

KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2022 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		15 months ended	
	Unaudited 3 months ended 31.3.2022 RM'000	Unaudited 3 months ended 31.3.2021 RM'000	Unaudited 31.3.2022 RM'000	Unaudited 31.3.2021 RM'000
Revenue	157,434	-	1,180,125	-
Operating loss	(44,689)	-	(571,124)	-
Finance costs	(38,172)	-	(146,602)	-
Interest income	2	-	136	-
Loss before tax	(82,859)	-	(717,590)	-
Tax expense	7,270	-	(14,682)	-
Net loss for the period	(75,589)	-	(732,272)	-
Other comprehensive expense, net of tax				
Foreign currency translation differences for foreign operations	(92,632)	-	(155,091)	-
Hedge of net investment in subsidiaries	62,902	-	29,874	-
Cash flow hedge	723	-	598	-
Revaluation of property, plant and equipment	1,207	-	(3,026)	-
Share of loss of equity-accounted associates	(1,355)	-	-	-
Other comprehensive expense for the period, net of tax	(29,155)	-	(127,645)	-
Total comprehensive expense for the period	(104,744)	-	(859,917)	-
Loss attributable to:				
Owners of the Company	(88,736)	-	(690,212)	-
Non-controlling interests	13,147	-	(42,060)	-
	(75,589)	-	(732,272)	-
Total comprehensive expense attributable to:				
Owners of the Company	(119,332)	-	(814,579)	-
Non-controlling interests	14,588	-	(45,338)	-
Total comprehensive expense for the period	(104,744)	-	(859,917)	-
Loss per share:				
Total comprehensive expense attributable to:				
- Basic (Sen)	(2.60)	-	(20.23)	-
- Diluted (Sen)	(2.60)	-	(20.22)	-

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

(Company No:521348-H)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 31.3.2022 RM'000	Audited As at 31.12.2020 RM'000
Assets			
Non-current assets			
Other intangible assets		357,456	416,278
Goodwill		503,916	902,467
Property, plant and equipment		1,247,836	1,517,621
Right-of-use assets		107,963	48,911
Other investments, including derivatives		177	187
Investments in associates		49	47
Deferred tax assets		53	82
		<u>2,217,450</u>	<u>2,885,593</u>
Current assets			
Inventories		113,772	96,912
Contract assets		111,375	303,075
Trade and other receivables		302,653	297,161
Cash and cash equivalents		309,133	275,297
		<u>836,933</u>	<u>972,445</u>
Asset classified as held for sale		31,297	-
		<u>868,230</u>	<u>972,445</u>
TOTAL ASSETS		<u>3,085,680</u>	<u>3,858,038</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		2,061,834	2,005,665
Treasury shares		(4,214)	(53,425)
Reserves		(987,291)	(177,164)
		<u>1,070,329</u>	<u>1,775,076</u>
Non-controlling interests		<u>(68,162)</u>	<u>(22,824)</u>
Total Equity		<u>1,002,167</u>	<u>1,752,252</u>
Non-current liabilities			
Long term payables		6,075	7,721
Long service leave liability		7,556	6,940
Lease liabilities		97,166	37,834
Loans and borrowings	B9	171,383	650,701
Deferred tax liabilities		182,575	218,366
		<u>464,755</u>	<u>921,562</u>
Current liabilities			
Trade and other payables		365,480	333,510
Contract liabilities		124,420	93,522
Lease liabilities		14,267	11,996
Loans and borrowings	B9	1,083,660	711,903
Current tax liabilities		30,931	33,293
		<u>1,618,758</u>	<u>1,184,224</u>
Total liabilities		<u>2,083,513</u>	<u>2,105,786</u>
TOTAL EQUITY AND LIABILITIES		<u>3,085,680</u>	<u>3,858,038</u>
Net asset per share attributable to equity holders of the parent (RM)		<u>0.29</u>	<u>0.60</u>

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KNM GROUP BERHAD

(Company No:521348-H)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2022 (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 January 2021	2,005,665	(53,425)	(1,711)	3,804	(338,343)	173,507	(14,421)	1,775,076	(22,824)	1,752,252
Total comprehensive expense for the year	-	-	598	-	(121,939)	(3,026)	(690,212)	(814,579)	(45,338)	(859,917)
Transactions with owners of the Company :-										
Share-based payment	-	-	-	4,452	-	-	-	4,452	-	4,452
Share issuance arising from private placements	94,651	-	-	-	-	-	-	94,651	-	94,651
Share issuance arising from ESOS	6,674	-	-	-	-	-	-	6,674	-	6,674
Own shares sold	(45,156)	49,211	-	-	-	-	-	4,055	-	4,055
As at 31 March 2022 (Unaudited)	2,061,834	(4,214)	(1,113)	8,256	(460,282)	170,481	(704,633)	1,070,329	(68,162)	1,002,167

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KNM GROUP BERHAD(Company No. 521348-H)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2022 (Unaudited)**

	15 months ended 31.3.2022 (Unaudited) RM '000	15 months ended 31.3.2021 (Unaudited) RM '000
Cash flows from operating activities		
Loss before tax	(717,590)	-
Adjustments for:		
Amortisation of intangible assets	37,731	-
Bad debts recovered	(3,200)	-
Change in fair value of forward contracts	519	-
Depreciation of property, plant and equipment	65,385	-
Depreciation of right-of-use assets	18,257	-
Gain on disposal of property, plant and equipment	(6,286)	-
Interest expense	145,888	-
Interest income	(136)	-
Unrealised gain on foreign exchange	(42,187)	-
Provision for late delivery charges	21,665	-
Reversal of provision for warranty	(490)	-
Reversal of impairment loss on amount due from joint venture	(3,244)	-
Provision for impairment loss on trade receivables	3,562	-
Provision for foreseeable losses	25,546	-
Share-based payment	4,487	-
Impairment loss on goodwill	341,454	-
Impairment loss on property, plant and equipment	119,451	-
Impairment loss on other receivables	2,949	-
Property, plant and equipment written off	597	-
Operating profit before working capital changes	<u>14,358</u>	<u>-</u>
Changes in working capital:		
Inventories	(16,861)	-
Trade and other receivables	181,653	-
Trade and other payables	17,245	-
Cash generated from operations	<u>196,395</u>	<u>-</u>
Income taxes paid	(55,021)	-
Interest paid	(356)	-
Interest received	136	-
Net cash generated from operating activities	<u>141,154</u>	<u>-</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(8,692)	-
Acquisition of right-of-use assets	(15,706)	-
Acquisition of other intangible assets	(222)	-
Change in pledged deposits	9,317	-
Proceeds from disposal of property, plant and equipment	11,791	-
Net cash used in investing activities	<u>(3,512)</u>	<u>-</u>
Cash flows from financing activities		
Interest paid	(98,505)	-
Lease interest paid	(5,119)	-
Net payment of bills payable	(45,497)	-
Net repayment of term loans, bond and revolving credits	(56,986)	-
Net repayment of hire purchase liabilities	(4,912)	-
Net increase in lease liabilities	2,271	-
Net proceeds from own shares sold	4,055	-
Proceeds from share issuance arising from ESOS	6,674	-
Proceeds from share issuance arising from private placements	94,651	-
Net cash used in financing activities	<u>(103,368)</u>	<u>-</u>
Net increase in cash and cash equivalents	34,274	-
Cash and cash equivalents at beginning of year	230,974	-
Effect of foreign currency translation	10,249	-
Cash and cash equivalents at end of year	<u>275,497</u>	<u>-</u>
Cash and bank balances	280,571	-
Deposits with licensed banks	28,562	-
Less: Pledged deposits	<u>(25,740)</u>	<u>-</u>
	283,393	-
Bank overdrafts	<u>(7,896)</u>	<u>-</u>
	<u>275,497</u>	<u>-</u>

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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Notes to the Quarterly Interim Financial Report – 31 March 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 year ended 31 December 2020. These explanatory notes attached to the interim financial statements provide explanation of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2020.

A2. Significant Accounting Policies

The audited financial statements of the Group for the financial year ended 31 December 2020 were prepared in accordance with MFRS. Except for certain differences, the requirements under IFRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2020 except for the adoption of new MFRSs and amendments that are mandatory for the Group for the financial period with effect from 1 January 2021:

Amendments to MFRS 9	<i>Financial Instruments</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures</i>
Amendments to MFRS 4	<i>Insurance Contracts</i>
Amendments to MFRS 16	<i>Leases – Interest Rate Benchmark Reform – Phase 2</i>
Amendment to MFRS 16	<i>Leases – COVID-19-Related Rent Concessions Beyond 30 June 2021</i>

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards</i>
Amendments to MFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to MFRS 9	<i>Financial Instruments</i>
Amendments to MFRS 16	<i>Leases</i>
Amendments to MFRS 116	<i>Proceeds before Intended use</i>
Amendments to MFRS 137	<i>Cost of Fulfilling a Contract</i>
Amendments to MFRS 141	<i>Agriculture</i>

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

MFRS 17	<i>Insurance Contracts</i>
Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to MFRS 108	<i>Definition of Accounting Estimates</i>

The Group plans to apply the abovementioned accounting standards, amendments and interpretations in the respective financial years when the abovementioned accounting standards, interpretation and

amendments become effective, where applicable, except for MFRS 4, *Insurance Contracts* that is effective for annual year beginning on or after 1 January 2021 as it is not applicable to the Group.

The initial adoption of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current year and prior year financial statements of the Group.

Change in Financial Year End

The Company had on 21 March 2022, announced that it had changed the financial year end of the Company from 31 December to 30 June. Consequently, the next set of audited financial statements shall be made up from 1 January 2021 to 30 June 2022 covering a period of 18 months and subsequently, the financial year of the Company shall end on 30 June.

A3. Qualification of annual financial statements

There was no audit qualification in the annual financial statements of the Group for the financial year ended 31 December 2020.

A4. Seasonal and cyclical factors

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

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

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

A6. Material changes in estimates

There were no material changes in estimates of amounts reported in the current financial quarter.

A7. Debt and equity securities

There were no issuances, repurchases or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares were carried out since the end of the last reporting period and up to the date of issuance of this report.

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

As at 23 May 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 23 May 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	Gross profit/ (loss)	EBITDA/ (LBITDA)
	15 months ended	15 months ended	15 months ended
	31.3.2022	31.3.2022	31.3.2022
	RM'000	RM'000	RM'000
Asia & Oceania	97,058	(3,454)	(172,674)
Europe	1,083,067	202,896	(281,469)
Americas	-	-	4,391
	1,180,125	199,442	(449,752)
	15 months ended	15 months ended	15 months ended
	31.3.2021	31.3.2021	31.3.2021
	RM'000	RM'000	RM'000
Asia & Oceania	-	-	-
Europe	-	-	-
Americas	-	-	-
	-	-	-

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 and B8.c, 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 8 March 2022, the Company announced to Bursa Malaysia Securities Berhad that its indirect wholly-owned subsidiary, KPS Technology Group LLC had been effectively dissolved on 22 February 2022.

On 12 April 2022, the Company announced that its indirect wholly-owned subsidiary, KNM Transparent Energy Sdn. Bhd. and KNM Management Services Sdn. Bhd. had been effectively dissolved on 7 April 2022.

On 20 May 2022, the Company announced that its indirect wholly-owned subsidiary, Petrosab Petroleum Sdn. Bhd. and KNM Ogpel (Sabah) Sdn. Bhd. had been effectively dissolved on 20 April 2022.

There is no material financial impact to the Group upon dissolving of the above subsidiary companies as these subsidiary companies had already been dormant for years.

A13. Contingent liabilities and Assets

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

	31.3.2022	31.12.2020
	RM'000	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	626,891	615,668
Share of joint ventures' contingent liabilities incurred jointly with other investors		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	-	12,217

There were no other material changes in the contingent liabilities.

There were no material contingent assets for the Group.

A14. Capital commitments

	Contracted but not provided for RM'000
Property, plant and equipment	185,789

A15. Related party transactions

Significant related party transactions for the financial period to date are as follows:

	RM'000
Inter Merger Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	736
Inter Merger Realty & Development Sdn. Bhd. (a)	
- Office rental, administrative expense and other support services	18

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

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

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

B1. Performance of 15-month ended 31 March 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 15-month period ended 31 March 2022, the Group posted a revenue recognition of RM1.18 billion mainly contributed from the fabrication business amid slower order intakes caused by the slowdown in global economic activities resulting from the impact of COVID-19 pandemic worldwide.

The Group achieved a gross profit of RM199.44 million with a gross profit margin of 16.90% in the current financial period, mainly due to restricted production in fabrication business in Malaysia and Europe in complying with the stringent pandemic protocols which had slowed down the overall project progress and subsequently caused production costs overrun in certain projects.

The Group had made the non-cash accounting impairment on assets including goodwill, ethanol plant under construction in Thailand and additional project costs provided upon closure of certain long outstanding projects at an aggregate total of approximately RM511.07 million during the current financial period. Consequently, the Group reported a Losses Before Interest, Tax, Depreciation and Amortisation (“LBITDA”) of RM449.75 million. It is noticeable that, without all these non-cash accounting adjustments, the Group would have reported an Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM61.32 million in the current financial period.

The Group reported a loss before tax (“LBT”) of RM717.59 million in the current financial period, mainly due to impairment losses on goodwill and other non-cash accounting adjustments as explained above, finance costs incurred for certain projects under construction and depreciation on certain assets which had been expensed off into income statement in the current financial period.

Asia & Oceania Segment

This Segment posted a revenue of RM97.06 million to the Group during the current financial period while managing the impacts due to the restricted production in fabrication division in Malaysia as a result of the Movement Control Order compliance, coupled with slow replenishment of new orders caused by the prolonged health pandemic and no contribution from Thailand’s operations.

Consequently, this Segment reported a gross loss of RM3.45 million and a LBITDA of RM172.67 million after taking into the account of the non-cash accounting impairment provided on the ethanol plant under construction and the additional production costs provided upon closure of certain projects, totalling RM167.89 million during the current financial period. This Segment would have achieved a lower loss of RM4.78 million before accounting for these non-cash accounting impairments for the current financial period.

Europe Segment

The Europe Segment posted a revenue recognition of RM1.08 billion amid a lower order intake secured during the current financial period due to the prolonged health pandemic.

This Segment contributed a gross profit of RM202.90 million to the Group during the current financial period and achieved a LBITDA of RM281.47 million with a non-cash accounting impairment of goodwill of approximately RM340.59 million provided for in order to reflect the fair valuation of an asset. It is noticeable that without this non-cash accounting impairment on goodwill, this segment would have had posted an EBITDA of RM59.12 million for the financial period under review.

America Segment

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

B2. Performance of the current quarter against the preceding quarter (5th quarter 2022 versus 4th quarter 2022)

The Group posted a lower revenue of RM157.43 million in current quarter as against RM219.10 million in the preceding quarter, mainly due to lower overall project progress recognition in fabrication business as a result of lower order intake achieved caused by COVID-19 pandemic worldwide.

Consequently, the Group recorded a lower gross profit of RM1.40 million in the current quarter as against RM14.47 million in the preceding quarter.

The Group had narrowed down its LBT from RM628.58 million in the preceding quarter to RM82.86 million in the current quarter in the absence of non-cash accounting impairments provided for certain assets including ethanol plant under construction in Thailand and goodwill in order to reflect the fair valuation of these assets in the preceding quarter.

B3. Prospects

The Board anticipates that the outlook for the financial year ending 30 June 2022 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 growing demand for liquefied natural gas in global 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.

The Proposed Disposal of Borsig GmbH ("Borsig") for a total consideration of EUR220.80 million ("Consideration") announced on 24 May 2022 is expected to enhance the cash flow of the Group and reduce the finance cost by approximately RM85.02 million per annum. The Consideration of EUR220.80 million represents 194.62% of the Company's market capitalisation of RM533.08 million as at 27 May 2022, while Borsig and its subsidiaries ("Borsig Group") contributed approximately 59.51% of the Group's consolidated revenue and 14.71% total net asset value based on the latest audited financial statements of Borsig Group and KNM Group for the financial year ended 31 December 2020.

KNM Process Systems Sdn Bhd, being the penultimate holding company of Borsig Group, has received cash amounted to approximately EUR212.84 million from Borsig Group over the years. Thus, upon the completion of the Proposed Disposal, KNM Group will have recognised a total cash inflow of approximately EUR398.21 million, which represents a return of approximately 13.77% on the initial investment of EUR350.00 million. The gearing level of the Group is expected to be reduced from 0.78 times as per the audited statement of financial position as at 31 December 2020 to 0.31 times upon closing of the Proposed Disposal.

Consequently, the Proposed Disposal is expected to improve the Group's cash position significantly and increase the financial capability of the Group to undertake contracts for the fabrication of process

equipment and/ or renewable energy projects moving forward. The Group's deleveraging will also improve its ability to obtain additional financing for future capital expenditure and/ or strategic acquisitions as well as improve the Group's bottom line by reducing its finance costs.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months ended 31.3.2022 RM'000	3 months ended 31.3.2021 RM'000	15 months ended 31.3.2022 RM'000	15 months ended 31.3.2021 RM'000
Current	409	-	40,546	-
-Prior period	979	-	(532)	-
Deferred tax	(8,658)	-	(25,332)	-
	<u>(7,270)</u>	<u>-</u>	<u>14,682</u>	<u>-</u>

The Group's effective tax rate for the current financial periods was higher than statutory tax rate mainly due to non-deductible expenses and no deferred tax assets have been recognised on tax loss subsidiaries.

B6. Unquoted investments and properties

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

B7. Quoted and marketable investments

There were no significant investments or disposals in quoted and marketable securities during the current financial quarter and financial year to date.

B8. Status of corporate proposals announced

- a. Since the last reporting date, the Company had announced the additional listing of 650,500 ordinary shares in the Company respectively pursuant to the Company's Employee Share Option Scheme ("ESOS"), and the ESOS shares had been allotted to the eligible employees on 2 March 2022, 7 April 2022 and 25 April 2022 respectively.
- b. On 19 January 2022, the Company had announced the proposed listing of its indirect wholly-owned subsidiaries, FBM Hudson Italiana SpA ("FBM") and FBM-KNM FZCO ("FZCO") (collectively as the "FBM Group") on Catalyst, the sponsor-supervised board of the Singapore Stock Exchange Securities Trading Limited ("SGX-ST") by way of an initial public offering ("IPO") (the "Proposed Flotation").

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

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

- c. On 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 third quarter 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 will continue to pursue the various corporate exercises announced previously, including monetarising the investments in Thailand and United Kingdom; and the listing of FBM Hudson Italiana SpA and FBM-KNM FZCO on the Singapore Stock Exchange Securities Trading Limited. These corporate exercises are expected to generate significant cash flow 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 31.3.2022 RM’000
Short-term :	
Bank overdrafts	7,896
Borrowings (Secured)	836,032
Borrowings (Unsecured)	135,654
Bills Payable	28,166
Hire Purchase	2,721
Revolving credits (Secured)	17,223
Revolving credits (Unsecured)	55,968
	<u>1,083,660</u>
Long -term :	
Borrowings (Secured)	81,334
Borrowings (Unsecured)	35,100
Hire Purchase	9,289
Revolving credits (Secured)	34,342
Revolving credits (Unsecured)	11,318
	<u>171,383</u>
	<u>1,255,043</u>

The above are also inclusive of borrowings in foreign currency of EUR111.66 million, CAD5.97 million, USD37.68 million and THB2.81 billion.

The exchange rates used are 1 EUR = RM4.6848, 1 CAD = RM3.3599, 1 USD = RM4.2050, and 1 THB = RM0.1263.

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

The Thai Bonds were matured on 18 November 2021 and under the terms and conditions of the Thai Bonds, the Company has up to 14 days after the maturity date, being 2 December 2021, to pay the principal sum and up to 21 days after the maturity date, being 9 December 2021, to pay the coupon arising therefrom (“Grace Period”), failing which, an event of default shall be deemed to have occurred.

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

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

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

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

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

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

B10. Financial Instruments

The outstanding forward foreign currency exchange contracts as at the end of the financial period were as follows:-

Type of Derivative	Contract/Notional value RM’000	Loss on Fair value changes RM’000
Foreign Exchange Contracts		
-Less than 1 year	6,619	69
	6,619	69

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 31.3.2022 RM'000	3 months ended 31.3.2021 RM'000	15 months ended 31.3.2022 RM'000	15 months ended 31.3.2021 RM'000
(a)				
Loss for the period is arrived at after charging:				
Amortisation of intangible assets	8,143	-	37,731	-
Change in fair value of forward contracts	167	-	519	-
(Loss)/Gain on disposal of property, plant and equipment	141	-	(6,286)	-
(Reversal of)/Provision for impairment loss on :				
- trade receivables	652	-	3,562	-
- other receivables	(3,814)	-	2,949	-
- amount due from a joint venture	833	-	(3,244)	-
- property, plant and equipment	(1,299)	-	119,451	-
- goodwill	(14,285)	-	341,454	-
Provision for/(Reversal of provision for):				
- warranty	224	-	(490)	-
- foreseeable loss	308	-	25,546	-
- late delivery charges	(8,107)	-	21,665	-
Bad debts (recovered)/written off	(4,086)	-	(3,200)	-
Plant and equipment written off	(1,397)	-	597	-
Share-based payment	35	-	4,487	-
And crediting:				
Interest income	2	-	136	-
(b)				
Interest expense	44,161	-	145,888	-
(c)				
Depreciation charge for the period is allocated as follow:				
Income statement	4,190	-	32,110	-
Construction work in progress	5,351	-	51,532	-
	<u>9,541</u>	<u>-</u>	<u>83,642</u>	<u>-</u>

B12. Material litigation

On 11 March 2019, a subsidiary, KNM Process Systems Sdn. Bhd. ("Claimant") had issued and submitted a Request for Arbitration (the "Request") against Lukoil Uzbekistan Operating Company LLC ("Respondent") with the Institute of the Stockholm Chamber of Commerce, in Sweden ("SCC").

The Request concerns disputes arising from a contract entered into with the Respondent on 3 December 2010. The hearing has had taken place in Geneva from 6 December 2021 to 24 December 2021.

The Parties are currently awaiting the final decision of the SCC Tribunal after the conclusion of the hearing. No exact date has been fixed for the delivering of the decision by the SCC Tribunal but it is expected that the final awards of the arbitration will be delivered tentatively in second half year of 2022.

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		15 months ended	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
Net loss attributable to shareholders (RM'000)	(88,736)	-	(690,212)	-
Number of shares at the beginning of the year ('000)	2,992,576	-	2,992,576	-
Issuance of shares - Private placement ('000)	386,307	-	386,307	-
Effect of Share buy-back ('000)	(2,713)	-	(2,713)	-
Weighted average number of shares issued under ESOS ('000)	36,083	-	36,083	-
Weighted average number of ordinary shares ('000)	<u>3,412,253</u>	<u>-</u>	<u>3,412,253</u>	<u>-</u>
Basic loss per ordinary share (Sen)	(2.60)	-	(20.23)	-
<u>Diluted loss per ordinary shares</u>	Individual Quarter		15 months ended	
	31.3.2022	31.3.2021	31.3.2022	31.3.2021
Net loss attributable to shareholders (RM'000)	(88,736)	-	(690,212)	-
Weighted average number of ordinary shares ('000)	3,412,253	-	3,412,253	-
Effect of ESOS share options issued ('000)	1,316	-	1,316	-
Weighted average number of shares ('000)	<u>3,413,569</u>	<u>-</u>	<u>3,413,569</u>	<u>-</u>
Diluted loss per ordinary share (Sen)	(2.60)	-	(20.22)	-

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 27 March 2019 at an exercise price of RM0.11.

B15. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 30 May 2022.