

KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2020 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 31.03.2020 RM'000	Unaudited 3 months ended 31.03.2019 RM'000	Unaudited 31.03.2020 RM'000	Unaudited 31.03.2019 RM'000
Revenue	<u>336,560</u>	<u>363,379</u>	<u>336,560</u>	<u>363,379</u>
Operating profit	31,275	36,169	31,275	36,169
Finance costs	(12,553)	(15,838)	(12,553)	(15,838)
Interest income	165	88	165	88
Share of loss of equity-accounted associates and joint ventures, net of tax	-	-	-	-
Profit before tax	<u>18,887</u>	<u>20,419</u>	<u>18,887</u>	<u>20,419</u>
Tax expense	(1,432)	(5,818)	(1,432)	(5,818)
Net profit for the period	<u>17,455</u>	<u>14,601</u>	<u>17,455</u>	<u>14,601</u>
Other comprehensive income/(expense), net of tax				
Foreign currency translation differences for foreign operations	55,702	(34,428)	55,702	(34,428)
Hedge of net investment in subsidiaries	(30,667)	(6,151)	(30,667)	(6,151)
Cash flow hedge	(29)	695	(29)	695
Share of gain of equity-accounted associates and joint ventures	88	105	88	105
Other comprehensive income/(expense) for the period, net of tax	<u>25,094</u>	<u>(39,779)</u>	<u>25,094</u>	<u>(39,779)</u>
Total comprehensive income/(expense) for the period	<u>42,549</u>	<u>(25,178)</u>	<u>42,549</u>	<u>(25,178)</u>
Attributable to:				
Owners of the Company	20,260	18,438	20,260	18,438
Non-controlling interests	<u>(2,805)</u>	<u>(3,837)</u>	<u>(2,805)</u>	<u>(3,837)</u>
	<u>17,455</u>	<u>14,601</u>	<u>17,455</u>	<u>14,601</u>
Total comprehensive income/(expense) attributable to:				
Owners of the Company	44,501	(21,042)	44,501	(21,042)
Non-controlling interests	<u>(1,952)</u>	<u>(4,136)</u>	<u>(1,952)</u>	<u>(4,136)</u>
Total comprehensive income/(expense) for the period	<u>42,549</u>	<u>(25,178)</u>	<u>42,549</u>	<u>(25,178)</u>
Profit per share:				
- Basic (Sen)	0.77	0.79	0.77	0.79
- Diluted (Sen)	0.76	0.79	0.76	0.79

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 31.03.2020 RM'000	Audited As at 31.12.2019 RM'000
Assets			
Non-current assets			
Intangible assets		418,730	412,434
Goodwill		896,539	869,316
Property, plant and equipment		1,496,180	1,501,530
Right-of-use assets		57,267	57,907
Other investments, including derivatives		179	174
Deferred tax assets		63	65
		<u>2,868,958</u>	<u>2,841,426</u>
Current assets			
Inventories		113,960	99,020
Contract assets		225,742	205,032
Trade and other receivables		372,036	368,522
Cash and bank balances		315,538	343,653
		<u>1,027,276</u>	<u>1,016,227</u>
Asset classified as held for sale		41,210	40,626
		<u>1,068,486</u>	<u>1,056,853</u>
TOTAL ASSETS		<u>3,937,444</u>	<u>3,898,279</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,925,510	1,924,046
Treasury shares		(54,403)	(53,425)
Reserves		(161,649)	(206,552)
		<u>1,709,458</u>	<u>1,664,069</u>
Non-controlling interests		<u>(16,167)</u>	<u>(14,215)</u>
Total Equity		<u>1,693,291</u>	<u>1,649,854</u>
Non-current liabilities			
Long term payables		7,862	7,560
Long service leave liability		7,124	6,884
Lease liabilities		41,340	41,415
Loans and borrowings	B9	1,013,568	1,008,218
Deferred tax liabilities		213,285	207,786
		<u>1,283,179</u>	<u>1,271,863</u>
Current liabilities			
Trade and other payables		352,080	357,367
Contract liabilities		148,707	113,741
Lease liabilities		12,784	12,345
Loans and borrowings	B9	412,981	459,393
Current tax liabilities		34,422	33,716
		<u>960,974</u>	<u>976,562</u>
Total liabilities		<u>2,244,153</u>	<u>2,248,425</u>
TOTAL EQUITY AND LIABILITIES		<u>3,937,444</u>	<u>3,898,279</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.65</u>	<u>0.64</u>

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KNM GROUP BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020

	← 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	Accumulated Losses RM'000			
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
- as previously reported									
Adjustment on initial application of MFRS 16, net of tax	-	-	-	-	-	1,893	1,893	-	1,893
As at 1 January 2019 (Restated)	1,883,498	(53,425)	(2,571)	27,468	(146,609)	(165,690)	1,542,671	(2,454)	1,540,217
Other comprehensive expense for the period	-	-	695	-	(40,175)	-	(39,480)	(299)	(39,779)
Profit for the period	-	-	-	-	-	18,438	18,438	(3,837)	14,601
Total comprehensive expense for the period	-	-	695	-	(40,175)	18,438	(21,042)	(4,136)	(25,178)
Transactions with owners of the Company									
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	(789)	(789)
Share-based payment	-	-	-	-	77	-	77	-	77
As at 31 March 2019 (Unaudited)	1,883,498	(53,425)	(1,876)	27,468	(186,707)	(147,252)	1,521,706	(7,379)	1,514,327
As at 1 January 2020	1,924,046	(53,425)	(1,369)	27,468	(121,387)	(111,264)	1,664,069	(14,215)	1,649,854
Other comprehensive income/(expense) for the period	-	-	(29)	-	24,270	-	24,241	853	25,094
Profit for the period	-	-	-	-	-	20,260	20,260	(2,805)	17,455
Total comprehensive (expense)/income for the period	-	-	(29)	-	24,270	20,260	44,501	(1,952)	42,549
Transactions with owners of the Company									
Share-based payment	-	-	-	-	402	-	402	-	402
Share issuance arising from ESOS	1,464	-	-	-	-	-	1,464	-	1,464
Share buy-back	-	(978)	-	-	-	-	(978)	-	(978)
As at 31 March 2020 (Unaudited)	1,925,510	(54,403)	(1,398)	27,468	(96,715)	(91,004)	1,709,458	(16,167)	1,693,291

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 PERIOD ENDED
31 March 2020**

(Unaudited)

	31.03.2020 (Unaudited) RM '000	31.03.2019 (Unaudited) RM '000
Cash flows from operating activities		
Profit before tax	18,887	20,419
Adjustments for:		
Amortisation of intangible assets	6,982	7,304
Depreciation of property, plant and equipment	5,311	6,860
Depreciation of right-of-use assets	1,003	-
Share-based payment	403	77
Interest expense	11,866	15,308
Interest income	(165)	(88)
Unrealised gain on foreign exchange	(3,162)	(26,375)
Change in fair value of forward contracts	854	792
Impairment loss on trade receivables	23	-
Provision for/(Reversal of) warranty	587	(3,193)
Reversal of impairment loss on receivables	-	(1,748)
Reversal of provision for late delivery charges	-	(923)
Loss on disposal of property, plant and equipment	-	3
Operating profit before working capital changes	<u>42,589</u>	<u>18,436</u>
Changes in working capital:		
Inventories	(16,646)	29,269
Trade and other receivables	(67,856)	4,426
Trade and other payables	40,135	(80,883)
Cash generated used in operations	<u>(1,778)</u>	<u>(28,752)</u>
Income taxes paid	(462)	(1,023)
Interest paid	(362)	(96)
Interest received	165	88
Net cash used in operating activities	<u>(2,437)</u>	<u>(29,783)</u>
Cash flows from investing activities		
Change in pledged deposits	11,733	(693)
Acquisition of property, plant and equipment	(3,057)	(2,818)
Acquisition of subsidiaries, net of cash inflow	-	1,557
Acquisition of other intangible assets	(73)	-
Proceeds from disposal of property, plant and equipment	-	77
Net cash generated from/(used in) investing activities	<u>8,603</u>	<u>(1,877)</u>
Cash flows from financing activities		
Share buy-back	(978)	-
Net repayment of bills payable	(12,058)	(110,636)
Repayments of finance lease liabilities	(416)	(1,531)
(Repayments)/Drawdown of term loans,bond, and revolving credits	(18,979)	51,239
Lease interest paid	(160)	-
Interest paid	(11,866)	(15,045)
Net cash used in financing activities	<u>(44,457)</u>	<u>(75,973)</u>
Net decrease in cash and cash equivalents	<u>(38,291)</u>	<u>(107,633)</u>
Cash and cash equivalents at beginning of period	381,043	381,043
Effect of foreign currency translation	(47,731)	16,528
Cash and cash equivalents at end of period	<u>295,021</u>	<u>289,938</u>
Cash and bank balances	292,818	292,370
Deposits with licensed banks	22,720	29,275
Less: Pledged deposits	<u>(14,280)</u>	<u>(26,706)</u>
	301,258	294,939
Bank overdrafts	<u>(6,237)</u>	<u>(5,001)</u>
	<u>295,021</u>	<u>289,938</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 March 2020

PART A: EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. These explanatory notes attached to the interim financial statements provide explanation of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

A2. Significant Accounting Policies

The audited financial statements of the Group for the financial year ended 31 December 2019 were prepared in accordance with MFRS. Except for certain differences, the requirements under IFRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2019 except for the adoption of new MFRSs and amendments that are mandatory for the Group for the financial year with effect from 1 January 2020:

Amendments to MFRS 3	<i>Business Combinations – Definition of a Business</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements</i> and MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material</i>
Amendments to MFRS 9	<i>Financial Instruments</i> , MFRS 139, <i>Financial Instruments: Recognition and Measurement</i> and MFRS 7, <i>Financial Instruments: Disclosures – Interest Rate Benchmark Reform</i>

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

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

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

Amendments to MFRS 10	<i>Consolidated Financial Statements</i>
MFRS 128	<i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

The Group plans to apply the abovementioned accounting standards, amendments and interpretations in the respective financial years when the abovementioned accounting standards, interpretation and amendments become effective, where applicable, except for MFRS 17, Insurance Contracts that is effective for annual period 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 period and prior period financial statements of the Group.

A3. Qualification of annual financial statements

There was no audit qualification in the annual financial statements of the Group for the financial year ended 31 December 2019.

A4. Seasonal and cyclical factors

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

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

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

On 9 March 2020, the Company had repurchased 6,500,000 ordinary shares of the Company from the open market for RM978,315 excluding share issuance expenses.

As at the date of this report, the Company held 29,841,275 ordinary shares as treasury shares out of its total issued share capital in accordance with the requirement of Section 127 of the Companies Act 2016.

- b. Since 1 January 2020 up to the financial period end 31 March 2020, the Company had issued an additional 13,306,200 new ordinary shares at RM0.11 per ordinary share to the eligible employees pursuant to the Company's Employees' Share Option Scheme ("ESOS").

As at the date of this report, the Company had issued a total of 40,683,500 ordinary shares to the eligible employees pursuant to the Company's ESOS.

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

	Revenue	Gross Profit	EBITDA/ (LBITDA)
	3 months ended 31.03.2019	3 months ended 31.03.2019	3 months ended 31.03.2019
	RM'000	RM'000	RM'000
Asia & Oceania	80,824	4,546	9,681
Europe	279,898	56,290	50,226
Americas	2,657	267	(220)
	<hr/>	<hr/>	<hr/>
	363,379	61,103	59,687

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 year 2024.

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

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

As at the date of this interim financial report is authorised for issuance, the COVID-19 infections in Malaysia were under control and the Malaysian government has beginning to gradually ease the Movement Control Order. However, the COVID-19 pandemic globally is still evolving and unpredictable. The reopening plans in many countries are considered experimental due to this unprecedented pandemic. As such, it is difficult to quantify the exact magnitude of the impact of this pandemic to global economy and to the Group at this juncture. Nevertheless, the Group is actively monitoring and managing the Group's operations to minimise any impacts that may have caused by the COVID-19 pandemic.

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

A12. Changes in the composition of the Group

On 8 April 2020, an associate company, Konsortium AHHK Sdn. Bhd. had been wound-up.

There were no other changes in the composition of the Group since the last update in the 4th quarter 2019 interim financial report.

A13. Contingent liabilities and Assets

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

	31.03.2020	31.03.2019
	RM'000	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	612,032	738,429
Share of joint ventures' contingent liabilities incurred jointly with other investors		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	12,642	14,956

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	1,074,544

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	265
IM Bina Sdn. Bhd. (a)	
- Contract billing payable	1
Inter Merger Realty & Development Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	6

(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 3-month ended 31 March 2020 against 31 March 2019

The Group posted a lower revenue of approximately RM336.56 million for the 3-month ended 31 March 2020 as compared with RM363.38 million achieved in the corresponding financial period of 2019. The lower revenue was partially due to temporary closure of the China's and Malaysia's operations following the COVID-19 lockdowns and lower production level in Thailand's operations.

The Group registered a higher gross profit of approximately RM66.29 million in the current financial period as compared with RM61.10 million in the corresponding financial period of 2019, mainly due to rigorous cost savings from projects. The Group posted a lower Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of approximately RM54.96 million in the current financial period as compared with RM59.69 million in the corresponding financial period of 2019 mainly due to a lower unrealised exchange gain in the current financial period as compared with the corresponding financial period of 2019.

Consequently, the Group posted a lower profit before tax ("PBT") of approximately RM18.89 million in the current financial period as compared with RM20.42 million in the corresponding financial period of 2019, which was partially cushioned by a lower finance cost in the current financial period.

Asia & Oceania Segment

Asia & Oceania Segment posted a lower revenue of approximately RM54.94 million in the current financial period as compared with RM80.82 million in the corresponding financial period of 2019. The decline in revenue was partially due to temporary closure of China's and Malaysia's operations following the COVID-19 lockdowns and lower production level in Thailand's operations.

This Segment posted an improved gross profit and EBITDA of approximately RM6.35 million and RM31.90 million respectively in the current financial period as compared with RM4.55 million and RM9.68 million in the corresponding financial period of 2019. The improvements in gross profit and EBITDA were mainly attributable to better profit margins on the back of operational cost reductions coupled with a higher unrealised exchange gain in the current financial period.

Europe Segment

The Europe Segment posted a higher revenue of approximately RM281.62 million in the current financial period as compared with RM279.90 million in the corresponding financial period of 2019 mainly due to higher order backlog.

This Segment recorded a higher gross profit of approximately RM59.94 million in the current financial period as compared with RM56.29 million in the corresponding financial period of 2019, as a result of a leaner operations. This Segment registered a lower EBITDA of approximately RM24.05 million in current financial period as compared with RM50.23 million in the corresponding financial year of 2019, mainly due to unrealised exchange loss in the current financial period.

America Segment

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

This Segment registered a marginal Loss Before Interest, Tax, Depreciation and Amortisation ("LBITDA") in the current financial period mainly due to unrealised exchange loss.

B2. Performance of the current quarter against the preceding quarter (41st Quarter 2020 versus 4th Quarter 2019)

The Group's revenue has decreased to approximately RM336.56 million in the current quarter from approximately RM457.85 million in the preceding quarter. The decrease in revenue was mainly due to high volume of project deliveries were taken place in the Europe Segment before the end of December 2019 and temporary closure of China's and Malaysia's operations following the COVID-19 lockdowns and lower production level in Thailand's operations.

However, the Group was able to maintain similar level of gross profit margin of approximately 19% in the current quarter due to effective project cost control.

Consequently, the Group registered a lower gross profit and profit before tax of approximately RM66.29 million and RM18.89 million respectively in the current quarter as compared with RM88.65 million and RM29.49 million respectively in the 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 pandemic 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 31.03.2020 RM'000	3 months ended 31.03.2019 RM'000
Current	(3,679)	(4,248)
Prior period	-	1
Deferred tax	2,247	(1,571)
	<u>(1,432)</u>	<u>(5,818)</u>

The Group's effective tax rate for the financial period is lower than statutory tax rate mainly due to a reversal of deferred tax liabilities over-recognised previously.

B6. Unquoted investments and properties

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

B8. Status of corporate proposals announced but not completed

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

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

B9. Group borrowings and debt securities

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

	As at 31.03.2020 RM’000
Short-term:	
Bank overdrafts	6,237
Borrowings (secured)	106,405
Borrowings (unsecured)	123,151
Bills Payable	37,935
Hire Purchase	4,238
Revolving credits	<u>135,015</u>
	<u>412,981</u>
Long-term:	
Borrowings (secured)	70,112
Borrowings (unsecured)	929,684
Hire Purchase	<u>13,772</u>
	<u>1,013,568</u>
	<u>1,426,549</u>

The above are also inclusive of other borrowings in foreign currency of RMB40.00 million, EURO 145.39 million, CAD6.71 million, USD36.21 million, THB2.77 billion, and AED12.81 million.

The exchange rates used are 1 RMB = RM0.6063, 1 EURO = RM4.7365, 1 CAD = RM3.0318, 1 USD = RM4.3000, 1 THB = RM0.1317, and 1 AED = RM1.1707.

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	57,967	1,001
	<u>57,967</u>	<u>1,001</u>

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

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

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

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

B11. PROFIT FOR THE PERIOD

	3 Months ended 31.03.2020 RM'000	3 Months ended 31.03.2019 RM'000
(a)		
Profit for the period is arrived at after charging:		
Impairment loss on trade receivables	23	-
Change in fair value of forward contracts	854	792
Amortisation of intangible assets	6,982	7,304
Provision for/(Reversal of) warranty	587	(3,193)
Loss on disposal of property, plant and Equipment	-	3
Reversal of provision for late delivery charges	-	(923)
Reversal of impairment loss on other receivables	-	(1,748)
Share-based payment	403	77
And crediting:		
Interest income	165	88
(b)		
Interest expense	11,866	15,308

(c)
Depreciation of property, plant and equipment and right-of use asset charge for the period are allocated as follow:

Income statement	6,314	6,860
Construction work in progress	10,388	9,354
	<u>16,702</u>	<u>16,214</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. The final hearing is scheduled to take place in July 2020.

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

Basic earnings per ordinary share

	Individual Quarter		Cumulative Quarter	
	31.03.2020	31.03.2019 (Restated)	31.03.2020	31.03.2019 (Restated)
Net profit attributable to shareholders (RM'000)	20,260	18,438	20,260	18,438
Number of shares at the beginning of the year ('000)	2,631,414	2,369,437	2,631,414	2,369,437
Effect of Share buy-back ('000)	(23,733)	(23,341)	(23,733)	(23,341)
Weighted average number of shares issued under ESOS ('000)	11,343	-	11,343	-
Weighted average number of ordinary shares ('000)	<u>2,619,024</u>	<u>2,346,096</u>	<u>2,619,024</u>	<u>2,346,096</u>
Basic earnings per ordinary share (Sen)	0.77	0.79	0.77	0.79

Diluted earnings per ordinary share

	Individual Quarter		Cumulative Quarter	
	31.03.2020	31.03.2019 (Restated)	31.03.2020	31.03.2019 (Restated)
Net profit attributable to shareholders (RM'000)	20,260	18,438	20,260	18,438
Weighted average number of ordinary shares at 31 March 2020 ('000)	2,619,024	2,346,096	2,619,024	2,346,096
Effect of ESOS share options issued ('000)	54,743	-	54,743	-
Weighted average number of shares ('000)	<u>2,673,767</u>	<u>2,346,096</u>	<u>2,673,767</u>	<u>2,346,096</u>
Diluted earnings per ordinary share (Sen)	0.76	0.79	0.76	0.79

The calculation of diluted earnings per ordinary share was based on the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding during year after adjustment for the effects of dilutive potential ordinary shares in issue and issuable under the ESOS options at an exercise price of RM0.11. The ESOS options at an exercise price of RM0.65 and warrants are excluded from the computation of diluted earnings per ordinary share as they do not have any potential dilutive effect. Thus, the Group's diluted earnings per ordinary share as at 31 March 2019 was equivalent to its basic earnings per ordinary share.

B15. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 18 June 2020.