KNM GROUP BERHAD

(Registration No: 200001018741 (521348-H))
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative period to date	
	Unaudited 3-month ended 30.9.2022 RM'000	Unaudited 3-month ended 30.9.2021 RM'000	Unaudited 30.9.2022 RM'000	Unaudited 30.9.2021 RM'000
CONTINUING OPERATIONS				
Revenue	83,408	-	83,408	-
Operating loss	(73,650)	-	(73,650)	-
Finance costs	(30,201)	-	(30,201)	-
Interest income	2	-	2	-
Loss before tax	(103,849)	-	(103,849)	-
Tax expense	7,189	-	7,189	-
Loss from continuing operations	(96,660)	-	(96,660)	-
DISCONTINUED OPERATIONS				
Profit from discontinued operations, net of tax	23,433	-	23,433	-
LOSS FOR THE PERIOD	(73,227)	-	(73,227)	-
Other comprehensive expense, net of tax				
Foreign currency translation differences for foreign operations	(1,169)	-	(1,169)	-
Hedge of net investment in subsidiaries	(10,635)	-	(10,635)	-
Cash flow hedge	(6)	-	(6)	-
Revaluation of property, plant and equipment	2,174	-	2,174	-
Share of loss of equity-accounted associates	-	-	-	-
Other comprehensive expense for the period, net of tax	(9,636)	-	(9,636)	-
Total comprehensive expense for the period	(82,863)	-	(82,863)	-
Loss attributable to:				
Owners of the Company	(68,973)	-	(68,973)	-
Non-controlling interests	(4,254)	-	(4,254)	-
	(73,227)	-	(73,227)	-
Total comprehensive expense attributable to:				
Owners of the Company	(75,234)	-	(75,234)	-
Non-controlling interests	(7,629)	-	(7,629)	-
Total comprehensive expense for the period	(82,863)	-	(82,863)	-
Loss per share:				
Total comprehensive expense attributable to:				
- Basic (Sen)	(1.97)	-	(1.97)	-
- Diluted (Sen)	(1.97)	-	(1.97)	-

The financial year end of the Group has been changed from 31 December to 30 June. As such, there are no comparative figures for the preceding year corresponding periods.

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
(Registration No: 200001018741 (521348-H))
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 30.9.2022 RM'000	Audited As at 30.6.2022 RM'000
Assets			
Non-current assets			
Other intangible assets		-	-
Goodwill		-	-
Property, plant and equipment		1,156,231	1,169,705
Right-of-use assets		27,902	27,864
Other investments, including derivatives		172	174
Investments in associates		-	-
Investments in joint ventures		-	-
Deferred tax assets		51	52
		1,184,356	1,197,795
Current assets			
Inventories		37,260	36,235
Contract assets		218,723	120,762
Trade and other receivables		196,706	239,353
Cash and cash equivalents		63,475	66,914
		516,164	463,264
Assets classified as held for sale		1,305,893	1,419,363
		1,822,057	1,882,627
TOTAL ASSETS		3,006,413	3,080,422
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		2,061,878	2,061,878
Treasury shares		(4,215)	(4,215)
Reserves		(1,233,414)	(1,158,729)
		824,249	898,934
Non-controlling interests		(74,307)	(66,678)
Total equity		749,942	832,256
Non-current liabilities			
Long term payables		5,597	5,962
Long service leave liability		8,338	7,787
Lease liabilities		27,324	25,963
Loans and borrowings	B9	139,074	172,238
Deferred tax liabilities		38,236	42,810
		218,569	254,760
Current liabilities			
Trade and other payables		586,820	410,330
Contract liabilities		78,452	73,951
Lease liabilities		2,293	3,439
Loans and borrowings	B9	1,075,630	1,089,488
Current tax liabilities		34,110	27,690
		1,777,305	1,604,898
Liabilities classified as held for sale		260,597	388,508
		2,037,902	1,993,406
Total liabilities		2,256,471	2,248,166
TOTAL EQUITY AND LIABILITIES		3,006,413	3,080,422
Net asset per share attributable to equity holders of the parent (RM)		0.22	0.24

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KNM GROUP BERHAD

(Registration No: 200001018741 (521348-H))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (Unaudited)

	Attributable to Equity Holders of the Parent									
	Non- distributable									
	Share Capital RM'000	Treasury Shares RM'000	Hedging Reserve RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
As at 1 July 2022	2,061,878	(4,215)	567	5,429	(458,902)	133,176	(838,999)	898,934	(66,678)	832,256
Total comprehensive expense for the year	-	-	(6)	-	(8,429)	2,174	(68,973)	(75,234)	(7,629)	(82,863)
Transactions with owners of the Company :-										
Share-based payment	-	-	-	549	-	-	-	549	-	549
As at 30 September 2022 (Unaudited)	**2,061,878**	**(4,215)**	**561**	**5,978**	**(467,331)**	**135,350**	**(907,972)**	**824,249**	**(74,307)**	**749,942**

The financial year end of the Group has been changed from 31 December to 30 June. As such, there are no comparative figures for the preceding year corresponding periods.

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KNM GROUP BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (Unaudited)

	Note	Cumultive period ended 30.9.2022 (Unaudited) RM '000	Cumultive period ended 30.9.2021 (Unaudited) RM '000
Cash flows from operating activities			
Loss before tax from continuing operations		(103,849)	-
Profit before tax from discontinued operations		33,475	-
		(70,374)	-
Adjustments for:			
Amortisation of intangible assets		6,769	-
Bad debts written off		1	-
Depreciation of property, plant and equipment		1,190	-
Depreciation of right-of-use assets		1,843	-
Loss on disposal of property, plant and equipment		2,570	-
Reversal of provision for litigation expenses		(398)	
Interest expense		29,995	-
Interest income		(2)	-
Unrealised gain on foreign exchange		(12,726)	-
Provision for late delivery charges		51	-
Reversal of provision for warranty		(3,418)	-
Reversal of impairment loss on amount due from joint venture		(139)	-
Reversal of impairment loss on trade receivables		(24)	-
Provision for foreseeable loss		152	-
Share-based payment		549	-
Operating loss before working capital changes		(43,961)	-
Changes in working capital:			
Inventories		(13,521)	-
Trade and other receivables		15,411	-
Trade and other payables		69,655	-
Cash generated from operations		27,584	-
Income taxes paid		(6,509)	-
Interest paid		(45)	-
Net cash generated from operating activities		21,030	-
Cash flows from investing activities			
Acquisition of property, plant and equipment		(3,802)	-
Expiration of right-of-use assets		327	-
Acquisition of other intangible assets		5	-
Change in pledged deposits		(202)	-
Proceeds from disposal of property, plant and equipment		81	-
Net cash used in investing activities		(3,591)	-
Cash flows from financing activities			
Interest paid		(18,427)	-
Lease interest paid		(2,146)	-
Net payment of bills payable		(13,597)	-
Net repayment of term loans, bond and revolving credits		(29,911)	-
Net repayment of hire purchase liabilities		(548)	-
Net increase in lease liabilities		(608)	-
Net cash used in financing activities		(65,237)	-
Net decrease in cash and cash equivalents		(47,798)	-
Cash and cash equivalents at beginning of year		25,794	-
Effect of foreign currency translation		53,503	-
Cash and cash equivalents at end of year		31,499	-
Cash and bank balances		38,738	-
Deposits with financial institutions		24,737	-
Less: Pledged deposits		(24,059)	-
		39,416	-
Bank overdrafts		(7,917)	-
		31,499	-

The financial year end of the Group has been changed from 31 December to 30 June. As such, there are no comparative figures for the preceding year corresponding periods.

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 2022

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 period ended 30 June 2022. 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 period ended 30 June 2022.

A2. Significant Accounting Policies

The audited financial statements of the Group for the financial period ended 30 June 2022 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 period ended 30 June 2022 except for the adoption of new MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022:

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)
Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)
Amendments to Illustrative Examples accompanying MFRS 16	Leases (Annual Improvements to MFRS Standards 2018−2020)
Amendments to MFRS 116	Property, Plant and Equipment − Proceeds before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts − Cost of Fulfilling a Contract
Amendments to MFRS 141	Agriculture (Annual Improvements to MFRS Standards 2018−2020)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023:

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
Amendments to MFRS 112	Income Taxed – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

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. Auditors' report on preceding annual financial statements

The Company's external auditors, Messrs. KPMG PLT had indicated the existence of a material uncertainty related to going concern in their report of the Company's audited financial statements for the financial period ended 30 June 2022. An extract of the opinion is as follows:

"We draw your attention to Note 1(b) to the financial statements which indicate that the Group and the Company have incurred a net loss of RM864,660,000 and RM167,910,000 respectively, for the financial period ended 30 June 2022. As of 30 June 2022, the Group's and the Company's current liabilities exceeded its current assets by RM110,779,000 and RM76,929,000 respectively. As stated in Note 1(b), these events and conditions, along with the matters set forth in Note 1(b)(i), (ii) and (iii) indicate that material uncertainties exist that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Our opinion is not modified in respect of these matters. "

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 25 November 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 25 November 2022 and after taking into account the issuance of ESOS shares and private placement shares as stated hereunder, was 3,676,421,980 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 RM'000	Gross (loss)/profit RM'000	(LBITDA)/ EBITDA RM'000
Cumulative period ended 30.9.2022			
Continuing operations:	27,622	(4,147)	(35,291)
Asia & Oceania			
Europe	55,786	4,480	(16,946)
Americas	-	-	(3,823)
	83,408	333	(56,060)
Discontinued operations:			
Europe	163,432	40,260	35,449
	246,840	**40,593**	**(20,611)**
Cumulative period ended 30.9.2021*			
Asia & Oceania	-	-	-
Europe	-	-	-
Americas	-	-	-
	-	-	-

* The financial year end of the Group has been changed from 31 December to 30 June. As such, there are no comparative figures for the preceding year corresponding periods.

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 30 June 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 29 August 2022, pursuant to the BVI Business Companies Act 2004, all the requirements of the Act in respect of dissolution having been complied with, a wholly-owned subsidiary, KNM Global Ltd has been officially dissolved.

There were no other changes in the composition of the Group since the last update in the Q6 2022 results.

A13. Contingent liabilities and Assets

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

	30.9.2022 RM'000	30.6.2022 RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	927,232	927,232

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	140,598

A15. Related party transactions

There is no significant related party transaction for the financial period to date.

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

B1. Performance of 3-month ended 30 September 2022

The financial year end of the Company and the Group has changed from 31 December to 30 June as announced to Bursa Malaysia Securities Berhad on 21 March 2022. As such, there are no comparative figures available for the corresponding periods in the preceding year.

For the 3-month period ended 30 September 2022, the Group posted a revenue recognition of RM246.84 million from its fabrication division worldwide and a gross profit of RM40.59 million, representing an average gross profit margin of 16.4% in the current financial period. The gross profit margin was lower due to higher production costs incurred to complete the on-going projects as a result of supply chain constraints and higher energy prices in overseas markets, as well as higher unabsorbed production overheads due to low order books achieved in most of regions.

Consequently, the Group reported a Losses Before Interest, Tax, Depreciation and Amortisation (“LBITDA”) of RM20.61 million coupled with an unrealised loss in foreign exchange incurred for the current financial period under review.

The Group reported a Loss Before Tax (“LBT”) of RM70.37 million in the current financial period, mainly due to finance costs incurred for certain capital assets under construction and depreciation on certain assets which had been expensed off into income statement in the current financial period.

<u>Asia & Oceania Segment</u>
This Segment posted a revenue recognition of RM27.62 million to the Group solely from its fabrication business during the current financial period mainly due to slow replenishment of orders.

Consequently, this Segment gross loss stood at RM4.15 million with a LBITDA of RM35.29 million mainly due to the fixed factory maintenance cost incurred for the ethanol plants in Thailand and high unabsorbed fixed overheads incurred by its fabrication division in Malaysia as a result of low order books.

<u>Europe Segment</u>
The Europe Segment posted a revenue recognition of RM219.22 million mainly contributed from one of its key fabrication plants in Europe, namely BORSIG which is currently held for sale. BORSIG had contributed a revenue of RM163.43 million, representing 74.6% of revenue from Europe Segment and 66.2% to the consolidated revenue of the Group for the financial period under review.

This Segment had contributed a gross profit of RM44.74 million to the Group and achieved an Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM18.50 million despite with an unrealised foreign exchange loss incurred for the financial period under review. Without BORSIG, this Segment posted a lower gross profit of RM4.48 million and a LBITDA of RM16.95 million mainly due to low order books recorded in Italy and UAE.

<u>America Segment</u>
This Segment had ceased operations in the previous financial period and posted insignificant operating loss to the Group mainly arising from unrealised foreign exchange loss.

B2. Performance of the current quarter against the preceding quarter (1^{st} quarter 2023 versus 6^{th} quarter 2022)

The Group posted a lower revenue of RM246.84 million in current quarter as against RM256.27 million in the preceding quarter, mainly due to lower revenue recognition achieved by its fabrication business in Italy and a lower exchange rate for orders received in EUR.

Consequently, the Group recorded a lower gross profit of RM40.59 million in the current quarter as against RM46.29 million in the preceding quarter. The Group posted a lower LBITDA of RM20.61 million and LBT of RM70.37 million respectively in the current quarter as against RM67.05 million and RM127.22 million in the preceding quarter in the absence of certain non-cash accounting adjustments made for impairment loss on goodwill arising from the acquisition of BORSIG, reversal of impairment loss of certain construction projects and provision for project closure expenses in the preceding quarter.

B3. Prospects

The Board anticipates that the outlook for the financial year ending 30 June 2023 will remain challenging due to the continuous uncertainties in the global economic outlook arising from the impacts of the COVID-19 pandemic and geopolitics conflicts in Europe.

The underlying industries that drive our business prospects such as oil & gas, petrochemical and energy have begun to grow. The exceptional strong oil price augurs well for some of our customers in the oil and gas sector. In addition, the continuous easing of lockdowns in major economies including the United States of America, Europe and most Asia countries will encourage further recovery of the global economy. These factors will encourage more capital expenditure by the oil majors. The Group will continue to pursue these opportunities and secure more new contracts by leveraging its agility, assets and proven track record.

The growth in global demand for liquefied natural gas currently is expected to spur the capital expenditure for gas storage and processing facilities. This will certainly benefit our operation in Italy, which is one of the global leading manufacturers of air coolers, a critical equipment necessary for gas liquefaction process.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3-month ended 30.9.2022 RM'000	**3-month ended 30.9.2021 RM'000**	**Cumulative period ended 30.9.2022 RM'000**	**Cumulative period ended 30.9.2021 RM'000**
Current	291	-	291	-
-Prior period	(1,190)	-	(1,190)	-
Deferred tax	(6,290)	-	(6,290)	-
	(7,189)	-	(7,189)	-

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 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.

b. On 24 May 2022, the Company had announced a proposed disposal of its indirect wholly-owned subsidiary incorporated in Germany, Borsig GmbH to GPR Siebzigste Verwaltungsgesellschaft mbH for a consideration of EUR220.80 million (“Proposed Disposal”). The Proposed Disposal shall be completed in the second half of calendar year of 2022.

   Upon completion of the Proposed Disposal, Borsig GmbH will cease to be an indirect wholly-owned subsidiary of the Company.

Meanwhile, KNM continues to pursue the various corporate exercises announced previously, including monetarising the investments in Thailand and United Kingdom. These corporate exercises are expected to generate significant cash flows to the Group to further enhance its financial health.

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 30.9.2022 RM’000
Short-term :	
Bank overdrafts	7,917
Borrowings (Secured)	112,460
Borrowings (Unsecured)	893,069
Bills Payable	11,891
Hire Purchase	1,344
Revolving credits (Unsecured)	48,949
	1,075,630
Long-term :	
Borrowings (Secured)	113,247
Borrowings (Unsecured)	24,367
Hire Purchase	1,460
	139,074
	1,214,704

The above are also inclusive of borrowings in foreign currency of EUR107.46 million, USD41.47 million and THB2.81 billion.

The exchange rates used are 1 EUR = RM4.5531, 1 USD = RM4.6370, and 1 THB = RM0.1223.

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 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 30 September 2022 was estimated at THB 3,003.69 million (equivalent to approximately RM367.26 million).

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.

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	88,962	2,234
	88,962	2,234

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 FOR THE PERIOD

	3-month ended 30.9.2022 RM'000	3-month ended 30.9.2021 RM'000
(a)		
Loss for the period is arrived at after charging:		
Amortisation of intangible assets	6,769	-
Loss on disposal of property, plant and equipment	2,570	-
Reversals of impairment loss on:		
- trade receivables	(24)	-
- amount due from a joint venture	(139)	-
Reversal of provision for warranty	(3,418)	-
Provision for late delivery charges	51	-
Bad debts written off	1	-
Share-based payment	548	-
And crediting:		
Interest income	3	-
(b)		
Interest expense	29,995	-
(c)		
Depreciation charge for the period is allocated as follow:		
Income statement	1,190	-
Construction work in progress	6,894	-
	8,084	-

B12. Material litigation

a. On 26 October 2022, a wholly-owned subsidiary, KNM Process Systems Sdn Bhd ("KNMPS") had served with a Winding-up Petition issued by the Shah Alam High Court dated 23 September 2022 (the "Petition"), taken out by IPL Middle East DMCC (the "Petitioner") via its Advocates & Solicitors, Rahmat Lim & Partners.

   Particulars of the Petition are disclosed in the announcement via Bursa Malaysia on 27 October 2022.

   The hearing dates for the Petition has been fixed on 19 January 2023.

The Petition is not expected to have any material additional financial and operational impact to the Group as the Settlement Sum has been provided in the Group's financial statements for the period ended 30 June 2022.

KNMPS is seeking for the necessary legal advice to resolve and/or defend against this matter.

b. On 9 November 2022, KNMPS received a notification from its lawyer, Messrs Aceris Law LLC, that it has received a letter dated 8 November 2022 from Lukoil Uzbekistan Operating Company LLC ("LUOC")'s lawyer, Akin Gump LLP, informing that the amount payable to LUOC by KNMPS pursuant to the final arbitration award ('the Award") dated 29 September 2022 issued by the Arbitration Tribunal is USD1,865,334.57, subject to the additional post-award interest rate of 2.5% per annum starting to run 30 days from the issuance date of the Award. This marks the end of the dispute among the parties.

   The Award is not expected to have any material additional financial losses to the Group for the financial year ending 30 June 2023 as KNMPS has already provided approximately USD1.87 million in relation to this Arbitration during the financial period ended 30 June 2022.

B13. Dividend payable

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

B14. Loss per share

	3-month ended	
Basic loss per ordinary share	**30.9.2022**	**30.9.2021**
Net loss attributable to shareholders (RM'000)	(68,973)	-
Number of shares at the beginning of the year ('000)	3,678,263	-
Issuance of shares - Private placement ('000)	(162,390)	-
Effect of Share buy-back ('000)	(2,345)	-
Weighted average number of shares issued under ESOS ('000)	(12,230)	-
Weighted average number of ordinary shares ('000)	3,501,299	-
Basic loss per ordinary share (Sen)	(1.97)	-

Diluted loss per ordinary shares

Net loss attributable to shareholders (RM'000)	(68,973)	-
Weighted average number of ordinary shares ('000)	3,501,299	-
Effect of ESOS share options issued ('000)	-	-
Weighted average number of shares ('000)	3,501,299	-
Diluted loss per ordinary share (Sen)	(1.97)	-

The calculation of diluted (loss)/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 16 November 2020 and 19 August 2021 at an exercise price of RM0.165 and RM0.19 respectively.

B15. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 29 November 2022.