

KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2023 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter Unaudited 3-month ended 31.03.2023 RM'000	Unaudited 3-month ended 31.03.2022 RM'000	Cumulative period to date Unaudited 31.03.2023 RM'000	Unaudited 31.03.2022 RM'000
CONTINUING OPERATIONS				
Revenue	67,651	-	243,237	-
Operating loss	(40,872)	-	(135,852)	-
Finance costs	(33,730)	-	(94,783)	-
Interest income	474	-	848	-
Loss before tax	(74,128)	-	(229,787)	-
Tax expense	5,080	-	18,190	-
Loss from continuing operations	(69,048)	-	(211,597)	-
DISCONTINUED OPERATIONS				
Profit from discontinued operations, net of tax	26,696	-	61,160	-
LOSS FOR THE PERIOD	<u>(42,352)</u>	<u>-</u>	<u>(150,437)</u>	<u>-</u>
Other comprehensive expense, net of tax				
Foreign currency translation differences for foreign operations	14,321	-	26,780	-
Hedge of net investment in subsidiaries	(815)	-	4,690	-
Cash flow hedge	(826)	-	6,117	-
Revaluation of property, plant and equipment	-	-	-	-
Share of loss of equity-accounted associates	-	-	-	-
Other comprehensive expense for the period, net of tax	<u>12,680</u>	<u>-</u>	<u>37,587</u>	<u>-</u>
Total comprehensive expense for the period	<u>(29,672)</u>	<u>-</u>	<u>(112,850)</u>	<u>-</u>
Loss attributable to:				
Owners of the Company	(37,632)	-	(137,768)	-
Non-controlling interests	(4,720)	-	(12,669)	-
	<u>(42,352)</u>	<u>-</u>	<u>(150,437)</u>	<u>-</u>
Total comprehensive expense attributable to:				
Owners of the Company	(24,078)	-	(92,771)	-
Non-controlling interests	(5,594)	-	(20,079)	-
Total comprehensive expense for the period	<u>(29,672)</u>	<u>-</u>	<u>(112,850)</u>	<u>-</u>
Loss per share:				
Total comprehensive expense attributable to:				
- Basic (Sen)	(1.02)	-	(3.75)	-
- Diluted (Sen)	(1.02)	-	(3.75)	-

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

The notes set out on pages 5 to 16 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 31.03.2023 RM'000	Audited As at 30.6.2022 RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,176,819	1,169,705
Right-of-use assets		25,127	27,864
Other investments, including derivatives		182	174
Deferred tax assets		54	52
		<u>1,202,182</u>	<u>1,197,795</u>
Current assets			
Inventories		34,496	36,235
Contract assets		185,472	120,762
Trade and other receivables		208,924	239,353
Cash and cash equivalents		44,169	66,914
		<u>473,061</u>	<u>463,264</u>
Assets classified as held for sale		<u>1,352,724</u>	<u>1,419,363</u>
		<u>1,825,785</u>	<u>1,882,627</u>
TOTAL ASSETS		<u>3,027,967</u>	<u>3,080,422</u>
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		<u>(1,250,405)</u>	<u>(1,158,729)</u>
		807,258	898,934
Non-controlling interests		<u>(86,757)</u>	<u>(66,678)</u>
Total equity		<u>720,501</u>	<u>832,256</u>
Non-current liabilities			
Long term payables		5,517	5,962
Long service leave liability		8,644	7,787
Lease liabilities		24,720	25,963
Loans and borrowings	B9	126,345	172,238
Deferred tax liabilities		37,059	42,810
		<u>202,285</u>	<u>254,760</u>
Current liabilities			
Trade and other payables		616,655	410,330
Contract liabilities		118,753	73,951
Lease liabilities		1,708	3,439
Loans and borrowings	B9	1,087,562	1,089,488
Current tax liabilities		1,110	27,690
		<u>1,825,788</u>	<u>1,604,898</u>
Liabilities classified as held for sale		<u>279,393</u>	<u>388,508</u>
		<u>2,105,181</u>	<u>1,993,406</u>
Total liabilities		<u>2,307,466</u>	<u>2,248,166</u>
TOTAL EQUITY AND LIABILITIES		<u>3,027,967</u>	<u>3,080,422</u>
Net asset per share attributable to equity holders of the parent (RM)		<u>0.22</u>	<u>0.24</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2023 (Unaudited)**

	Attributable to Equity Holders of the Parent						Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000	
	Non- distributable									
	Share Capital RM'000	Treasury Shares RM'000	Hedging Reserve RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses 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	-	-	6,117	-	38,880	-	(137,768)	(92,771)	(20,079)	(112,850)
Transactions with owners of the Company :-										
Share-based payment	-	-	-	1,095	-	-	-	1,095	-	1,095
As at 31 March 2023 (Unaudited)	2,061,878	(4,215)	6,684	6,524	(420,022)	133,176	(976,767)	807,258	(86,757)	720,501

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2023 (Unaudited)**

	Note	Cumulative period ended 31.03.2023 (Unaudited) RM '000	Cumulative period ended 31.03.2022 (Unaudited) RM '000
Cash flows from operating activities			
Loss before tax from continuing operations		(229,787)	-
Profit before tax from discontinued operations		94,341	-
		<u>(135,446)</u>	<u>-</u>
Adjustments for:			
Amortisation of intangible assets		20,926	-
Bad debts written off/(recovered)		(463)	-
Change in fair value of forward contracts		(8,730)	-
Depreciation of property, plant and equipment		13,203	-
Depreciation of right-of-use assets		3,839	-
Gain on disposal of property, plant and equipment		(2,549)	-
Interest expense		95,207	-
Interest income		(856)	-
Unrealised gain on foreign exchange		13,639	-
Provision for late delivery charges		1,368	-
Reversal of provision for warranty		(3,369)	-
Impairment loss on trade receivables		5,205	-
Share-based payment		1,095	-
Operating loss before working capital changes		<u>3,069</u>	<u>-</u>
Changes in working capital:			
Inventories		(503)	-
Trade and other receivables		44,875	-
Trade and other payables		156,861	-
Cash generated from operations		<u>204,302</u>	<u>-</u>
Income taxes paid		(28,078)	-
Interest paid		855	-
Interest received		(132)	-
Net cash generated from operating activities		<u>176,947</u>	<u>-</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(13,376)	-
Acquisition/(Expiration) of right-of-use assets		(3,496)	-
Acquisition of other intangible assets		-	-
Change in pledged deposits		987	-
Proceeds from disposal of property, plant and equipment		5,282	-
Net cash used in investing activities		<u>(10,603)</u>	<u>-</u>
Cash flows from financing activities			
Interest paid		(95,075)	-
Lease interest paid		(711)	-
Net payment of bills payable		(881)	-
Net repayment of term loans, bond and revolving credits		(57,479)	-
Net repayment of hire purchase liabilities		(348)	-
Net increase in lease liabilities		-	-
Net cash used in financing activities		<u>(154,494)</u>	<u>-</u>
Net increase in cash and cash equivalents		11,850	-
Cash and cash equivalents at beginning of year		25,794	-
Effect of foreign currency translation		(24,404)	-
Cash and cash equivalents at end of year		<u>13,240</u>	<u>-</u>
Cash and bank balances		20,653	-
Deposits with financial institutions		23,516	-
Less: Pledged deposits		(22,871)	-
		<u>21,298</u>	<u>-</u>
Bank overdrafts		(8,058)	-
		<u>13,240</u>	<u>-</u>

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Notes to the Quarterly Interim Financial Report – 31 March 2023

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)

Standards issued but not yet effective

At the date of authorisation of these condensed consolidated interim financial statements, the following new and amended standards were issued but not yet effective and have not been applied by the Group:

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

Effective for annual periods beginning on or after 1 January 2024:

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Non-current Liabilities with Covenants

Effective date deferred indefinitely:

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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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 changes in debt and equity securities during the period under review.

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	Gross (loss)/profit	(LBITDA)/ EBITDA
	RM'000	RM'000	RM'000
Cumulative period ended			
31.03.2023			
<u>Continuing operations:</u>			
Asia & Oceania	67,750	(9,980)	(43,464)
Europe	175,487	4,605	(39,311)
Americas	-	-	(5,020)
	<hr/> 243,237	<hr/> (5,375)	<hr/> (87,795)
<u>Discontinued operations:</u>			
Europe	657,618	148,753	114,749
	<hr/> 900,855	<hr/> 143,378	<hr/> 26,954
Cumulative period ended			
31.03.2022*			
Asia & Oceania	-	-	-
Europe	-	-	-
Americas	-	-	-
	<hr/> -	<hr/> -	<hr/> -

* The financial year end of the Group has been changed from 30 June to 31 December. 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 :-

	31.03.2023	30.6.2022
	RM'000	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 9-month ended 31 March 2023

The financial year end of the Company and the Group has changed from 30 June to 31 December as announced to Bursa Malaysia Securities Berhad on 30 May 2023. As such, there are no comparative figures available for the corresponding periods in the preceding year.

For the 9-month period ended 31 March 2023, the Group posted a revenue recognition of RM900.9 million from its fabrication division worldwide and a gross profit of RM143.4 million, representing an average gross profit margin of 15.9% in the current financial period.

Consequently, the Group reported an Earning Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM26.95 million including unrealised loss in foreign exchange incurred for the current financial period under review.

The Group reported a Loss Before Tax (“LBT”) of RM135.45 million in the current financial period, mainly due to finance costs incurred for certain capital assets under construction which had been expensed off into income statement in the current financial period.

Asia & Oceania Segment

This Segment posted a revenue recognition of RM67.75 million to the Group solely from its fabrication business during the current financial period.

Consequently, this Segment’s gross loss stood at RM9.98 million with a LBITDA of RM43.46 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.

Europe Segment

The Europe Segment posted a revenue recognition of RM833.11 million mainly contributed from one of its key fabrication plants in Germany, namely BORSIG which is currently held for sale. BORSIG had contributed a revenue of RM657.62 million, representing 78.9% of revenue from Europe Segment and 73.0% to the consolidated revenue of the Group for the financial period under review.

This Segment had contributed a gross profit of RM153.36 million to the Group and achieved an EBITDA of RM75.44 million inclusive of unrealised foreign exchange loss incurred for the financial period under review. Without BORSIG, this Segment posted a lower gross profit of RM4.61 million and a LBITDA of RM39.31 million mainly due to low order books recorded and slower progress in fabrication in UAE.

America Segment

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 (3rd quarter 2023 versus 2nd quarter 2023)

The Group posted a lower revenue of RM296.96 million in current quarter as against RM357.06 million in the preceding quarter, mainly due to lower revenue recognition achieved by its fabrication business in Malaysia and UAE.

Consequently, the Group recorded a lower gross profit of RM48.1 million in the current quarter as against RM54.69 million in the preceding quarter. The Group posted a EBITDA of RM24.92 million and LBT of RM35.76 million respectively in the current quarter as against RM22.65 million and RM29.31 million in the preceding quarter in the absence of unrealised foreign exchange loss incurred in the preceding quarter.

B3. Prospects

The Board anticipates that the outlook for the financial year will continue to remain challenging, given the global economic condition and the various corporate actions being executed to restructure the Group. Taking the impact of all these factors the uncertainties in the short term are at an elevated level.

However, the Malaysian economy recorded a continued expansion of 5.6% in GDP during 1Q2023, supported by factors such as increased household spending, improved investment activity, favourable labour market conditions and higher tourism activities. In line with this positive economic environment, the Group expects the demands for the oil & gas, petrochemical and energy industry to continue to grow. (Source: Bank Negara)

“The market estimates that around USD 2.8 trillion will be invested in energy in 2023. More than USD 1.7 trillion is going to clean energy globally, including renewable power, nuclear, grids, storage, low-emission fuels, efficiency improvements and end-use renewables and electrification.” (Sources: Energy investment in 2023 – www.iea.org).

The Group foresees that its subsidiaries in Europe which have substantial experience and involvement in renewal energy to benefit from the above significant boost in the clean energy investment. Moreover, one of the subsidiaries in Europe has started tests and a pilot plant in developing carbon capture solutions with its membrane technology to take advantage of the expansion of investments in this area. Lastly but not least, the compressor business has also attracted large interests leading to various orders from the green hydrogen sector.

Barring any unforeseen circumstances, the Group aims for positive performance in its European operations and market.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3-month ended 31.03.2023 RM'000	3-month ended 31.03.2022 RM'000	Cumulative period ended 31.03.2023 RM'000	Cumulative period ended 31.03.2022 RM'000
Current	(2,257)	-	(6,852)	-
-Prior period	14	-	(1,148)	-
Deferred tax	(2,837)	-	(10,190)	-
	<u>(5,080)</u>	<u>-</u>	<u>(18,190)</u>	<u>-</u>

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”).

Due to the challenging financial position of the FBM Group, the initial plan to list the FBM Group is aborted.

On 26 May 2023, the Company had announced the proposed disposal of the total equity of FBM Hudson Italiana S.p.A. to British Midland FZE for an indicative sale consideration equal to Euro 12,000,000.00 (Twelve Million Only).

The Company will make the necessary announcements as and when there are material developments.

- 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”). After due consideration of all aspects of the Proposed disposal, in the best interest of the Company and its stakeholders, DKNM has decided not to further extend the Longstop date of the Proposed disposal and instead has exercised its withdrawal right under the share sale and purchase agreement. Hence, the Proposed Disposal will not materialise.

On 16 December 2022, the Company had announced that the Board of Directors had agreed to the proposed listing of Borsig GmbH on main board of the Singapore Stock Exchange Securities Trading Limited (“SGX-ST”) by way of an initial public offer (“IPO”), with a view of achieving a market capitalisation of up to USD300 million or its Singapore Dollar equivalent and a placement of 49% of the enlarged capital comprising vendor and/or new shares (“Proposed Listing”).

The Company will make the necessary announcements as and when there are material developments on the Proposal Listing.

Meanwhile, KNM continues to pursue the various corporate exercises announced previously, including monetarising the investments in Thailand, United Kingdom and Borsig GmbH should it generate higher value than the Proposed Listing. These corporate exercises are expected to generate significant cash flows to the Group to further enhance its financial health.

- c. On 20 January 2023, on behalf of the Board of Directors of the Company, M&A Securities Sdn. Bhd. announced that the Company proposes to undertake a private placement of up to 367,642,100 new ordinary shares in the Company (“Placement Share(s)”), representing not more than 10% of the issued ordinary shares in the Company (“Private Placement”). Subsequently on 31 January 2023,

the Company had announced that approval from Bursa Malaysia Securities Berhad had been obtained vide its letter dated 31 January 2023.

On 19 April 2023, the Company had allotted 37,500,000 Placement Shares at an issue price of RM0.0500 per Placement Share (“Tranche 1 of the Private Placement”). The Tranche 1 of the Private Placement was completed on 19 April 2023 with the listing of and quotation for the said placement shares on the Main Market Bursa Securities.

On 25 May 2023, on behalf of the Board, M&A Securities Sdn. Bhd. announced that the Board has resolved to fix the issue price for the Private Placement at RM0.0541 per Placement Share (Tranche 2 of the Private Placement”). The announcement on the listing of Tranche 2 of the Private Placement will be made once completed.

The Company will make the necessary announcements as and when there are material developments.

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 31.03.2023 RM’000
Short-term :	
Bank overdrafts	8,058
Borrowings (Secured)	114,307
Borrowings (Unsecured)	917,438
Bills Payable	-
Hire Purchase	1,330
Revolving credits (Unsecured)	46,429
	<u>1,087,562</u>
Long-term :	
Borrowings (Secured)	87,048
Borrowings (Unsecured)	36,221
Hire Purchase	1,137
Revolving credits (Unsecured)	1,939
	<u>126,345</u>
	<u>1,213,907</u>

The above are also inclusive of borrowings in foreign currency of EUR106.76 million, USD36.49 million and THB2.81 billion.

The exchange rates used are 1 EUR = RM4.8056, 1 USD = RM4.4187, and 1 THB = RM0.12905. 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 31 December 2022 was estimated at THB 3,171.65 million (equivalent to approximately RM409.46 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	Gain on Fair value changes RM’000
Foreign Exchange Contracts		
-Less than 1 year	89,445	5,154
-Within 1-3 years	59,655	3,709
	149,100	8,863

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 months ended 31.03.2023	3 months ended 31.03.2022	9-month ended 31.03.2023	9-month ended 31.03.2022
	RM'000	RM'000	RM'000	RM'000
(a)				
Loss for the period is arrived at after charging:				
Amortisation of intangible assets	7,114	-	20,926	-
Impairment loss on trade receivables	4,499	-	5,205	-
(Reversal) of provision for warranty	129	-	(3,369)	-
Provision for late delivery charges	(21)	-	1,368	-
Bad debts written back	9	-	(462)	-
Share-based payment	-	-	1,095	-
And crediting:				
Interest income	466	-	856	-
Gain on disposal of property, plant and equipment	5	-	2,549	-
(b)				
Interest expense	34,204	-	95,207	-
(c)				
Depreciation charge for the period is allocated as follow:				
Income statement	9,444	-	13,203	-
Construction work in progress	6,635	-	20,900	-
	<u>16,079</u>	<u>-</u>	<u>34,103</u>	<u>-</u>

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 date for the Petition was fixed on 19 January 2023. However, due to the Restraining Order, it is now fixed for case management on 21 August 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.

In view of the Restraining Order granted by the High Court on 15 December 2022 and further extended till 14 August 2023, all proceedings/settlement payments have been put on hold until further notice.

- c. On 9 December 2022, the company was served with the following winding up petitions:
- (i) Winding up petition issued by the Shah Alam High Court dated 5 December 2022 taken out by Ann Joo Metals Sdn Bhd to claim the total outstanding debt of RM10,795,481.98, comprising RM9,841,364.12 for provision of goods and interest of RM954,117.86 as of 31 October 2022 with interest rates ranges from 8% to 18% per annum.
 - (ii) Winding up petition issued by the Shah Alam High Court dated 5 December 2022 taken out by Ann Joo Metal (Singapore)Pte Ltd to claim the total outstanding debt of USD1,215,048.46, comprising USD1,064,902.64 for provision of goods and interest of USD150,145.82 as of 31 October 2022 with interest rates ranges from 8% to 18% per annum.

The Petitions were initially fixed to be heard at the Sha Alam High court on 9 March 2023.

In view of the Restraining Order granted by the High Court on 15 December 2022 which has been further extended till 14 August 2023, and the application by the aforesaid Petitioners to set aside the Restraining Order, the Petitions are currently fixed the case management on 19 June 2023 pending disposal of the said setting aside application.

B13. Dividend payable

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

B14. Loss per share

<u>Basic loss per ordinary share</u>	Individual Quarter		Cumulative Quarter	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Net loss attributable to shareholders (RM'000)	(37,632)	-	(137,768)	-
Number of shares at the beginning of the year ('000)	3,678,263	-	3,678,263	-
Issuance of shares - Private placement ('000)	-	-	-	-
Effect of Share buy-back ('000)	(1,841)	-	(1,841)	-
Weighted average number of shares issued under ESOS ('000)	(435)	-	(435)	-
Weighted average number of ordinary shares ('000)	<u>3,675,987</u>	-	<u>3,675,987</u>	-
Basic loss per ordinary share (Sen)	(1.02)	-	(3.75)	-
<u>Diluted loss earnings per ordinary shares</u>	Individual Quarter		Cumulative Quarter	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Net loss attributable to shareholders (RM'000)	(37,632)	-	(137,768)	-
Weighted average number of ordinary shares ('000)	3,675,987	-	3,675,987	-
Effect of ESOS share options issued ('000)	-	-	-	-
Weighted average number of shares ('000)	<u>3,675,987</u>	-	<u>3,675,987</u>	-
Diluted loss per ordinary share (Sen)	(1.02)	-	(3.75)	-

The calculation of diluted loss 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 31 May 2023.