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:

	<b>Revenue 6 months ended 30.06.2021 RM'000</b>	<b>Gross Profit 6 months ended 30.06.2021 RM'000</b>	<b>EBITDA 6 months ended 30.06.2021 RM'000</b>
Asia & Oceania	34,627	1,776	11,922
Europe	442,587	108,116	87,934
Americas	-	-	1,488
	<hr/> <b>477,214</b>	<hr/> <b>109,892</b>	<hr/> <b>101,344</b>

	<b>Revenue 6 months ended 30.06.2020 RM'000</b>	<b>Gross Profit 6 months ended 30.06.2020 RM'000</b>	<b>EBITDA/ (LBITDA) 6 months ended 30.06.2020 RM'000</b>
Asia & Oceania	83,722	7,849	36,396
Europe	585,868	124,539	74,417
Americas	-	-	(1,308)
	<hr/> <b>669,590</b>	<hr/> <b>132,388</b>	<hr/> <b>109,505</b>

## 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 :-

	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	632,952	557,437
Share of joint ventures' contingent liabilities incurred jointly with other investors		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	-	12,596

There were no other material changes in the contingent liabilities.

There were no material contingent assets for the Group.

### A14. Capital commitments

	<b>Contracted but not provided for RM'000</b>
Property, plant and equipment	68,500

### 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	526
Inter Merger Realty & Development Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	12

(a) A company in which the major shareholders of the Company, 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 6-month ended 30 June 2021 against 30 June 2020**

The Group achieved a lower revenue of RM477.21 million for the financial period ended 30 June 2021 as against RM669.59 million year-on-year (“y-o-y”), largely due to slow replenishment of orders caused by the COVID-19 pandemic worldwide.

In tandem with the above, the Group achieved a lower gross profit of RM109.89 million as against RM132.39 million y-o-y. It is noticeable that the gross profit margin had continued to improve from 19.8% to 23.0% y-o-y, largely contributed by the 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 RM101.34 million as against RM109.51 million y-o-y, the general administration expenses was down by 3.6% in the current financial period on the back of leaner operating outfits of the Group.

A lower profit before tax (“PBT”) of RM13.92 million was reported in the current financial period as against RM33.00 million y-o-y, partly due to the finance costs incurred for certain construction projects within the Group, which have been expensed off into income statement in the current financial period.

#### Asia & Oceania Segment

Amid the COVID-19 pandemic, the Asia & Oceania Segment posted a lower revenue of RM34.63 million as against RM83.72 million y-o-y mainly caused by slow replenishment of orders in fabrication project division due to the depressed economic activities caused by the prolonged health pandemic and no contribution from Thailand’s operations

Consequently, the gross profit of this Segment was lower to RM1.78 million from RM7.85 million y-o-y and achieved a lower EBITDA of RM11.92 million as against RM36.40 million y-o-y, partly due to unrealised exchange gain in the preceding financial period.

#### Europe Segment

The Europe Segment posted a lower revenue recognition of approximately RM442.59 million as against RM585.87 million y-o-y mainly due to lower orders received caused by the prolonged health pandemic.

Despite a lower gross profit of RM108.12 million achieved by this Segment as against RM124.54 million y-o-y, the gross profit margin of this Segment remained robust to record higher at 24.4% as against 21.3% y-o-y on the back of leaner operations and higher profit margin from heat exchanger business units.

A higher EBITDA of RM87.93 million was achieved by this Segment as against RM74.42 million y-o-y mainly due to unrealised exchange gain in the current financial period.

#### America Segment

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

This Segment registered an EBITDA of RM1.49 million as against a loss Before Interest, Tax, Depreciation and Amortisation of RM1.31 million y-o-y mainly due to unrealised exchange gain in the current financial period.

**B2. Performance of the current quarter against the preceding quarter (2nd Quarter 2021 versus 1<sup>st</sup> Quarter 2021)**

The revenue of the Group achieved in current quarter has increased to RM245.98 million as against RM231.24 million in the preceding quarter, largely contributed by higher deliveries of process equipment projects in the current quarter from Europe Segment.

Consistent with the above, the Group recorded a higher gross profit of RM62.05 million in the current quarter as against RM47.85 million in the preceding quarter and an improved PBT of RM15.08 million as against a loss before tax of RM1.16 million in the preceding 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 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 towards the end of 2021 with higher vaccination rate and easing of lockdowns particularly in major economies including United States of America, Europe and China.

**B4. Profit forecast**

Not applicable as no profit forecast was given.

**B5. Tax expense**

	<b>3 months ended 30.06.2021 RM'000</b>	<b>3 months ended 30.06.2020 RM'000</b>	<b>6 months ended 30.06.2021 RM'000</b>	<b>6 months ended 30.06.2020 RM'000</b>
Current	(302)	3,057	9,371	6,736
Prior period	5	(148)	595	(148)
Deferred tax	6,174	1,850	(1,089)	(397)
	<u>5,877</u>	<u>4,759</u>	<u>8,877</u>	<u>6,191</u>

The Group's effective tax rate for the current financial periods was 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

Since the beginning of year 2021, the Company had announced the additional listing of 31,607,150 ordinary shares in the Company allotted to the eligible employees pursuant to the Company's Employee Share Option Scheme ("ESOS").

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:

	<b>As at 30.06.2021 RM'000</b>
<b>Short-term :</b>	
Bank overdrafts	9,095
Borrowings (secured)	400,134
Borrowings (unsecured)	186,789
Bills Payable	51,234
Hire Purchase	3,839
Revolving credits	60,771
	<u>711,862</u>
<b>Long -term :</b>	
Borrowings (secured)	127,132
Borrowings (unsecured)	476,484
Hire Purchase	10,796
Revolving credits	9,067
	<u>623,479</u>
	<u>1,335,341</u>

The above are also inclusive of other borrowings in foreign currency of EUR126.64 million, CAD6.41 million, USD21.94 million, THB2.81 billion, and AED12.67 million.

The exchange rates used are 1 EUR = RM4.9222, 1 CAD = RM3.3491, 1 USD = RM4.1515, 1 THB = RM0.1296, and 1 AED = RM1.1302.

## B10. Financial Instruments

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

<b>Type of Derivative</b>	<b>Contract/Notional value RM'000</b>	<b>Loss on Fair value changes RM'000</b>
Foreign Exchange Contracts		
-Less than 1 year	21,185	263
	<u>21,185</u>	<u>263</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 PERIODS

	<b>3 months ended 30.06.2021 RM'000</b>	<b>3 months ended 30.06.2020 RM'000</b>	<b>6 months ended 30.06.2021 RM'000</b>	<b>6 months ended 30.06.2020 RM'000</b>
(a)				
Profit for the period is arrived at after charging:				
Reversal of impairment loss on receivables	(18)	(2,252)	(77)	(2,229)
Change in fair value of forward contracts	149	(448)	528	406
Amortisation of intangible assets	7,472	7,205	14,956	14,187
(Reversal of)/Provision for warranty	(1,078)	33	100	620
Provision for late delivery charges	2,896	89	3,062	89
Gain on disposal of property, plant and equipment	(152)	(3)	(443)	(3)
Plant and equipment written off	-	-	437	-
Reversal of impairment loss on amount due from joint venture	(3,579)	-	(3,579)	-
Share-based payment	29	403	56	806
And crediting:				
Interest income	1	(49)	14	116
(b)				
Interest expense	16,934	14,398	35,245	26,264
(c)				
Depreciation charge for the period is allocated as follow:				
Income statement	7,229	7,303	14,185	13,617
Construction work in progress	11,298	10,873	21,555	21,261
	<u>18,527</u>	<u>18,176</u>	<u>35,740</u>	<u>34,878</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**

<b><u>Basic earnings per ordinary share</u></b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
Net profit attributable to shareholders (RM'000)	10,558	11,221	8,550	31,482
Number of shares at the beginning of the year ('000)	2,992,576	2,631,414	2,992,576	2,631,414
Issuance of share Private Placement ('000)	17,497	-	17,497	-
Effect of Share buy-back ('000)	(22,111)	(25,354)	(22,111)	(25,354)
Weighted average number of shares issued under ESOS ('000)	(2,108)	24,797	(2,108)	24,797
Weighted average number of ordinary shares ('000)	<u>2,985,854</u>	<u>2,630,857</u>	<u>2,985,854</u>	<u>2,630,857</u>
Basic earnings per ordinary share (Sen)	0.35	0.43	0.29	1.20

<b><u>Diluted earnings per ordinary shares</u></b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>30.06.2021</b>	<b>30.06.2020</b>
Net profit attributable to shareholders (RM'000)	10,558	11,221	8,550	31,482
Weighted average number of ordinary shares ('000)	2,985,854	2,630,857	2,985,854	2,630,857
Effect of ESOS share options issued ('000)	29,186	54,482	29,186	54,482
Weighted average number of shares ('000)	<u>3,015,040</u>	<u>2,685,339</u>	<u>3,015,040</u>	<u>2,685,339</u>
Diluted earnings per ordinary share (Sen)	0.35	0.42	0.28	1.17

The calculation of diluted 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 and on 14 January 2021 at an exercise price of RM0.165.

**B15. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 27 August 2021.