

KNM GROUP BERHAD(Registration No: 200001018741 (521348-H))
(Incorporated in Malaysia)**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023 (Unaudited)****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Individual Quarter		Cumulative period to date	
	Unaudited 3-month ended 30.09.2023 RM'000	Unaudited 3-month ended 30.09.2022 RM'000	Unaudited 30.09.2023 RM'000	Unaudited 30.09.2022 RM'000
CONTINUING OPERATIONS				
Revenue	312,244	-	1,383,295	-
Operating profit	16,897	-	60,491	-
Finance costs	(20,270)	-	(150,257)	-
Interest income	2,302	-	5,276	-
Profit/ (Loss) before tax	(1,071)	-	(84,490)	-
Tax expense	(11,590)	-	(38,026)	-
Loss from continuing operations	(12,661)	-	(122,516)	-
DISCONTINUED OPERATIONS				
Loss from discontinued operations, net of tax	(77,706)	-	(141,636)	-
LOSS FOR THE PERIOD	(90,367)	-	(264,152)	-
Other comprehensive income/ (expense), net of tax				
Foreign currency translation differences for foreign operations	30,902	-	101,190	-
Hedge of net investment in subsidiaries	-	-	4,690	-
Cash flow hedge	(3,024)	-	2,963	-
Revaluation of property, plant and equipment	-	-	31,368	-
Share of loss of equity-accounted associates	-	-	-	-
Other comprehensive income for the period, net of tax	27,878	-	140,211	-
Total comprehensive expense for the period	(62,489)	-	(123,941)	-
Loss attributable to:				
Owners of the Company	(84,497)	-	(241,557)	-
Non-controlling interests	(5,870)	-	(22,595)	-
	(90,367)	-	(264,152)	-
Total comprehensive expense attributable to:				
Owners of the Company	(54,434)	-	(89,687)	-
Non-controlling interests	(8,055)	-	(34,254)	-
Total comprehensive expense for the period	(62,489)	-	(123,941)	-
Loss per share:				
Total comprehensive expense attributable to:				
- Basic (Sen)	(2.25)	-	(6.44)	-
- Diluted (Sen)	(2.25)	-	(6.44)	-

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

The notes set out on pages 5 to 17 form an integral part of and should be read in conjunction with this interim financial report

KNM GROUP BERHAD

(Registration No: 200001018741 (521348-H))

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 30.09.2023 RM'000	Audited As at 30.6.2022 RM'000
Assets			
Non-current assets			
Other intangible assets		342,074	-
Goodwill		436,723	-
Property, plant and equipment		1,092,839	1,169,705
Right-of-use assets		73,476	27,864
Other investments, including derivatives		-	174
Deferred tax assets		54	52
		<u>1,945,166</u>	<u>1,197,795</u>
Current assets			
Inventories		54,709	36,235
Contract assets		291,119	120,762
Trade and other receivables		268,282	239,353
Cash and cash equivalents		197,959	66,914
		<u>812,069</u>	<u>463,264</u>
Assets classified as held for sale		<u>483,640</u>	<u>1,419,363</u>
		<u>1,295,709</u>	<u>1,882,627</u>
TOTAL ASSETS		<u>3,240,875</u>	<u>3,080,422</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		2,081,181	2,061,878
Treasury shares		(4,215)	(4,215)
Reserves		<u>(1,247,321)</u>	<u>(1,158,729)</u>
		829,645	898,934
Non-controlling interests		<u>(100,932)</u>	<u>(66,678)</u>
Total equity		<u>728,713</u>	<u>832,256</u>
Non-current liabilities			
Long term payables		840	5,962
Long service leave liability		292	7,787
Lease liabilities		66,740	25,963
Loans and borrowings	B9	105,372	172,238
Deferred tax liabilities		211,216	42,810
		<u>384,460</u>	<u>254,760</u>
Current liabilities			
Trade and other payables		433,426	410,330
Contract liabilities		145,730	73,951
Lease liabilities		11,257	3,439
Loans and borrowings	B9	1,124,735	1,089,488
Current tax liabilities		1,104	27,690
		<u>1,716,252</u>	<u>1,604,898</u>
Liabilities classified as held for sale		<u>411,450</u>	<u>388,508</u>
		<u>2,127,702</u>	<u>1,993,406</u>
Total liabilities		<u>2,512,162</u>	<u>2,248,166</u>
TOTAL EQUITY AND LIABILITIES		<u>3,240,875</u>	<u>3,080,422</u>
Net asset per share attributable to equity holders of the parent (RM)		<u>0.21</u>	<u>0.24</u>

The notes set out on pages 5 to 17 form an integral part of and should be read in conjunction with this interim financial report

KNM GROUP BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	2,963	-	105,880	31,368	(229,898)	(89,687)	(34,254)	(123,941)
Transactions with owners of the Company :-										
Share issuance arising from private placement	19,303	-	-	-	-	-	-	19,303	-	19,303
Share-based payment	-	-	-	1,095	-	-	-	1,095	-	1,095
As at 30 Sep 2023 (Unaudited)	2,081,181	(4,215)	3,530	6,524	(353,022)	164,544	(1,068,897)	829,645	(100,932)	728,713

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

The notes set out on pages 5 to 17 form an integral part of and should be read in conjunction with this interim financial report

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023 (Unaudited)

	Cumulative period ended 30.09.2023 (Unaudited)	Cumulative period ended 30.09.2022 (Unaudited)
	RM '000	RM '000
Cash flows from operating activities		
Loss before tax from continuing operations	(84,490)	-
Loss before tax from discontinued operations	(114,310)	-
	(198,800)	-
Adjustments for:		
Amortisation of intangible assets	30,694	-
Bad debts written off/(recovered)	(463)	-
Depreciation of property, plant and equipment	22,040	-
Depreciation of right-of-use assets	5,863	-
Gain on disposal of property, plant and equipment	(2,562)	-
Interest expense	158,496	-
Interest income	(5,239)	-
Unrealised gain on foreign exchange	17,077	-
Provision for late delivery charges	28,675	-
Reversal of provision for warranty	(3,356)	-
Impairment loss on trade receivables	7,173	-
Share-based payment	1,095	-
	60,693	-
Operating profit before working capital changes		
Changes in working capital:		
Inventories	52,049	-
Trade and other receivables	(168,940)	-
Trade and other payables	310,627	-
	254,429	-
Cash generated from operations		
Income taxes paid	(55,651)	-
Interest received	5,239	-
Interest paid	(133)	-
	203,884	-
Net cash generated from operating activities		
Cash flows from investing activities		
Acquisition/(Expiration) of right-of-use assets	(28,745)	-
Acquisition of property, plant and equipment	(19,900)	-
Change in pledged deposits	(1,019)	-
Proceeds from disposal of property, plant and equipment	5,510	-
	(44,154)	-
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	19,303	-
Interest paid	(158,496)	-
Lease interest paid	(1,984)	-
Net payment of bills payable	(60,000)	-
Net repayment of term loans, bond and revolving credits	(25,764)	-
Net repayment of hire purchase liabilities	(2,470)	-
Net increase in lease liabilities	-	-
	(229,411)	-
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(69,681)	-
Cash and cash equivalents at beginning of year	222,256	-
Effect of foreign currency translation	12,846	-
	165,421	-
Cash and cash equivalents at end of year		
Cash and bank balances	171,476	-
Deposits with financial institutions	26,483	-
Less: Pledged deposits	(24,283)	-
	173,676	-
Bank overdrafts	(8,255)	-
	165,421	-

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

The notes set out on pages 5 to 17 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 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
---------------------------------------	--

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. Discontinued operations

In accordance with the MFRS 5 Non-current Assets Held for Sale and Discontinued Operations:

- a) On 16 December 2022, the Board of Directors approved the proposed listing of its indirectly wholly-owned subsidiary, Borsig GmbH (“Borsig”), on the main board of the Singapore Stock Exchange Securities Trading Limited (“SGX-ST”). This will be done through an initial public offering (“IPO”), with the aim of achieving a market capitalisation of up to USD 300 million or its Singapore Dollar equivalent. The IPO will involve a placement of 49% of the enlarged capital, comprising vendor and/or new shares. As a result, Borsig is no longer classified as discontinued operations in the accounts starting from last quarter onwards
- b) 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). Consequently, both FBM Hudson Italiana S.p.A. and FBM-KNM FZCO have been classified as discontinued operations in the accounts starting from last quarter onwards.

A10. 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 30.09.2023			
Continuing operations:			
Asia & Oceania	83,528	(17,914)	(4,528)
Europe	1,299,767	305,062	150,656
Americas	-	-	(3,324)
	<u>1,383,295</u>	<u>287,148</u>	<u>142,804</u>
Discontinued operations:			
Europe	265,286	(14,848)	(88,840)
	<u>1,648,581</u>	<u>272,300</u>	<u>53,964</u>
	Revenue	Gross (loss)/profit	(LBITDA)/ EBITDA
	RM'000	RM'000	RM'000
Cumulative period ended 30.09.2022*			
Continuing operations:			
Asia & Oceania	-	-	-
Europe	-	-	-
Americas	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Discontinued operations:			
Europe	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

* 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.

A11. 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.

A12. Material events subsequent to the end of the interim year

On 11 October 2023, the Company attended a hearing before the High Court Kuala Lumpur where the Court directed that the Court-Convened Meetings initially scheduled on 12 October 2023 be adjourned to a subsequent date.

On 21 November 2023, the Company and KNM Process Systems Sdn Bhd (collectively referred to as the “Applicants”), as part of proactive measures and continuous effort to address the Applicants’ debt obligations in an orderly manner, applied to the High Court of Kuala Lumpur for the scheme of arrangement application under Sections 366 and 368 of the Companies Act 2016, and were granted the following orders:

- (a) leave to be granted to the Applicants to call for Court convened meetings pursuant to section 366 of the CA 2016 with the creditors of the Applicants or any class of them (“Scheme Creditors”) for the purpose of considering and, if thought fit, approving with or without modification (which modification can be made any time prior to and/or at the Scheme Meeting(s)) the proposed scheme of arrangement and compromise between the Applicants and the Scheme Creditors (“Proposed Scheme of Arrangement” or “SOA”); and
- (b) a Restraining Order pursuant to section 368(1) of the CA 2016 in conjunction with the debt restructuring effort by the Applicants to address its outstanding financial obligations without having the threat of any proceedings and actions against the Applicants

for a period of three (3) months from the date of 21 November 2023, which allows the Applicants and the Scheme Creditors to negotiate and finalise the terms of the Proposed Scheme of Arrangement without the potential threat of any proceedings and actions being brought against the Applicants in the interim.

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.

A13. Changes in the composition of the Group

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

A14. Contingent liabilities and Assets

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

	30.09.2023	30.6.2022
	RM'000	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	927,232	927,232
	<u>927,232</u>	<u>927,232</u>

There were no other material changes in the contingent liabilities.

There were no material contingent assets for the Group.

A15. Capital commitments

	Contracted but not provided for RM'000
Property, plant and equipment	160,600
	<u>160,600</u>

A16. 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 15-month ended 30 September 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 15-month period ended 30 September 2023, the Group posted a revenue recognition of RM1,649 million from its fabrication division worldwide and a gross profit of RM272.30 million, representing an average gross profit margin of 16.5% in the current financial period.

Consequently, the Group reported an Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM65.62 million including unrealised loss in foreign exchange incurred for the current financial period under review.

The Group reported a Loss Before Tax (“LBT”) of RM198.79 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 RM83.53 million to the Group solely from its fabrication business during the current financial period.

Consequently, this Segment’s gross loss stood at RM17.91 million with a LBITDA of RM4.53 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 RM1,565 million mainly contributed from one of its key fabrication plants in Germany, namely BORSIG. BORSIG had contributed 79% to the consolidated revenue of the Group for the financial period under review.

This Segment had contributed a gross profit of RM290.21 million to the Group and achieved an EBITDA of RM61.82 million inclusive of unrealised foreign exchange loss incurred for the financial period under review.

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 (5th quarter 2023 versus 4th quarter 2023)

The Group posted a lower revenue of RM369.22 million in current quarter as against RM378.51 million in the preceding quarter, mainly due to higher revenue recognition achieved by its fabrication business in Germany.

Consequently, the Group recorded a lower gross profit of RM63.13 million in the current quarter as against RM53.96 million in the preceding quarter. The Group posted an LBITDA of RM19.70 million and LBT of RM50.48 million respectively in the current quarter as against EBITDA RM73.88 million

and LBT RM12.87 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 still being executed to restructure the Group. Taking the impact of all these factors the uncertainties in the short term are at an elevated level.

The Malaysian economy expanded by 3.3% in the third quarter of 2023 (2Q 2023: 2.9%). Growth was anchored by resilient domestic demand. Household spending remained supported by continued growth in employment and wages. Despite the challenging global environment, the Malaysian economy is projected to expand by around 4% in 2023 and 4% – 5% in 2024. Growth will continue to be driven by the expansion in domestic demand amid steady employment and income prospects, particularly in domestic-oriented sectors. This growth performance along with other favourable economic developments would provide support to the ringgit. *(Sources: Bank Negara Malaysia)*

The European Commission announced in November 2023 that the first auction under the European Hydrogen Bank has started, designed to support the production of renewable hydrogen in the bloc. With the Commission having a goal of producing 10m tonnes/year of renewable hydrogen by 2030, the European Hydrogen Bank has been seen as a key enabler of support, and a second auction with additional funding is due in spring 2024. Germany is forecast to import at least half of its hydrogen requirements by the end of the decade, and is searching for partners close to home to allow for pipeline flows to occur as well as ammonia imports from other global regions. *(Sources: European Hydrogen Market Summary – icis.com)*

In view of the strong demand for renewable energy sector, the Group foresees that its subsidiaries in Germany with its long-standing heritage in its product markets will be benefited from the renewable energy investment particularly in green hydrogen. Its Process Heat Exchangers, Membrane, Compressor, and Valve Technology segments which are in the forefront of green hydrogen technology are expected to be driven strongly by the acceleration of environmental regulations, resource scarcity, need for alternative fuels which proven by its strong order books.

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	3-month	Cumulative	Cumulative
	ended 30.09.2023	ended 30.09.2022	period	period
	RM'000	RM'000	ended 30.09.2023	ended 30.09.2022
			RM'000	RM'000
Current	3,458	-	10,531	-
-Prior period	568	-	(2,292)	-
Deferred tax	7,564	-	29,787	-
	<u>11,590</u>	<u>-</u>	<u>38,026</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 was 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).

On 7 September 2023, KNM Europa B.V. had entered into a conditional Share Purchase Agreement (“SPA”) with Petro MAT FZCO, a company incorporated under the laws of the United Arab Emirates (“Petro MAT” or the “Purchaser”) to dispose its 100% equity interest in FBM for a total cash consideration of EUR12,000,000 with the intercompany outstanding debt for an amount of EUR10,000,000 to be waived as agreed by the Purchaser, as announced by the Company on 8 September 2023 and 12 September 2023.

Petro MAT was appointed by British Midland FZE to replace it as the Purchaser in this transaction.

The Company had also on 12 September 2023 and 13 September 2023 made announcements providing further information in relation to the Proposed Disposal.

On 9 November 2023, the Company had announced that one of the conditions precedent in the SPA for the Proposed Disposal which is to obtain the Golden Power Clearance, was rejected by the Italian Government, vide its letter dated 7 November 2023, which was received by the Company on 8 November 2023.

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 had decided not to further extend the Longstop date of the Proposed disposal and instead exercised its withdrawal right under the share sale and purchase agreement. Hence, the Proposed Disposal did 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 20 April 2023 with the listing of and quotation for the said placement shares on the Main Market Bursa Securities.

On 6 June 2023, the Company had allotted 330,142,100 Placement Shares at an issue price of RM0.0541 per Placement Share (“Tranche 2 of the Private Placement”). The Tranche 2 of the Private Placement was completed on 7 June 2023 with the listing of and quotation for the said placement shares on the Main Market Bursa Securities, marking the completion of the Private Placement.

As at 30 September 2023, the said proceed has been utilized as follows:

Proposed utilisation of proceeds	Expected timeframe for utilisation from completion of private placement	Proposed utilisation (based on actual amount raised) RM'000	Actual utilisation as of 30 Sep 2023 RM'000	Balance available for utilisation RM'000
Working capital requirements	Within 6 months	16,292	16,292	0
Expenses for restructuring and formulation of the regularisation plan	Within 12 months	3,000	1,234	1,766
Expenses for the private placement	Immediate	444	444	0
Total		19,736	17,970	1,766

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 30.09.2023 RM'000
Short-term :	
Bank overdrafts	8,255
Borrowings (Secured)	50,291
Borrowings (Unsecured)	429,040
Hire Purchase	1,232
Revolving credits (Unsecured)	635,917
	<u>1,124,735</u>
Long-term :	
Borrowings (Secured)	15,079
Hire Purchase	6,195
Revolving credits (Unsecured)	84,098
	<u>105,372</u>
	<u>1,230,107</u>

The above are also inclusive of borrowings in foreign currency of EUR88.95 million, USD37.06 million and THB2.81 billion.

The exchange rates used are 1 EUR = RM5.0849, 1 USD = RM4.6690, and 1 THB = RM0.1310.

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	92,740	1,083
-Within 1-3 years	4,229	12
	96,969	1,095

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 30.09.2023 RM'000	3 months ended 30.09.2022 RM'000	15-month ended 30.09.2023 RM'000	15-month ended 30.09.2022 RM'000
(a)				
Loss for the period is arrived at after charging:				
Amortisation of intangible assets	3,569	-	30,694	-
Impairment loss on trade receivables	825	-	7,173	-
(Reversal) of provision for warranty	125	-	(3,356)	-
Provision for late delivery charges	23,160	-	28,675	-
Bad debts written back/ (recovered)	3	-	(463)	-
Share-based payment	-	-	1,095	-
And crediting:				
Interest income	2,305	-	5,239	-
Gain on disposal of property, plant and equipment	66	-	2,562	-
(b)				
Interest expense	41,613	-	158,496	-
(c)				
Depreciation charge for the period is allocated as follow:				
Income statement	4,221	-	22,040	-
Construction work in progress	-	-	20,900	-
	75,887	-	273,055	-

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 was fixed for case management on 21 August 2023 and further rescheduled to 11 October 2023 and the next case management is fixed on 23 February 2024 in view of the Restraining Order dated 21 November 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 Orders (“RO”) granted by the High Court on 15 December 2022 and 21 November 2023 respectively, 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 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 Shah Alam High court on 9 March 2023.

In view of the Restraining Orders (“RO”) granted by the High Court on 15 December 2022 and 21 November 2023 respectively, all proceedings/settlement payments have been put on hold until further notice. The next case management for both the Petitions are fixed on 23 February 2024 pending expiry of the RO dated 21 November 2023.

- d. On 11 October 2023, the Company, Deutsche KNM GmbH, and Borsig GmbH (“Plaintiffs”) has filed a writ action at the High Court of Malaya at Kuala Lumpur vide Civil Suit No. WA-22NCC-731-10/2023 against Flavio Porro and Terence Tan Koon Ping (“Defendants”) for damages claim of EUR3,444,832. The claim is based on conspiracy to injure, breach of duty of loyalty and fidelity, negligence and breach of statutory duties. The case management was fixed on 25 October 2023, which was rescheduled to 27 October 2023.

On 27 October 2023, the Court has given the following directions:

1. The First Defendant, Flávio Porro, to file his Statement of Defence on/before 16 November 2023.
2. The Plaintiffs to file Reply to 1st Defendant’s Statement of Defence on/before 30 November 2023.
3. Parties to file by interlocutory application (if any) on/before 14 December 2023.
4. The matter is now fixed for case management on 15 December 2023.

B13. Dividend payable

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

B14. Profit/ (loss) per share

<u>Basic loss per ordinary share</u>	Individual Quarter		Cumulative Quarter	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
Net profit/ (loss) attributable to shareholders (RM'000)	(84,497)	-	(241,557)	-
Number of shares at the beginning of the year ('000)	3,678,263	-	3,678,263	-
Issuance of shares - Private placement ('000)	70,379	-	70,379	-
Weighted average number of ordinary shares ('000)	3,748,642	-	3,748,642	-
Basic profit/ (loss) per ordinary share (Sen)	(2.25)	-	(6.44)	-
<u>Diluted loss earnings per ordinary shares</u>	Individual Quarter		Cumulative Quarter	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Net profit/ (loss) attributable to shareholders (RM'000)	(84,497)	-	(241,557)	-
Weighted average number of ordinary shares ('000)	3,748,642	-	3,748,642	-
Weighted average number of shares ('000)	3,748,642	-	3,748,642	-
Diluted profit/ (loss) per ordinary share (Sen)	(2.25)	-	(6.44)	-

The calculation of diluted profit/(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 30 November 2023.