

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 JUN 2023 (Unaudited)

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|   | Individual Quarter                                 |  | Cumulative period to date         |                                   |
|---|--|--|-----------------------------------|-----------------------------------|
|   | Unaudited<br>3-month ended<br>30.06.2023<br>RM'000 | Unaudited<br>3-month ended<br>30.06.2022<br>RM'000 | Unaudited<br>30.06.2023<br>RM'000 | Unaudited<br>30.06.2022<br>RM'000 |
| <b>CONTINUING OPERATIONS</b>                                    |  |  |                                   |                                   |
| Revenue   | 342,266  | -  | 1,071,052                         | -                                 |
| Operating profit  | 40,460   | -  | 43,594                            | -                                 |
| Finance costs   | (38,265)   | -  | (129,987)                         | -                                 |
| Interest income   | 2,087  | -  | 2,927                             | -                                 |
| <b>Profit/ (loss) before tax</b>                                | <b>4,282</b>                                       | <b>-</b>   | <b>(83,466)</b>                   | <b>-</b>                          |
| Tax expense   | (10,497)   | -  | (26,436)                          | -                                 |
| <b>Loss from continuing operations</b>                          | <b>(6,215)</b>                                     | <b>-</b>   | <b>(109,902)</b>                  | <b>-</b>                          |
| <b>DISCONTINUED OPERATIONS</b>                                  |  |  |                                   |                                   |
| Loss from discontinued operations, net of tax                   | (17,134)   | -  | (63,883)                          | -                                 |
| <b>LOSS FOR THE PERIOD</b>                                      | <b>(23,349)</b>                                    | <b>-</b>   | <b>(173,785)</b>                  | <b>-</b>                          |
| <b>Other comprehensive income/ (expense), net of tax</b>        |  |  |                                   |                                   |
| Foreign currency translation differences for foreign operations | 43,508   | -  | 70,288                            | -                                 |
| Hedge of net investment in subsidiaries                         | -  | -  | 4,690                             | -                                 |
| Cash flow hedge   | (386)  | -  | 5,731                             | -                                 |
| Revaluation of property, plant and equipment                    | -  | -  | -                                 | -                                 |
| Share of loss of equity-accounted associates                    | -  | -  | -                                 | -                                 |
| <b>Other comprehensive income/ for the period, net of tax</b>   | <b>43,122</b>                                      | <b>-</b>   | <b>80,709</b>                     | <b>-</b>                          |
| <b>Total comprehensive income/ (expense) for the period</b>     | <b>19,773</b>                                      | <b>-</b>   | <b>(93,076)</b>                   | <b>-</b>                          |
| <b>Profit/ (loss) attributable to:</b>                          |  |  |                                   |                                   |
| Owners of the Company   | (19,293)   | -  | (157,060)                         | -                                 |
| Non-controlling interests                                       | (4,056)  | -  | (16,725)                          | -                                 |
|   | <b>(23,349)</b>                                    | <b>-</b>   | <b>(173,785)</b>                  | <b>-</b>                          |
| <b>Total comprehensive income/ (expense) attributable to:</b>   |  |  |                                   |                                   |
| Owners of the Company   | 25,894   | -  | (66,877)                          | -                                 |
| Non-controlling interests                                       | (6,120)  | -  | (26,199)                          | -                                 |
| Total comprehensive income/ (expense) for the period            | <b>19,773</b>                                      | <b>-</b>   | <b>(93,076)</b>                   | <b>-</b>                          |
| Earnings/ (loss) per share:                                     |  |  |                                   |                                   |
| Total comprehensive income/ (expense) attributable to:          |  |  |                                   |                                   |
| - Basic (Sen)   | (0.51)   | -  | (4.19)                            | -                                 |
| - Diluted (Sen)   | (0.51)   | -  | (4.19)                            | -                                 |

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<br>As at<br>30.06.2023<br>RM'000 | Audited<br>As at<br>30.6.2022<br>RM'000 |
|---|------|--|---|
| <b>Assets</b>   |      |  |   |
| <b>Non-current assets</b>   |      |  |   |
| Other intangible assets   |      | 354,185                                    | -                                       |
| Goodwill  |      | 450,394                                    | -                                       |
| Property, plant and equipment   |      | 1,078,897                                  | 1,169,705                               |
| Right-of-use assets   |      | 78,669                                     | 27,864                                  |
| Other investments, including derivatives                              |      | -  | 174                                     |
| Deferred tax assets   |      | 55   | 52                                      |
|   |      | <u>1,962,200</u>                           | <u>1,197,795</u>                        |
| <b>Current assets</b>   |      |  |   |
| Inventories   |      | 52,829                                     | 36,235                                  |
| Contract assets   |      | 298,194                                    | 120,762                                 |
| Trade and other receivables   |      | 279,563                                    | 239,353                                 |
| Cash and cash equivalents   |      | 235,556                                    | 66,914                                  |
|   |      | <u>866,142</u>                             | <u>463,264</u>                          |
| Assets classified as held for sale                                    |      | 520,210                                    | 1,419,363                               |
|   |      | <u>1,386,352</u>                           | <u>1,882,627</u>                        |
| <b>TOTAL ASSETS</b>   |      | <u>3,348,552</u>                           | <u>3,080,422</u>                        |
| <b>EQUITY AND LIABILITIES</b>   |      |  |   |
| <b>Equity attributable to equity holders of the parent</b>            |      |  |   |
| Share capital   |      | 2,081,181                                  | 2,061,878                               |
| Treasury shares   |      | (4,215)                                    | (4,215)                                 |
| Reserves  |      | (1,211,727)                                | (1,158,729)                             |
|   |      | <u>865,239</u>                             | <u>898,934</u>                          |
| <b>Non-controlling interests</b>                                      |      | <u>(92,878)</u>                            | <u>(66,678)</u>                         |
| <b>Total equity</b>   |      | <u>772,361</u>                             | <u>832,256</u>                          |
| <b>Non-current liabilities</b>  |      |  |   |
| Long term payables  |      | 841  | 5,962                                   |
| Long service leave liability  |      | 297  | 7,787                                   |
| Lease liabilities   |      | 70,811                                     | 25,963                                  |
| Loans and borrowings  | B9   | 96,040                                     | 172,238                                 |
| Deferred tax liabilities  |      | 208,055                                    | 42,810                                  |
|   |      | <u>376,044</u>                             | <u>254,760</u>                          |
| <b>Current liabilities</b>  |      |  |   |
| Trade and other payables  |      | 601,177                                    | 410,330                                 |
| Contract liabilities  |      | 164,603                                    | 73,951                                  |
| Lease liabilities   |      | 12,248                                     | 3,439                                   |
| Loans and borrowings  | B9   | 1,084,057                                  | 1,089,488                               |
| Current tax liabilities   |      | 1,118                                      | 27,690                                  |
|   |      | <u>1,863,203</u>                           | <u>1,604,898</u>                        |
| Liabilities classified as held for sale                               |      | 336,944                                    | 388,508                                 |
|   |      | <u>2,200,147</u>                           | <u>1,993,406</u>                        |
| <b>Total liabilities</b>  |      | <u>2,576,191</u>                           | <u>2,248,166</u>                        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                   |      | <u>3,348,552</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 JUN 2023 (Unaudited)**

|   | Attributable to Equity Holders of the Parent |                              |                              |                                   |                                  |                                  |                                 | Total<br>RM'000 | Non-controlling<br>Interests<br>RM'000 | Total<br>Equity<br>RM'000 |
|---|--|------------------------------|------------------------------|-----------------------------------|----------------------------------|----------------------------------|---------------------------------|-----------------|--|---------------------------|
|   | Non-distributable                            |                              |                              |                                   |                                  |                                  |                                 |                 |  |                           |
|   | Share<br>Capital<br>RM'000                   | Treasury<br>Shares<br>RM'000 | Hedging<br>Reserve<br>RM'000 | Share Option<br>Reserve<br>RM'000 | Translation<br>Reserve<br>RM'000 | Revaluation<br>Reserve<br>RM'000 | Accumulated<br>Losses<br>RM'000 |                 |  |                           |
| <b>As at 1 July 2022</b>                      | 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      | -  | -                            | 5,987                        | -                                 | 74,903                           | 31,368                           | (166,351)                       | (54,093)        | (26,200)                               | (80,293)                  |
| 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                     |
| <b>As at 30 Jun 2023 (Unaudited)</b>          | <b>2,081,181</b>                             | <b>(4,215)</b>               | <b>6,554</b>                 | <b>6,524</b>                      | <b>(383,999)</b>                 | <b>164,544</b>                   | <b>(1,005,350)</b>              | <b>865,239</b>  | <b>(92,878)</b>                        | <b>772,361</b>            |

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 CASH FLOWS  
FOR THE PERIOD ENDED 30 JUN 2023 (Unaudited)**

|   | Cumulative period<br>ended 30.06.2023<br>(Unaudited)<br>RM<br>'000 | Cumulative period<br>ended 30.06.2022<br>(Unaudited)<br>RM<br>'000 |
|---|--|--|
| <b>Cash flows from operating activities</b>             |  |  |
| Loss before tax from continuing operations              | (83,466)   | -  |
| Loss before tax from discontinued operations            | (64,848)   | -  |
|   | <u>(148,314)</u>   | <u>-</u>   |
| Adjustments for:  |  |  |
| Amortisation of intangible assets                       | 27,125   | -  |
| Bad debts written off/(recovered)                       | (460)  | -  |
| Depreciation of property, plant and equipment           | 17,819   | -  |
| Depreciation of right-of-use assets                     | 5,161  | -  |
| Gain on disposal of property, plant and equipment       | (2,496)  | -  |
| Interest expense  | 116,883  | -  |
| Interest income   | (2,934)  | -  |
| Unrealised gain on foreign exchange                     | (14,086)   | -  |
| Provision for late delivery charges                     | 5,515  | -  |
| Reversal of provision for warranty                      | (3,481)  | -  |
| Impairment loss on trade receivables                    | 6,348  | -  |
| Share-based payment                                     | 1,095  | -  |
| Operating profit before working capital changes         | <u>8,175</u>   | <u>-</u>   |
| Changes in working capital:                             |  |  |
| Inventories   | 53,929   | -  |
| Trade and other receivables                             | 46,456   | -  |
| Trade and other payables                                | 126,429  | -  |
| Cash generated from operations                          | <u>234,989</u>   | <u>-</u>   |
| Income taxes paid                                       | (49,626)   | -  |
| Interest received                                       | 2,934  | -  |
| Interest paid   | (133)  | -  |
| <b>Net cash generated from operating activities</b>     | <u>188,164</u>   | <u>-</u>   |
| <b>Cash flows from investing activities</b>             |  |  |
| Acquisition/(Expiration) of right-of-use assets         | (25,129)   | -  |
| Acquisition of property, plant and equipment            | (19,560)   | -  |
| Change in pledged deposits                              | 611  | -  |
| Proceeds from disposal of property, plant and equipment | 5,420  | -  |
| <b>Net cash used in investing activities</b>            | <u>(38,658)</u>  | <u>-</u>   |
| <b>Cash flows from financing activities</b>             |  |  |
| Proceeds from issue of shares                           | 19,303   | -  |
| Interest paid   | (116,750)  | -  |
| Lease interest paid                                     | (1,327)  | -  |
| Net payment of bills payable                            | (27,836)   | -  |
| Net repayment of term loans, bond and revolving credits | (75,516)   | -  |
| Net repayment of hire purchase liabilities              | (1,814)  | -  |
| Net increase in lease liabilities                       | -  | -  |
| <b>Net cash used in financing activities</b>            | <u>(203,940)</u>   | <u>-</u>   |
| <b>Net decrease in cash and cash equivalents</b>        | (54,434)   | -  |
| <b>Cash and cash equivalents at beginning of year</b>   | 222,256  | -  |
| <b>Effect of foreign currency translation</b>           | 36,232   | -  |
| <b>Cash and cash equivalents at end of year</b>         | <u>204,054</u>   | <u>-</u>   |
| Cash and bank balances                                  | 200,310  | -  |
| Deposits with financial institutions                    | 35,246   | -  |
| Less: Pledged deposits                                  | <u>(23,246)</u>  | <u>-</u>   |
|   | 212,310  | -  |
| Bank overdrafts   | (8,256)  | -  |
|   | <u>204,054</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

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 June 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<br>and MFRS 128 | Sale or Contribution of Assets between an Investor and its<br>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 this 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 this quarter onwards.

## A10. Segment information

Segmental analysis of the revenue and result :-

Geographical segments:

|  | <b>Revenue</b>   | <b>Gross</b>         | <b>(LBITDA)/</b> |
|--|------------------|----------------------|------------------|
|  | <b>RM'000</b>    | <b>(loss)/profit</b> | <b>EBITDA</b>    |
|  |                  | <b>RM'000</b>        | <b>RM'000</b>    |
| <b>Cumulative period ended 30.06.2023</b>  |                  |                      |                  |
| Continuing operations:                     |                  |                      |                  |
| Asia & Oceania                             | 76,560           | (21,956)             | (18,315)         |
| Europe                                     | 994,492          | 234,465              | 137,151          |
| Americas                                   | -                | -                    | (2,128)          |
|  | <u>1,071,052</u> | <u>212,509</u>       | <u>116,708</u>   |
| Discontinued operations:                   |                  |                      |                  |
| Europe                                     | 208,313          | (3,335)              | (43,040)         |
|  | <u>1,279,365</u> | <u>209,174</u>       | <u>73,668</u>    |
|  |                  |                      |                  |
|  | <b>Revenue</b>   | <b>Gross</b>         | <b>(LBITDA)/</b> |
|  | <b>RM'000</b>    | <b>(loss)/profit</b> | <b>EBITDA</b>    |
|  |                  | <b>RM'000</b>        | <b>RM'000</b>    |
| <b>Cumulative period ended 31.06.202 *</b> |                  |                      |                  |
| 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**

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**

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.

**A14. Contingent liabilities and Assets**

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

|  | <b>30.06.2023</b> | <b>30.6.2022</b> |
|--|-------------------|------------------|
|  | <b>RM'000</b>     | <b>RM'000</b>    |
| 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.

**A15. Capital commitments**

|                               | <b>Contracted but<br/>not provided for<br/>RM'000</b> |
|-------------------------------|---|
| Property, plant and equipment | 160,600   |

**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 12-month ended 30 June 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 12-month period ended 30 June 2023, the Group posted a revenue recognition of RM1,279 million from its fabrication division worldwide and a gross profit of RM209.17 million, representing an average gross profit margin of 16.3% in the current financial period.

Consequently, the Group reported an Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of RM73.67 million including unrealised loss in foreign exchange incurred for the current financial period under review.

The Group reported a Loss Before Tax (“LBT”) of RM148.31 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 RM76.56 million to the Group solely from its fabrication business during the current financial period.

Consequently, this Segment’s gross loss stood at RM21.96 million with a LBITDA of RM18.31 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 RM1,203 million mainly contributed from one of its key fabrication plants in Germany, namely BORSIG. BORSIG had contributed 77% to the consolidated revenue of the Group for the financial period under review.

This Segment had contributed a gross profit of RM231.13 million to the Group and achieved an EBITDA of RM94.11 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 (4<sup>th</sup> quarter 2023 versus 3<sup>rd</sup> quarter 2023)**

The Group posted a higher revenue of RM378.51 million in current quarter as against RM296.96 million in the preceding quarter, mainly due to higher revenue recognition achieved by its fabrication business in Germany.

Consequently, the Group recorded a higher gross profit of RM65.79 million in the current quarter as against RM48.09 million in the preceding quarter. The Group posted an EBITDA of RM73.88 million and LBT of RM12.87 million respectively in the current quarter as against EBITDA RM24.92 million

and LBT RM35.76 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.

The Malaysian economy expanded moderately in the second quarter of 2023 (2.9%; 1Q 2023: 5.6%), weighed mainly by slower external demand. Domestic demand remained the key driver of growth, supported by private consumption and investment. Bank Negara Malaysia expects the remainder of 2023, growth to remain moderate amid external headwinds but continues to be supported by resilient domestic demand. *(Sources: Bank Negara Malaysia)*

“Global renewable capacity additions are set to soar by 107 gigawatts (GW), the largest absolute increase ever, to more than 440 GW in 2023. This is equivalent of more than the entire installed power capacity of Germany and Spain combined. This unprecedented growth is being driven by expanding policy support, growing energy security concerns and improving competitiveness against fossil fuel alternatives. The crisis triggered by Russia’s invasion of Ukraine has accelerated renewable energy deployment in the European Union, driving the bloc to urgently reduce its dependence on Russian natural gas imports. Policy actions in many European countries has led us to revise our forecast for renewable capacity additions in the EU in 2023 and 2024 upwards by 40% compared with before the war.” *(Sources: Renewable Energy Market Update Outlook for 2023 and 2024 - IEA).*

Germany’s economy ministry has granted approval for the early implementation of the Electrolysis Corridor East Germany project, which aims to establish four large-scale electrolysers with a combined capacity of 210 MW for the production of green hydrogen on an industrial scale. *(Sources: <https://energynews.biz/>)*

The Group foresees that its subsidiaries in Germany which have long history, excellent reputation in the markets to benefit from the above significant boost in the renewable energy investment. Particularly its 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<br>ended 30.06.2023<br>RM’000 | 3-month<br>ended 30.06.2022<br>RM’000 | Cumulative<br>period<br>ended 30.06.2023<br>RM’000 | Cumulative<br>period<br>ended 30.06.2022<br>RM’000 |
|---------------|---------------------------------------|---------------------------------------|--|--|
| Current       | 3,507                                 | -                                     | 7,073  | -  |
| -Prior period | (1,712)                               | -                                     | (2,860)  | -  |
| Deferred tax  | 8,702                                 | -                                     | 22,223   | -  |
|               | 10,497                                | -                                     | 26,436   | -  |

## **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 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 June 2023, the said proceed has been utilized as follows:

| Proposed utilisation of proceeds                                      | Expected time frame for utilisation from completion of private placement | Proposed utilisation (based on actual amount raised) | Actual utilisation as of the date of this report | Balance available for utilisation |
|---|--|--|--|-----------------------------------|
|   |  | RM'000   | RM'000   | RM'000                            |
| Working capital requirements  | Within 6 months  | 16,292   | 8,407  | 7,885                             |
| Expenses for restructuring and formulation of the regularisation plan | Within 12 months   | 3,000  | 427  | 2,573                             |
| Expenses for the private placement                                    | Immediate  | 444  | 444  | -                                 |
| <b>Total</b>  |  | <b>19,736</b>  | <b>9,278</b>                                     | <b>10,458</b>                     |

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:

|                               | <b>As at<br/>30.06.2023<br/>RM'000</b> |
|-------------------------------|--|
| <b>Short-term :</b>           |  |
| Bank overdrafts               | 8,256                                  |
| Borrowings (Secured)          | 116,540                                |
| Borrowings (Unsecured)        | 944,255                                |
| Bills Payable                 | -                                      |
| Hire Purchase                 | 1,266                                  |
| Revolving credits (Unsecured) | 13,740                                 |
|                               | <u>1,084,057</u>                       |
| <b>Long-term :</b>            |  |
| Borrowings (Secured)          | 88,051                                 |
| Borrowings (Unsecured)        | -                                      |
| Hire Purchase                 | 6,626                                  |
| Revolving credits (Unsecured) | 1,363                                  |
|                               | <u>96,040</u>                          |
|                               | <u>1,180,097</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:-

| <b>Type of Derivative</b>  | <b>Contract/Notional value<br/>RM'000</b> | <b>Gain on Fair value<br/>changes<br/>RM'000</b> |
|----------------------------|---|--|
| 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**

|  | <b>3 months<br/>ended<br/>30.06.2023<br/>RM'000</b> | <b>3 months<br/>ended<br/>30.06.2022<br/>RM'000</b> | <b>12-month<br/>ended<br/>30.06.2023<br/>RM'000</b> | <b>12-month<br/>ended<br/>30.06.2022<br/>RM'000</b> |
|--|---|---|---|---|
| (a)  |   |   |   |   |
| Loss for the period is arrived at after charging:          |   |   |   |   |
| Amortisation of intangible assets                          | 6,199   | -   | 27,125  | -   |
| Impairment loss on trade receivables                       | 1,143   | -   | 6,348   | -   |
| (Reversal) of provision for warranty                       | 37  | -   | (3,481)   | -   |
| Provision for late delivery charges                        | 21  | -   | 5,515   | -   |
| Bad debts written back/ (recovered)                        | 2   | -   | (460)   | -   |
| Share-based payment  | -   | -   | 1,095   | -   |
| And crediting:   |   |   |   |   |
| Interest income  | 138   | -   | 2,934   | -   |
| Gain on disposal of property, plant and equipment          | 53  | -   | 2,496   | -   |
| (b)  |   |   |   |   |
| Interest expense   | 21,676  | -   | 116,883   | -   |
| (c)  |   |   |   |   |
| Depreciation charge for the period is allocated as follow: |   |   |   |   |
| Income statement   | 4,606   | -   | 17,819  | -   |
| Construction work in progress                              | 6,635   | -   | 20,900  | -   |
|  | <hr/>   | <hr/>   | <hr/>   | <hr/>   |
|  | 11,241  | -   | 38,719  | -   |

**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.

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 (“RO”) granted by the High Court on 15 December 2022 and further extended till 14 August 2023 and on 11 August 2023 the same Court granted an extension of the RO until the disposal of the RO Extension Application (Ad Interim RO) which fixed for hearing on 20 September 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 (“RO”) granted by the High Court on 15 December 2022 and further extended till 14 August 2023 and on 11 August 2023 the Kuala Lumpur High Court granted an extension of the RO until the disposal of the RO Extension Application (Ad Interim RO) which fixed for hearing on 20 September 2023, and the application by the aforesaid Petitioners to set aside the Restraining Order, the Petitions were fixed the case management on 19 June 2023, 16 August 2023 and 26 September 2023 pending disposal of the said setting aside application.

### **B13. Dividend payable**

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

**B14. Profit/ (loss) per share**

| <b><u>Basic loss per ordinary share</u></b>              | <b>Individual Quarter</b> |                   | <b>Cumulative Quarter</b> |                   |
|--|---------------------------|-------------------|---------------------------|-------------------|
|  | <b>30.06.2023</b>         | <b>30.06.2022</b> | <b>30.06.2023</b>         | <b>30.06.2022</b> |
| Net profit/ (loss) attributable to shareholders (RM'000) | (19,293)                  | -                 | (157,060)                 | -                 |
| 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)            | (0.51)                    | -                 | (4.19)                    | -                 |

| <b><u>Diluted loss earnings per ordinary shares</u></b>  | <b>Individual Quarter</b> |                   | <b>Cumulative Quarter</b> |                   |
|--|---------------------------|-------------------|---------------------------|-------------------|
|  | <b>30.06.2023</b>         | <b>30.06.2022</b> | <b>30.06.2023</b>         | <b>30.06.2022</b> |
| Net profit/ (loss) attributable to shareholders (RM'000) | (19,293)                  | -                 | (157,060)                 | -                 |
| 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)          | (0.51)                    | -                 | (4.19)                    | -                 |

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 August 2023.