

KNM GROUP BERHAD

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 30.09.2021 RM'000	Unaudited 3 months ended 30.09.2020 RM'000	Unaudited 30.09.2021 RM'000	Unaudited 30.09.2020 RM'000
Revenue	<u>326,381</u>	<u>321,319</u>	<u>803,595</u>	<u>990,909</u>
Operating profit	22,423	42,387	73,071	102,828
Finance costs	(42,495)	(19,909)	(79,236)	(47,462)
Interest income	1	257	15	373
(Loss)/Profit before tax	<u>(20,071)</u>	<u>22,735</u>	<u>(6,150)</u>	<u>55,739</u>
Tax expense	(14,085)	(7,247)	(22,962)	(13,438)
Net (loss)/profit for the period	<u>(34,156)</u>	<u>15,488</u>	<u>(29,112)</u>	<u>42,301</u>
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations	(17,290)	(6,019)	(22,306)	64,339
Hedge of net investment in subsidiaries	(12,411)	(34,097)	(36,799)	(51,921)
Cash flow hedge	(64)	71	(142)	(40)
Revaluation of property, plant and equipment	(872)	-	(872)	71
Share of (loss)/gain of equity-accounted associates and joint ventures	(2)	8	1,354	97
Other comprehensive (expense)/income for the period, net of tax	<u>(30,639)</u>	<u>(40,037)</u>	<u>(58,765)</u>	<u>12,546</u>
Total comprehensive (expense)/income for the period	<u>(64,795)</u>	<u>(24,549)</u>	<u>(87,877)</u>	<u>54,847</u>
(Loss)/Profit attributable to:				
Owners of the Company	(32,508)	17,977	(23,958)	49,460
Non-controlling interests	(1,648)	(2,489)	(5,154)	(7,159)
	<u>(34,156)</u>	<u>15,488</u>	<u>(29,112)</u>	<u>42,301</u>
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(60,213)	(21,704)	(80,682)	62,888
Non-controlling interests	(4,582)	(2,845)	(7,195)	(8,041)
Total comprehensive (expense)/income for the period	<u>(64,795)</u>	<u>(24,549)</u>	<u>(87,877)</u>	<u>54,847</u>
(Loss)/Earnings per share:				
Total comprehensive (expense)/income attributable to:				
- Basic (Sen)	(1.03)	0.68	(0.76)	1.86
- Diluted (Sen)	(1.03)	0.67	(0.76)	1.84

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)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 30.09.2021 RM'000	Audited As at 31.12.2020 RM'000
Assets			
Non-current assets			
Intangible assets		387,595	416,278
Goodwill		888,016	902,467
Property, plant and equipment		1,465,527	1,517,621
Right-of-use assets		157,320	48,911
Other investments, including derivatives		184	187
Investments in associates and joint ventures		49	47
Deferred tax assets		76	82
		<u>2,898,767</u>	<u>2,885,593</u>
Current assets			
Inventories		90,206	96,912
Contract assets		169,191	303,075
Trade and other receivables		321,793	297,161
Cash and cash equivalents		298,435	275,297
		<u>879,625</u>	<u>972,445</u>
Asset classified as held for sale		31,236	-
		<u>910,861</u>	<u>972,445</u>
TOTAL ASSETS		<u>3,809,628</u>	<u>3,858,038</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		2,015,272	2,005,665
Treasury shares		(4,214)	(53,425)
Reserves		(257,005)	(177,164)
		<u>1,754,053</u>	<u>1,775,076</u>
Non-controlling interests		<u>(30,019)</u>	<u>(22,824)</u>
Total Equity		<u>1,724,034</u>	<u>1,752,252</u>
Non-current liabilities			
Long term payables		6,921	7,721
Long service leave liability		7,363	6,940
Lease liabilities		142,003	37,834
Loans and borrowings	B9	568,532	650,701
Deferred tax liabilities		198,347	218,366
		<u>923,166</u>	<u>921,562</u>
Current liabilities			
Trade and other payables		322,504	333,510
Contract liabilities		74,986	93,522
Lease liabilities		17,917	11,996
Loans and borrowings	B9	706,581	711,903
Current tax liabilities		40,440	33,293
		<u>1,162,428</u>	<u>1,184,224</u>
Total liabilities		<u>2,085,594</u>	<u>2,105,786</u>
TOTAL EQUITY AND LIABILITIES		<u>3,809,628</u>	<u>3,858,038</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.53</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 SEPTEMBER 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			
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 period	-	-	(40)	-	-	13,468	-	-	13,428	(882)	12,546
Realisation of revaluation reserve on disposal of property, plant and equipment	-	-	-	-	-	-	(12,322)	12,322	-	-	-
Profit for the period	-	-	-	-	-	-	-	49,460	49,460	(7,159)	42,301
Total comprehensive income/(expense) for the period	-	-	(40)	-	-	13,468	(12,322)	61,782	62,888	(8,041)	54,847
Transactions with owners of the Company											
Share issuance arising from ESOS	9,930	-	-	-	-	-	-	-	9,930	-	9,930
Share-based payment	-	-	-	1,209	-	-	-	-	1,209	-	1,209
Share buy-back	-	(976)	-	-	-	-	-	-	(976)	-	(976)
Transfer of warrant reserve upon expiry of Warrant B	27,468	-	-	-	(27,468)	-	-	-	-	-	-
As at 30 September 2020 (Unaudited)	1,961,444	(54,401)	(1,409)	24,548	-	(317,312)	173,732	(49,482)	1,737,120	(22,256)	1,714,864
As at 1 January 2021	2,005,665	(53,425)	(1,711)	3,804	-	(338,343)	173,507	(14,421)	1,775,076	(22,824)	1,752,252
Other comprehensive expense for the period	-	-	(142)	-	-	(55,710)	-	-	(55,852)	(2,041)	(57,893)
Revaluation of property, plant and equipment	-	-	-	-	-	-	(872)	-	(872)	-	(872)
Loss for the period	-	-	-	-	-	-	-	(23,958)	(23,958)	(5,154)	(29,112)
Total comprehensive expense for the period	-	-	(142)	-	-	(55,710)	(872)	(23,958)	(80,682)	(7,195)	(87,877)
Transactions with owners of the Company											
Share-based payment	-	-	-	841	-	-	-	-	841	-	841
Share issuance arising from private placement	50,135	-	-	-	-	-	-	-	50,135	-	50,135
Share issuance arising from ESOS	4,626	-	-	-	-	-	-	-	4,626	-	4,626
Treasury shares sold	(45,154)	49,211	-	-	-	-	-	-	4,057	-	4,057
As at 30 September 2021 (Unaudited)	2,015,272	(4,214)	(1,853)	4,645	-	(394,053)	172,635	(38,379)	1,754,053	(30,019)	1,724,034

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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 SEPTEMBER 2021**

(Unaudited)

	30.09.2021 (Unaudited) RM '000	30.09.2020 (Unaudited) RM '000
Cash flows from operating activities		
(Loss)/Profit before tax	(6,150)	55,739
Adjustments for:		
Amortisation of intangible assets	22,379	21,734
Bad debts written off	1	-
Change in fair value of forward contracts	543	(108)
Depreciation of property, plant and equipment	16,155	16,293
Depreciation of right-of-use assets	4,996	4,206
Gain on disposal of property, plant and equipment	(5,751)	(143)
Gain on disposal of investment in subsidiaries	-	(1,965)
Interest expense	76,494	45,421
Interest income	(15)	(373)
Unrealised gain on foreign exchange	(5,645)	(28,186)
Plant and equipment written off	447	51
Provision for late delivery charges	1,125	327
Provision for warranty	(390)	(2,730)
Reversal of impairment loss on amounts due from joint ventures	(3,966)	-
Reversal of impairment loss on receivables	(65)	(2,413)
Share-based payment	841	1,209
Operating profit before working capital changes	<u>100,999</u>	<u>109,062</u>
Changes in working capital:		
Inventories	4,463	40,613
Trade and other receivables	154,840	(66,318)
Trade and other payables	<u>(74,789)</u>	<u>(52,803)</u>
Cash generated from operations	185,513	30,554
Income taxes paid	(34,653)	(9,341)
Interest paid	(404)	(325)
Interest received	15	373
Net cash generated from operating activities	<u>150,471</u>	<u>21,261</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(12,028)	(7,469)
Acquisition of right-of-use assets	(8,712)	(3,508)
Acquisition of intangible assets	-	(1,646)
Change in pledged deposits	2,056	43,445
Proceeds from disposal of property, plant and equipment	13,716	829
Net cash (used in)/ generated from investing activities	<u>(4,968)</u>	<u>31,651</u>
Cash flows from financing activities		
Interest paid	(76,090)	(45,421)
Lease interest paid	(2,659)	(797)
Net proceeds from disposal/(purchase) of treasury shares	4,057	(978)
Net proceed from bills payable	289	3,615
Net repayment of term loans, bond and revolving credits	(63,258)	(134,610)
Repayment of hire purchase liabilities	(3,498)	(4,601)
Proceeds from share issuance arising from ESOS	4,626	9,930
Proceeds from share issuance arising from private placement	50,135	-
Net cash used in financing activities	<u>(86,398)</u>	<u>(172,862)</u>
Net increase/(decrease) in cash and cash equivalents	59,105	(119,950)
Cash and cash equivalents at beginning of period	230,974	290,111
Effect of foreign currency translation	(32,571)	4,578
Cash and cash equivalents at end of period	<u>257,508</u>	<u>174,739</u>
Cash and bank balances	262,506	176,021
Deposits with licensed banks	35,929	11,873
Less: Pledged deposits	<u>(33,001)</u>	<u>(4,078)</u>
	265,434	183,816
Bank overdrafts	(7,926)	(9,077)
	<u>257,508</u>	<u>174,739</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 – 30 September 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 30 September 2021, the Company held 1,841,275 ordinary shares as treasury shares out of its total issued and paid-up share capital, and the number of outstanding shares in issue and paid-up after deducting treasury shares as at 30 September 2021 and after taking into account the issuance of ESOS shares as stated hereunder, was 3,326,200,430 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:

	Revenue 9 months ended 30.09.2021 RM'000	Gross Profit 9 months ended 30.09.2021 RM'000	EBITDA 9 months ended 30.09.2021 RM'000
Asia & Oceania	52,602	5,919	2,842
Europe	750,993	177,660	146,011
Americas	-	-	210
	803,595	183,579	149,063

	Revenue 9 months ended 30.09.2020 RM'000	Gross Profit 9 months ended 30.09.2020 RM'000	EBITDA/ (LBITDA) 9 months ended 30.09.2020 RM'000
Asia & Oceania	151,567	17,928	70,126
Europe	839,342	175,760	108,805
Americas	-	-	(2,044)
	990,909	193,688	176,887

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

On 18 November 2021, pursuant to Chapter 9.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company ("KNM", the "Issuer") had announced that a non-payment event has occurred in relation to the payment of the principal sum and coupon on the bonds issued by KNM in Thailand amounting to THB 2,780 million (equivalent to approximately RM 352.57 million) (the "Thai Bonds").

The Thai Bonds are guaranteed by Credit Guarantee and Investment Facility, a trust fund managed by the Asian Development Bank (the "Guarantor" or "CGIF"). The Thai Bonds had matured on 18 November 2021 and under the terms and conditions of the Thai Bonds, KNM has up to 14 days after the maturity date, being 2 December 2021, to pay the principal sum and up to 21 days after the maturity date, being 9 December 2021, to pay the coupon arising therefrom ("Grace Period"), failing which, an event of default shall be deemed to have occurred.

KNM has encountered challenges and delays in refinancing the Thai Bonds due to the COVID-19 pandemic and unfavourable operating conditions of the KNM's subsidiary in Thailand namely Impress Ethanol Co. Ltd. ("IECL") which owns and operates an ethanol plant in Thailand.

KNM is in the advanced stage of discussions with several lenders to secure new financing facilities to redeem the Thai Bonds. However, the final approval decisions of these new financing facilities are expected to occur only after the maturity date of the Thai Bonds. In addition, KNM has also appointed consultants to monetise the investments of KNM, including disposal of assets / shares in IECL. KNM is in close communication with CGIF on KNM's ongoing refinancing plans to address this non-payment event and where applicable, to reimburse CGIF the guaranteed amount paid by CGIF to the bondholders. Under the guarantee agreement between CGIF and the Bank of Ayudhya Public Company Limited who is the bondholders' representative for and on behalf of all bondholders, the bondholders have the rights to make a demand for payment of the guaranteed amount from CGIF within the demand period in the event that the non-payment event is continuing after the Grace Period.

The non-payment event may have an adverse impact on the financing facilities of KNM and its subsidiaries ("KNM Group") in the event that the respective financial institutions suspend their financing facilities granted to KNM Group pending the resolution of the non-payment event. Nevertheless, KNM shall endeavour to continue its other remaining business operations notwithstanding the non-payment event and will engage with the lenders and suppliers for their continuing support.

Save for item no. B8 and 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

There were no changes of composition of the Group.

A13. Contingent liabilities and Assets

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

	30.09.2021	30.09.2020
	RM'000	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	595,286	615,668
Share of joint ventures' contingent liabilities incurred jointly with other investors		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	-	12,217

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	68,820

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 724

Inter Merger Realty & Development Sdn. Bhd. (a)

- Office rental, administrative expense and other support services 18

(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 9-month ended 30 September 2021 against 30 September 2020

The Group achieved a lower revenue of RM803.60 million for the financial period ended 30 September 2021 as against RM990.91 million year-on-year (“y-o-y”), mainly due to lower production output achieved in Malaysia as a result of the restricted production capacity caused by the Movement Control Order (“MCO”) and slow replenishment of orders caused by the COVID-19 pandemic worldwide.

Consequently, the Group achieved a lower gross profit of RM183.58 million as against RM193.69 million y-o-y. It is noticeable that the gross profit margin had continued to improve from 19.6% to 22.8% y-o-y, mainly attributable to the savings achieved from rigorous cost control measures in fabrication division.

The Group reported a lower Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM149.06 million as against RM176.89 million y-o-y, mainly due to reversals of provisions in receivables recognised in the previous financial period.

The Group reported a loss before tax (“LBT”) of RM6.15 million in the current financial period as against a profit before tax (“PBT”) of RM55.74 million y-o-y, partly due to finance costs incurred for certain construction projects within the Group have been expensed off into income statement in the current financial period.

Asia & Oceania Segment

This Segment posted a lower revenue of RM52.60 million as against RM151.57 million y-o-y mainly due to lower production output caused by the restricted production capacity in fabrication division in Malaysia as a result of the MCO compliance in the current financial period, coupled with slow replenishment of orders caused by the prolonged health pandemic and no contribution from Thailand’s operations

Consequently, this Segment reported a lower gross profit of RM5.92 million as against RM17.93 million y-o-y, and achieved a lower EBITDA of RM2.84 million as against RM70.13 million y-o-y, mainly due to unrealised exchange gain in the preceding financial period.

Europe Segment

The Europe Segment posted a lower revenue recognition of RM750.99 million as against RM839.34 million y-o-y mainly due to lower orders received in the previous quarters caused by the prolonged health pandemic.

Despite a lower revenue achieved, this Segment reported a higher gross profit of RM177.66 million as against RM175.76 million y-o-y due to the higher gross profit margin of this Segment at 23.7% as against 20.9% y-o-y, mainly contributed by the higher profit margins from heat exchanger business units.

A higher EBITDA of RM146.01 million was achieved by this Segment as against RM108.81 million y-o-y mainly due to unrealised exchange gain in the current financial period.

America Segment

The Segment remains dormant and insignificant to the Group in the current financial period.

B2. Performance of the current quarter against the preceding quarter (3rd Quarter 2021 versus 2nd Quarter 2021)

The Group posted higher revenue of RM326.38 million in current quarter as against RM245.98 million in the preceding quarter, mainly due to higher deliveries of process equipment projects in the current quarter from Europe Segment.

Consequently, the Group recorded a higher gross profit of RM73.69 million in the current quarter as against RM62.05 million in the preceding quarter.

The Group reported a LBT of RM20.07 million in the current quarter as against a PBT of RM15.08 million in the preceding quarter, mainly due to the unrealised exchange loss and higher finance costs for certain construction projects of the Group have been expensed off into the income statement in the quarter under review.

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

	3 months ended 30.09.2021 RM'000	3 months ended 30.09.2020 RM'000	9 months ended 30.09.2021 RM'000	9 months ended 30.09.2020 RM'000
Current	30,237	16,490	39,608	23,226
Prior period	(182)	(2)	413	(150)
Deferred tax	(15,970)	(9,241)	(17,059)	(9,638)
	<u>14,085</u>	<u>7,247</u>	<u>22,962</u>	<u>13,438</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

- a. On 19 August 2021, 8 September 2021, 7 October 2021, 20 October 2021 and 5 November 2021 the Company had announced the additional total listing of 22,063,850 ordinary shares in the Company pursuant to the Company's Employee Share Option Scheme ("ESOS"), and the ESOS shares had been allotted to the eligible employees on 18 August 2021, 7 September 2021, 6 October 2021, 18 October 2021 and 3 November 2021 respectively.
- b. On 22 November 2021, on behalf of the Board of Directors of the Company, M&A Securities Sdn. Bhd. announced that the Company proposes to undertake a private placement of up to 334,132,800 new ordinary shares in the Company, representing not more than 10% of the issued ordinary shares in the Company.

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

B9. Group borrowings and debt securities

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

	As at 30.09.2021 RM'000
Short-term :	
Bank overdrafts	7,926
Borrowings (secured)	398,857
Borrowings (unsecured)	194,218
Bills Payable	50,610
Hire Purchase	3,319
Revolving credits	51,651
	<u>706,581</u>
Long -term :	
Borrowings (secured)	116,704
Borrowings (unsecured)	434,593
Hire Purchase	9,915
Revolving credits	7,320
	<u>568,532</u>
	<u>1,275,113</u>

The above are also inclusive of other borrowings in foreign currency of EUR117.17 million, CAD6.28 million, USD32.35 million, THB2.84 billion, and AED14.74 million.

The exchange rates used are 1 EUR = RM4.8604, 1 CAD = RM3.2925, 1 USD = RM4.1880, 1 THB = RM0.1239, and 1 AED = RM1.1402.

B10. Financial Instruments

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

Type of Derivative	Contract/Notional value RM'000	Loss on Fair value changes RM'000
Foreign Exchange Contracts		
-Less than 1 year	20,495	249
	<u>20,495</u>	<u>249</u>

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

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

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

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

B11. (LOSS)/PROFIT FOR THE PERIODS

	3 months ended 30.09.2021 RM'000	3 months ended 30.09.2020 RM'000	9 months ended 30.09.2021 RM'000	9 months ended 30.09.2020 RM'000
(a)				
(Loss)/Profit for the period is arrived at after charging:				
Amortisation of intangible assets	7,423	7,547	22,379	21,734
Bad debts written off	1	-	1	-
Change in fair value of forward contracts	15	(514)	543	(108)
Gain on disposal of investment in subsidiaries	-	(1,965)	-	(1,965)
(Gain)/Loss on disposal of property, plant and equipment	(5,308)	140	(5,751)	(143)
Plant and equipment written off	10	51	447	51
Provision for late delivery charges	(1,937)	238	1,125	327
Provision for/(Reversal of) impairment loss on receivables	12	(184)	(65)	(2,413)
Reversal of impairment loss on amount due from joint venture	(387)	-	(3,966)	-
Reversal of provision for warranty	(490)	(3,350)	(390)	(2,730)
Share-based payment	785	403	841	1,209
And crediting:				
Interest income	1	257	15	373

(b)				
Interest expense	41,249	19,157	76,494	45,421
(c)				
Depreciation charge for the period is allocated as follow:				
Income statement	6,966	6,882	21,151	20,499
Construction work in progress	10,907	10,564	32,462	31,826
	<u>17,873</u>	<u>17,446</u>	<u>53,613</u>	<u>53,325</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 has had taken place in Geneva from 6 September 2021 to 24 September 2021.

The Parties are currently awaiting the final decision of the SCC Tribunal after the conclusion of the hearing. No exact date has been fixed for the delivering of the decision by the SCC Tribunal but it is expected that the final awards of the arbitration will be delivered tentatively in May 2022.

B13. Dividend payable

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

B14. (Loss)/Earnings per share

<u>Basic (loss)/earnings per ordinary share</u>	Individual Quarter		Cumulative Quarter	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Net (loss)/profit attributable to shareholders (RM’000)	(32,508)	17,977	(23,958)	49,460
Number of shares at the beginning of the year (‘000)	2,992,576	2,601,643	2,992,576	2,601,643
Issuance of share Private Placement (‘000)	160,188	-	160,188	-
Effect of Share buy-back (‘000)	(15,054)	(26,992)	(15,054)	(26,992)
Weighted average number of shares issued under ESOS (‘000)	10,117	83,477	10,117	83,477
Weighted average number of ordinary shares (‘000)	<u>3,147,827</u>	<u>2,658,128</u>	<u>3,147,827</u>	<u>2,658,128</u>
Basic (loss)/earnings per ordinary share (Sen)	(1.03)	0.68	(0.76)	1.86

<u>Diluted earnings per ordinary shares</u>	Individual Quarter		Cumulative Quarter	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Net (loss)/profit attributable to shareholders (RM'000)	(32,508)	17,977	(23,958)	49,460
Weighted average number of ordinary shares ('000)	3,147,827	2,658,128	3,147,827	2,658,128
Effect of ESOS share options issued ('000)	21,421	27,113	21,421	27,113
Weighted average number of shares ('000)	<u>3,169,248</u>	<u>2,685,241</u>	<u>3,169,248</u>	<u>2,685,241</u>
Diluted (loss)/earnings per ordinary share (Sen)	(1.03)	0.67	(0.76)	1.84

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 24 November 2021.