

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Unaudited)

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 31.12.2021 RM'000	Unaudited 3 months ended 31.12.2020 RM'000	Unaudited 31.12.2021 RM'000	Audited 31.12.2020 RM'000
<b>Revenue</b>	219,096	360,538	1,022,691	1,351,447
<b>Operating (loss)/profit</b>	(599,506)	40,076	(526,435)	142,904
Finance costs	(29,194)	(15,085)	(108,430)	(62,547)
Interest income	119	407	134	780
<b>(Loss)/Profit before tax</b>	(628,581)	25,398	(634,731)	81,137
Tax expense	1,010	(11,128)	(21,952)	(24,566)
<b>Net (loss)/profit for the period/year</b>	(627,571)	14,270	(656,683)	56,571
<b>Other comprehensive expense, net of tax</b>				
Foreign currency translation differences for foreign operations	(40,153)	11,814	(62,459)	76,153
Hedge of net investment in subsidiaries	3,771	(32,882)	(33,028)	(84,803)
Cash flow hedge	17	(302)	(125)	(342)
Revaluation of property, plant and equipment	(3,361)	(295)	(4,233)	(224)
Share of gain of equity-accounted associates	1	9	1,355	106
<b>Other comprehensive expense for the period/year, net of tax</b>	(39,725)	(21,656)	(98,490)	(9,110)
<b>Total comprehensive (expense)/income for the period/year</b>	(667,296)	(7,386)	(755,173)	47,461
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	(577,518)	14,739	(601,476)	64,199
Non-controlling interests	(50,053)	(469)	(55,207)	(7,628)
	(627,571)	14,270	(656,683)	56,571
<b>Total comprehensive (expense)/income attributable to:</b>				
Owners of the Company	(614,566)	(6,818)	(695,247)	56,070
Non-controlling interests	(52,730)	(568)	(59,926)	(8,609)
<b>Total comprehensive (expense)/income for the period/year</b>	(667,296)	(7,386)	(755,173)	47,461
(Loss)/Earnings per share:				
Total comprehensive (expense)/income attributable to:				
- Basic (Sen)	(17.58)	0.55	(18.31)	2.39
- Diluted (Sen)	(17.57)	0.54	(18.30)	2.37

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

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## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 31.12.2021 RM'000	Audited As at 31.12.2020 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Other intangible assets		369,727	416,278
Goodwill		508,003	902,467
Property, plant and equipment		1,283,012	1,517,621
Right-of-use assets		149,116	48,911
Other investments, including derivatives		179	187
Investments in associates		49	47
Deferred tax assets		77	82
		<u>2,310,163</u>	<u>2,885,593</u>
<b>Current assets</b>			
Inventories		97,515	96,912
Contract assets		207,633	303,075
Trade and other receivables		246,516	297,161
Cash and cash equivalents		348,554	275,297
		<u>900,218</u>	<u>972,445</u>
Asset classified as held for sale		30,622	-
		<u>930,840</u>	<u>972,445</u>
<b>TOTAL ASSETS</b>		<u>3,241,003</u>	<u>3,858,038</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		2,061,772	2,005,665
Treasury shares		(4,214)	(53,425)
Reserves		(867,959)	(177,164)
		<u>1,189,599</u>	<u>1,775,076</u>
<b>Non-controlling interests</b>		<u>(82,750)</u>	<u>(22,824)</u>
<b>Total Equity</b>		<u>1,106,849</u>	<u>1,752,252</u>
<b>Non-current liabilities</b>			
Long term payables		6,365	7,721
Long service leave liability		7,475	6,940
Lease liabilities		132,840	37,834
Loans and borrowings	B9	227,913	650,701
Deferred tax liabilities		194,089	218,366
		<u>568,682</u>	<u>921,562</u>
<b>Current liabilities</b>			
Trade and other payables		353,687	333,510
Contract liabilities		108,866	93,522
Lease liabilities		19,264	11,996
Loans and borrowings	B9	1,050,638	711,903
Current tax liabilities		33,017	33,293
		<u>1,565,472</u>	<u>1,184,224</u>
<b>Total liabilities</b>		<u>2,134,154</u>	<u>2,105,786</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,241,003</u>	<u>3,858,038</u>
Net asset per share attributable to equity holders of the parent (RM)		<u>0.32</u>	<u>0.60</u>

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## KNM GROUP BERHAD

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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to Equity Holders of the Parent Non-distributable								Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Treasury Shares RM'000	Hedging Reserve RM'000	Share Option Reserve RM'000	Warrant Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000			
<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 year	-	-	(342)	-	-	(7,563)	(12,547)	12,323	(8,129)	(981)	(9,110)
Profit for the year	-	-	-	-	-	-	-	64,199	64,199	(7,628)	56,571
<b>Transactions with owners of the Company</b>											
Share issuance arising from ESOS	10,117	-	-	-	-	-	-	-	10,117	-	10,117
Share issuance arising from private placement	43,685	-	-	-	-	-	-	-	43,685	-	43,685
Share-based payment	-	-	-	786	-	-	-	-	786	-	786
Warrants expired	27,468	-	-	-	(27,468)	-	-	-	-	-	-
Own shares sold	349	-	-	-	-	-	-	-	349	-	349
Share options cancelled	-	-	-	(20,321)	-	-	-	20,321	-	-	-
<b>As at 31 December 2020 (Audited)</b>	<b>2,005,665</b>	<b>(53,425)</b>	<b>(1,711)</b>	<b>3,804</b>	<b>-</b>	<b>(338,343)</b>	<b>173,507</b>	<b>(14,421)</b>	<b>1,775,076</b>	<b>(22,824)</b>	<b>1,752,252</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 for the year	-	-	(125)	-	-	(89,413)	(4,233)	-	(93,771)	(4,719)	(98,490)
Loss for the year	-	-	-	-	-	-	-	(601,476)	(601,476)	(55,207)	(656,683)
<b>Transactions with owners of the Company</b>											
Share-based payment	-	-	-	4,452	-	-	-	-	4,452	-	4,452
Share issuance arising from private placements	94,651	-	-	-	-	-	-	-	94,651	-	94,651
Share issuance arising from ESOS	6,612	-	-	-	-	-	-	-	6,612	-	6,612
Own shares sold	(45,156)	49,211	-	-	-	-	-	-	4,055	-	4,055
<b>As at 31 December 2021 (Unaudited)</b>	<b>2,061,772</b>	<b>(4,214)</b>	<b>(1,836)</b>	<b>8,256</b>	<b>-</b>	<b>(427,756)</b>	<b>169,274</b>	<b>(615,897)</b>	<b>1,189,599</b>	<b>(82,750)</b>	<b>1,106,849</b>

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**KNM GROUP BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED  
31 DECEMBER 2021**

(Unaudited)

	31.12.2021 (Unaudited) RM '000	31.12.2020 (Audited) RM '000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before tax	(634,731)	81,137
Adjustments for:		
Amortisation of intangible assets	29,588	29,239
Bad debts written off	886	192
Change in fair value of forward contracts	352	(230)
Depreciation of property, plant and equipment	54,432	22,035
Depreciation of right-of-use assets	19,669	5,369
Gain on disposal of property, plant and equipment	(6,427)	(241)
Gain on disposal of investment in subsidiaries	-	(5,932)
Interest expense	105,112	60,175
Interest income	(134)	(780)
Unrealised (gain)/loss on foreign exchange	(3,946)	9,636
Provision for late delivery charges	29,772	1,200
Reversal of provision for warranty	(714)	(5,865)
Reversal of impairment loss on amount due from joint venture	(4,077)	(3,222)
Provision for/(Reversal of) impairment loss on trade receivables	2,910	(4,351)
Reversal of provision for foreseeable losses	(225)	(17,711)
Provision for litigation	25,463	-
Reversal of re-organisation expenses	-	(16,722)
Share-based payment	4,452	786
Impairment loss on goodwill	355,739	31,170
Impairment loss on property, plant and equipment	120,750	-
Impairment loss on other receivables	6,763	-
Property, plant and equipment written off	1,994	320
Operating profit before working capital changes	<u>107,628</u>	<u>186,205</u>
Changes in working capital:		
Inventories	(5,402)	6,683
Trade and other receivables	160,913	(33,985)
Trade and other payables	(45,893)	47,971
Cash generated from operations	<u>217,246</u>	<u>206,874</u>
Income taxes paid	(42,085)	(21,665)
Interest paid	(449)	(457)
Interest received	134	780
<b>Net cash generated from operating activities</b>	<u>174,846</u>	<u>185,532</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(13,544)	(8,936)
Acquisition of right-of-use assets	(11,960)	-
Acquisition of other intangible assets	(232)	(2,245)
Change in pledged deposits	1,989	12,467
Proceeds from disposal of property, plant and equipment	15,459	968
Disposal of discontinued operation	-	(238)
<b>Net cash (used in)/generated from investing activities</b>	<u>(8,288)</u>	<u>2,016</u>
<b>Cash flows from financing activities</b>		
Interest paid	(81,763)	(58,746)
Lease interest paid	(3,757)	(10,815)
Net proceed from own shares sold	4,055	349
Net proceed from bills payable	(46,490)	(8,982)
Net repayment of term loans, bond and revolving credits	10,205	(63,184)
Repayment of hire purchase liabilities	(7,444)	(6,151)
Proceeds from share issuance arising from ESOS	6,612	10,117
Proceeds from share issuance arising from private placements	94,651	43,685
<b>Net cash used in financing activities</b>	<u>(23,931)</u>	<u>(93,727)</u>
<b>Net increase in cash and cash equivalents</b>	142,627	93,821
<b>Cash and cash equivalents at beginning of year</b>	230,974	290,111
<b>Effect of foreign currency translation</b>	(66,041)	(152,958)
<b>Cash and cash equivalents at end of year</b>	<u>307,560</u>	<u>230,974</u>
Cash and bank balances	312,641	238,759
Deposits with licensed banks	35,913	36,538
Less: Pledged deposits	<u>(33,088)</u>	<u>(35,057)</u>
	315,486	240,240
Bank overdrafts	<u>(7,926)</u>	<u>(9,266)</u>
	<u>307,560</u>	<u>230,974</u>

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## Notes to the Quarterly Interim Financial Report – 31 December 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 were carried out since the end of the last reporting period and up to the date of issuance of this report.

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

As at 17 February 2022, 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 17 February 2022 and after taking into account the issuance of ESOS shares and private placement shares as stated hereunder, was 3,675,771,480 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</b>	<b>Gross profit/ (loss)</b>	<b>EBITDA/ (LBITDA)</b>
	<b>12 months ended 31.12.2021</b>	<b>12 months ended 31.12.2021</b>	<b>12 months ended 31.12.2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Asia & Oceania	72,723	(8,826)	(204,828)
Europe	949,968	206,873	(218,076)
Americas	-	-	158
	<b>1,022,691</b>	<b>198,047</b>	<b>(422,746)</b>

	<b>Revenue</b>	<b>Gross profit</b>	<b>EBITDA/ (LBITDA)</b>
	<b>12 months ended 31.12.2020</b>	<b>12 months ended 31.12.2020</b>	<b>12 months ended 31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Asia & Oceania	240,527	48,197	93,419
Europe	1,110,920	242,510	155,036
Americas	-	-	(3,471)
	<b>1,351,447</b>	<b>290,707</b>	<b>244,984</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 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

Except for event which has been disclosed under Note no. B8.b, there were no other material events subsequent to the end of the last reporting period and up to the date of issuance of this report.

## A12. Changes in the composition of the Group

On 7 January 2022, the Company announced that its indirect subsidiary, KPS Technology & Engineering LLC had been effectively dissolved on 17 August 2021.

On 20 December 2021, a wholly-owned subsidiary of the Company, KNM International Sdn. Bhd. had entered into a share sale agreement with China Nuclear Industry 23 Construction Co. Ltd., to acquire the remaining 30% equity interest in CNI Engineering & Construction Malaysia Sdn. Bhd. ("CNIEC") for a consideration of RM137,215.12. The acquisition had been completed on 23 December 2021 and CNIEC has become a wholly-owned subsidiary of the Group.

### A13. Contingent liabilities and Assets

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

	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	651,720	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

	<b>Contracted but not provided for RM'000</b>
Property, plant and equipment	185,789

### 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	736
Inter Merger Realty & Development Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	18

Save for the above, there is no other significant related party transaction for the financial period to date.

(a) *A company in which the major shareholders of the Company, Mr Lee Swee Eng and Madam Gan Siew Liat are directors. Both of them ceased as the major shareholders of the Company on 6 October 2021.*

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

### **B1. Performance of 12-month ended 31 December 2021 against 31 December 2020**

The Group achieved a lower revenue recognition of RM1.02 billion for the financial year ended 31 December 2021 as against RM1.35 billion year-on-year (“y-o-y”), mainly due to lower production output achieved by the fabrication plants in Asia and Europe regions as a result of the stringent pandemic protocols and slow new orders secured during the year as a result of the COVID-19 pandemic worldwide.

The Group achieved a lower gross profit of RM198.05 million as against RM290.71 million y-o-y with a gross profit margin of 19.4% for 2021 and 21.5% for 2020, mainly due to restricted production in fabrication division in Malaysia and Europe which has slowed down the overall project progress and subsequently has caused costs overrun in certain projects.

The Group reported a Losses Before Interest, Tax, Depreciation and Amortisation (“LBITDA”) of RM422.75 million as against an Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM244.99 million y-o-y, mainly due to the non-cash impairment loss on the ethanol plant under construction, impairment of goodwill in order to reflect the fair valuation of assets and additional project costs provided upon closure of certain long outstanding projects during the current financial year. Without all non-cash adjustments, the Group would have reported an EBITDA of RM110.95 million in the current financial year.

Consequently, the Group reported a loss before tax (“LBT”) of RM634.73 million in the current financial year as against a profit before tax (“PBT”) of RM81.14 million y-o-y, mainly due to finance costs incurred for certain projects under construction within the Group which have been expensed off into income statement in the current financial year.

#### Asia & Oceania Segment

This Segment posted a lower revenue of RM72.72 million as against RM240.53 million y-o-y mainly due to the restricted production in fabrication division in Malaysia as a result of the Movement Control Order compliance in the current financial year, coupled with slow replenishment of new orders caused by the prolonged health pandemic and no contribution from Thailand’s operations.

Consequently, this Segment reported a gross loss of RM8.83 million as against a gross profit of RM48.20 million y-o-y, and reported a LBITDA of RM204.83 million as against an EBITDA of RM93.42 million y-o-y, mainly due to the non-cash impairment loss on the ethanol plant under construction and the additional costs provided upon closure of certain projects.

#### Europe Segment

The Europe Segment posted a lower revenue recognition of RM949.97 million as against RM1,110.92 million y-o-y mainly due to lower new orders secured during the current financial year caused by the prolonged health pandemic.

This Segment reported a lower gross profit of RM206.87 million as against RM242.51 million y-o-y. It is noticeable that the gross profit margin remains at 21.8% for both 2021 and 2020 mainly due to higher profit margins contributed by the heat exchanger business units.

This Segment achieved a LBITDA of RM218.08 million as against an EBITDA of RM155.04 million y-o-y, mainly due to a non cash impairment of goodwill in order to reflect the fair valuation of an asset. Without this impairment, this Segment would have achieved an EBITDA of RM136.80 million in the current financial year.

#### America Segment

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

**B2. Performance of the current quarter against the preceding quarter (4<sup>th</sup> quarter 2021 versus 3<sup>rd</sup> quarter 2021)**

The Group posted a lower revenue of RM219.10 million in current quarter as against RM326.38 million in the preceding quarter, mainly due to lower overall project progress recognition in process equipment projects in the current quarter from Europe Segment and Asia & Oceania Segment.

Consequently, the Group recorded a lower gross profit of RM14.47 million in the current quarter as against RM73.69 million in the preceding quarter, partly due to costs overrun upon closure of certain long outstanding projects as a result of the restricted production caused by the stringent pandemic protocols in the regions.

The Group reported a higher LBT of RM628.58 million in the current quarter as against RM20.07 million in the preceding quarter, mainly due to non-cash impairment loss on ethanol plants in Thailand under construction and impairment of goodwill in order to reflect the fair valuation of assets for the quarter under review.

**B3. Prospects**

The Board anticipates that the outlook for financial year ending 31 December 2022 will remain challenging due to the continuous uncertainties in the global economy outlook arising from impacts of COVID-19 pandemic and geopolitics conflicts in Europe.

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. 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 2022 with higher vaccination rate and easing of lockdowns particularly in major economies including United States of America and Europe.

**B4. Profit forecast**

Not applicable as no profit forecast was given.

**B5. Tax expense**

	<b>3 months ended 31.12.2021 RM'000</b>	<b>3 months ended 31.12.2020 RM'000</b>	<b>12 months ended 31.12.2021 RM'000</b>	<b>12 months ended 31.12.2020 RM'000</b>
Current	529	8,672	40,137	31,898
Prior period	(1,924)	(7,468)	(1,511)	(7,618)
Deferred tax	385	9,924	(16,674)	286
	<u>(1,010)</u>	<u>11,128</u>	<u>21,952</u>	<u>24,566</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 loss 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. Since the last reporting date, the Company had announced the additional listing of 310,000 ordinary shares in the Company respectively pursuant to the Company's Employee Share Option Scheme ("ESOS"), and the ESOS shares had been allotted to the eligible employees on 17 January 2022 and 17 February 2022 respectively.
- b. On 19 January 2022, the Company had announced the proposed listing of its indirect wholly-owned subsidiaries, FBM Hudson Italiana SpA ("FBM") and FBM-KNM FZCO ("FZCO") (collectively as the "FBM Group") on Catalist, the sponsor-supervised board of the Singapore Stock Exchange Securities Trading Limited ("SGX-ST") by way of an initial public offering ("IPO") (the "Proposed Flotation").

The proposed sponsor for the Proposed Flotation is PrimePartners Corporate Finance Pte Ltd ("PPCF"), who will act as the Full Sponsor, Manager, Underwriter and Placement Agent. PPCF is a boutique corporate finance firm headquartered in Singapore. It is licensed by the Monetary Authority of Singapore to provide financial advisory and capital raising services.

Details of the Proposed Flotation, financial effects to the Company and any other development will be announced in due course after the prospectus of the Proposed Flotation has been finalised.

- c. On 28 December 2021, the Company completed the private placement by raising a total of RM45,552,264 for listing a total of 334,132,800 new ordinary shares. As at the date of this report, the said proceed has been fully utilised as follows:

<b>Proposed utilisation of proceeds</b>	<b>Expected timeframe for utilisation from completion of private placement</b>	<b>Proposed utilisation (based on actual amount raised)</b>	<b>Actual utilisation as of the date of this report</b>	<b>Balance available for utilisation</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Working capital requirements	Within 12 months	14,252	14,252	-
Repayment of bank borrowings	Within 6 months	30,000	30,000	-
Expenses for the private placement	Immediate	1,300	1,300	-
<b>Total</b>		<b>45,552</b>	<b>45,552</b>	<b>-</b>

- d. On 22 December 2021, the Company via a press release had announced that the Company and its subsidiaries plan to undertake various corporate exercises to enhance its financial position and to accelerate future growth. Further details of the corporate exercises mentioned herein will be announced pursuant to the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad at appropriate juncture.

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 31.12.2021 RM'000</b>
<b>Short-term :</b>	
Bank overdrafts	7,926
Borrowings (secured)	446,630
Borrowings (unsecured)	534,089
Bills Payable	3,761
Hire Purchase	3,063
Revolving credits	55,169
	<u>1,050,638</u>
<b>Long -term :</b>	
Borrowings (secured)	112,495
Borrowings (unsecured)	100,166
Hire Purchase	9,779
Revolving credits	5,473
	<u>227,913</u>
	<u>1,278,551</u>

The above are also inclusive of other borrowings in foreign currency of EUR118.38 million, CAD6.03 million, USD32.58 million, THB2.81 billion, and AED28.49 million.

The exchange rates used are 1 EUR = RM4.7228, 1 CAD = RM3.2795, 1 USD = RM4.1750, 1 THB = RM0.1254, and 1 AED = RM1.1367.

The Company had on 18 November 2021, 22 November 2021, 6 December 2021 and 10 December 2021 announced the occurrence of non-payment event in relation to the payment of the principal sum and coupon on the bonds issued by the Company in Thailand amounting to THB 2,780 million (equivalent to approximately RM352.57 million) (the "Thai Bonds"). The Thai Bonds were guaranteed by Credit Guarantee and Investment Facility, a trust fund managed by the Asian Development Bank (the "Guarantor" or "CGIF").

The Thai Bonds were matured on 18 November 2021 and under the terms and conditions of the Thai Bonds, the Company 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.

The total principal amount of the Thai Bonds and coupon payable as at 9 December 2021 was estimated at THB 2,8230.04 million (equivalent to approximately RM358.92 million) ("Thai Bonds Payable").

Under the terms and conditions of the Thai Bonds and the guarantee agreement between CGIF and the Bank of Ayudhya Public Company Limited which is the bondholders' representative for and on behalf of all bondholders ("Bondholders' Representative"), in the event an event of default is triggered, the Bondholders' Representative has the rights to make a demand for payment of the guaranteed amount from CGIF within the demand period.

CGIF had on 15 December 2021, made payment on behalf of the Company to the Bondholders in relation to the Thai Bonds issued by the Company. Consequently, CGIF had issued a Reimbursement Demand Notice dated 15 December 2021 ("Reimbursement Demand") to the Company. The Company had entered into bilateral negotiations with CGIF in order to satisfy the Reimbursement Demand in a timely manner.

The Company had on 29 December 2021, paid to CGIF USD1,459,779.34 being the full reimbursement of the coupon and interest related to the Thai Bonds and USD103,327.83 being reimbursement of the cost and expenses incurred by CGIF.

The Company is in close communication with CGIF on the Company's ongoing refinancing plans to address this event of default and where applicable, to reimburse CGIF the guaranteed amount paid by CGIF to the bondholders.

For avoidance of doubt, notwithstanding of the above default, pursuant to the PN17 Relief Measures granted by Bursa Malaysia as announced on 6 December 2021, the Company will NOT be classified as PN17 affected listed issuer.

## 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	18,274	41
	18,274	41

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 with 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 PERIOD/YEAR

	3 months ended 31.12.2021 RM'000	3 months ended 31.12.2020 RM'000	12 months ended 31.12.2021 RM'000	12 months ended 31.12.2020 RM'000
(a)				
(Loss)/Profit for the period/year is arrived at after charging:				
Amortisation of intangible assets	7,209	7,505	29,588	29,239
Change in fair value of forward contracts	(191)	(122)	352	(230)
Gain on disposal of property, plant and equipment	(676)	(98)	(6,427)	(241)

Impairment loss/(Reversal of impairment loss)				
on :				
- trade receivables	2,975	(1,938)	2,910	(4,351)
- other receivables	6,763	-	6,763	-
- amount due from a joint venture	(111)	(3,222)	(4,077)	(3,222)
- property, plant and equipment	120,750	-	120,750	-
- goodwill	355,739	31,170	355,739	31,170
Provision for/(Reversal of provision for):				
- warranty	(324)	(3,135)	(714)	(5,865)
- foreseeable loss	(225)	(17,711)	(225)	(17,711)
- late delivery charges	28,647	873	29,772	1,200
- litigation	25,463	-	25,463	-
Bad debts written off	885	192	886	192
Plant and equipment written off	1,547	269	1,994	320
Share-based payment	3,611	(423)	4,452	786
And crediting:				
Interest income	119	407	134	780
(b)				
Interest expense	25,233	14,754	101,727	60,175
(c)				
Depreciation charge for the period is allocated as follow:				
Income statement	6,769	6,905	27,920	27,404
Construction work in progress	13,719	13,611	46,181	45,437
	<u>20,488</u>	<u>20,516</u>	<u>74,101</u>	<u>72,841</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 December 2021 to 24 December 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**

<b><u>Basic (loss)/earnings per ordinary share</u></b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Net (loss)/profit attributable to shareholders (RM'000)	(577,518)	14,739	(601,476)	64,199
Number of shares at the beginning of the year ('000)	2,992,576	2,631,414	2,992,576	2,631,414
Issuance of shares - Private placement ('000)	276,260	31,977	276,260	31,977
Effect of Share buy-back ('000)	(8,014)	(28,581)	(8,014)	(28,581)
Weighted average number of shares issued under ESOS ('000)	23,370	47,436	23,370	47,436
Weighted average number of ordinary shares ('000)	<b>3,284,192</b>	<b>2,682,246</b>	<b>3,284,192</b>	<b>2,682,246</b>
Basic (loss)/earnings per ordinary share (Sen)	(17.58)	0.55	(18.31)	2.39
<b><u>Diluted (loss)/earnings per ordinary shares</u></b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Net (loss)/profit attributable to shareholders (RM'000)	(577,518)	14,739	(601,476)	64,199
Weighted average number of ordinary shares ('000)	3,284,192	2,682,246	3,284,192	2,682,246
Effect of ESOS share options issued ('000)	2,015	28,186	2,015	28,186
Weighted average number of shares ('000)	<b>3,286,207</b>	<b>2,710,432</b>	<b>3,286,207</b>	<b>2,710,432</b>
Diluted (loss)/earnings per ordinary share (Sen)	(17.57)	0.54	(18.30)	2.37

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.

**B15. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 25 February 2022.