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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE PERIOD ENDED 31 MARCH 2024 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative period to date	
	Unaudited 3-month ended 31.03.2024 RM'000	Unaudited 3-month ended 31.03.2023 RM'000	Unaudited 31.03.2024 RM'000	Unaudited 31.03.2023 RM'000
CONTINUING OPERATIONS				
Revenue	216,384	-	216,384	-
Operating profit	10,455	-	10,455	-
Finance costs	(25,903)	-	(25,903)	-
Interest income	-	-	-	-
Loss before tax	(15,448)	-	(15,448)	-
Tax expense	(13,384)	-	(13,384)	-
Loss from continuing operations	(28,832)	-	(28,832)	-
DISCONTINUED OPERATIONS				
Loss from discontinued operations, net of tax	(51,300)	-	(51,300)	-
LOSS FOR THE PERIOD	(80,132)	-	(80,132)	-
Other comprehensive income/ (expense), net of tax				
Foreign currency translation differences for foreign operations	(5,109)	-	(5,109)	-
Hedge of net investment in subsidiaries	431	-	431	-
Cash flow hedge	(1,756)	-	(1,756)	-
Other comprehensive (expense)/income for the period, net of tax	(6,434)	-	(6,434)	-
Total comprehensive expense for the period	(86,566)	-	(86,566)	-
Loss attributable to:				
Owners of the Company	(75,723)	-	(75,723)	-
Non-controlling interests	(4,409)	-	(4,409)	-
	(80,132)	-	(80,132)	-
Total comprehensive expense attributable to:				
Owners of the Company	(81,834)	-	(81,834)	-
Non-controlling interests	(4,732)	-	(4,732)	-
Total comprehensive expense for the period	(86,566)	-	(86,566)	-
Loss per share:				
Total comprehensive expense attributable to:				
- Basic (Sen)	(1.87)	-	(1.87)	-
- Diluted (Sen)	(1.87)	-	(1.87)	-

The financial year end of the Company and the Group has changed to 31 December in preceding year which was 18 months period. As such, there are no comparative figures

The notes set out on pages 5 to 22 form an integral part of and should be read in conjunction with this interim financial report

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

	NOTE	Unaudited As at 31.03.2024 RM'000	Audited As at 31.12.2023 RM'000
Assets			
Non-current assets			
Other intangible assets		345,210	346,587
Goodwill		446,889	452,916
Property, plant and equipment		1,042,132	1,056,574
Right-of-use assets		73,329	72,638
Deferred tax assets		54	56
		1,907,614	1,928,771
Current assets			
Inventories		62,266	63,215
Current tax assets		20,669	31,599
Contract assets		198,498	139,855
Trade and other receivables		275,212	235,332
Derivative financial assets		3,750	6,045
Cash and cash equivalents		136,430	169,498
		696,825	645,544
Assets classified as held for sale		467,774	436,349
		1,164,599	1,081,893
TOTAL ASSETS		3,072,213	3,010,664
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		2,125,969	2,125,969
Treasury shares		(4,215)	(4,215)
Reserves		(1,600,498)	(1,518,642)
		521,256	603,112
Non-controlling interests		(110,491)	(105,759)
Total equity		410,765	497,353
Non-current liabilities			
Long term payables		845	837
Long service leave liability		296	303
Lease liabilities		65,919	65,619
Loans and borrowings	B9	5,840	6,069
Deferred tax liabilities		194,605	198,743
		267,505	271,571
Current liabilities			
Trade and other payables		439,187	390,952
Contract liabilities		171,073	143,403
Lease liabilities		12,407	11,712
Loans and borrowings	B9	1,281,088	1,253,134
Current tax liabilities		1,109	834
		1,904,864	1,800,035
Liabilities classified as held for sale		489,079	441,705
		2,393,943	2,241,740
Total liabilities		2,661,448	2,513,311
TOTAL EQUITY AND LIABILITIES		3,072,213	3,010,664
Net asset per share attributable to equity holders of the parent (RM)		0.13	0.15

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KNM GROUP BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2024 (Unaudited)

	Attributable to Equity Holders of the Parent									
	Non- distributable									
	Share Capital RM'000	Treasury Shares RM'000	Hedging Reserve RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
As at 1 January 2024	2,125,969	(4,215)	6,751	1,958	(383,608)	129,967	(1,273,710)	603,112	(105,759)	497,353
Total comprehensive expense for the year	-	-	(1,756)	-	(4,377)	-	(75,723)	(81,856)	(4,732)	(86,588)
As at 31 March 2024 (Unaudited)	**2,125,969**	**(4,215)**	**4,995**	**1,958**	**(387,985)**	**129,967**	**(1,349,433)**	**521,256**	**(110,491)**	**410,765**

The financial year end of the Company and the Group has changed to 31 December in preceding year which was 18 months period. As such, there are no comparative figures

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KNM GROUP BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2024 (Unaudited)

	Note	Cumultive period ended 31.03.2024 (Unaudited) RM '000	Cumultive period ended 31.03.2023 (Unaudited) RM '000
Cash flows from operating activities			
Loss before tax from continuing operations		(15,448)	-
Loss before tax from discontinued operations		(51,300)	-
		(66,748)	-
Adjustments for:			
Amortisation of intangible assets		3,381	-
Bad debts written off/(recovered)		(1)	-
Depreciation of property, plant and equipment		15,502	-
Depreciation of right-of-use assets		6,861	-
Gain on disposal of property, plant and equipment		(137)	-
Interest expense		27,244	-
Unrealised gain on foreign exchange		7,690	-
Provision for late delivery charges		(375)	-
Reversal of provision for warranty		65	-
Impairment loss on trade receivables		(3,154)	-
Operating loss before working capital changes		(9,672)	-
Changes in working capital:			
Inventories		(1,294)	-
Trade and other receivables		(126,676)	-
Trade and other payables		123,313	-
Cash generated from operations		(14,329)	-
Income taxes paid		(7,303)	-
Interest paid		(135)	
Net cash used in operating activities		(21,767)	-
Cash flows from investing activities			
			-
Acquisition/(Expiration) of right-of-use assets		(1,266)	-
Change in pledged deposits		19	-
Net cash used in investing activities		(1,247)	-
Cash flows from financing activities			
Interest paid		(27,244)	-
Lease interest paid		(1,984)	-
Net repayment of term loans, bond and revolving credits		15,891	-
Net repayment of hire purchase liabilities		(236)	-
Net cash used in financing activities		(13,573)	-
Net decrease in cash and cash equivalents		(36,587)	-
Cash and cash equivalents at beginning of year		137,282	-
Effect of foreign currency translation		3,592	-
Cash and cash equivalents at end of year		104,287	-
Cash and bank balances		112,749	-
Deposits with financial institutions		23,681	-
Less: Pledged deposits		(23,681)	-
		112,749	-
Bank overdrafts		(8,462)	-
		104,287	-

The financial year end of the Company and the Group has changed to 31 December in preceding year which was 18 months period. As such, there are no comparative figures

The notes set out on pages 5 to 22 form an integral part of and should be read in conjunction with this interim financial report

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 31 December 2023. 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 31 December 2023.

A2. Significant Accounting Policies

The audited financial statements of the Group for the financial period ended 31 December 2023 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 31 December 2023 except for the adoption of new MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024:

Amendments to MFRS 16	Leases – Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Presentation of Financial Statements – Non-Current Liabilities with Convenants
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current
Amendments to MFRS 107	Statements of Cash Flows and MFRS 7Financial Instruments – Disclosure.

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 auditors have expressed a disclaimer of opinion as follows:

Basis for disclaimer of opinion

The auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion after considering the implications of the following matters:

1. As disclosed in Note 1(b) to the financial statements, the following events and conditions indicate that material uncertainties exist that may cast significant doubt on the ability of KNMG and its group of companies (the "Group") and the Company to continue as going concerns:

- The Group incurred net losses of RM420,825,000 for the financial period ended 31 December 2023 and as at that date, the current liabilities of the Group and of the Company exceeded their current assets by RM1,159,847,000 and RM170,165,000, respectively;

- The Company has been classified as a PN17 Company on 1 November 2022 and required to submit its regularisation plan to relevant regulatory authorities for approval before 30 April 2024. The Company had on 26 April 2024, submitted an application to Bursa Securities for a further extension of 12 months up to 30 April 2025 to submit its regularisation plan;

- The Group and the Company have defaulted various loans and borrowings amounting to RM1,251,879,000 and RM456,256,000 respectively;

- A subsidiary of the Company, KNM Process Systems Sdn. Bhd. ("KNMPS") had been served with winding-up petitions by their creditors ("Scheme Creditors"). On 15 December 2022, the High Court of Kuala Lumpur ("High Court") has granted the Company and KNMPS a Restraining Order ("RO") to allow the Company and KNMPS to negotiate and finalise the terms of the Scheme of Arrangement ("SOA") with its Scheme Creditors without the potential threat of any proceedings and actions being brought against the Company and KNMPS in the interim. The RO had expired on 20 February 2024 and an ad interim RO has been granted to the Company and KNMPS until 26 April 2024. On 26 April 2024, the Company and KNMPS had filed an application to the High Court to sanction a new SOA with its creditors and for a new RO. Upon the filing of the above application, an automatic moratorium is granted to the Company and KNMPS from the date of filing of the application for a maximum of two months or until the High Court decides on the application, whichever is earlier; and

- The credit facilities of certain overseas subsidiaries in Germany will be expiring on 2 May 2024. The negotiation with the financial institution to renew/extend the credit facilities are on-going.

Notwithstanding the above, the financial statements of the Group and of the Company have been prepared on a going concern basis. The Directors have initiated plans to dispose the Company's investment in Italy and the United Arab Emirates and to float the shares of its subsidiary in Germany. The Directors are also exploring opportunities to monetise the Group's other overseas investments and non-core assets. As of the date of this report, other than the ongoing exercise to dispose its investments in Italy and the United Arab Emirates as disclosed in Note 35, the remaining plans are still at its preliminary stages and no formal agreements have been entered into with any investors or buyers. In view of the uncertainties involving the timing and successful floatation exercise as well as disposal of other investments and non-core assets, the auditors were not able to obtain sufficient appropriate audit evidence to determine whether the Group's use of going concern basis of accounting was appropriate.

At the date of this report, the ability of the Group and the Company to continue as going concerns are highly dependent on the plans and factors as disclosed in Note 1(b). Accordingly, the financial statements of the Group and the Company may require adjustments relating to the recoverability and classification of recorded assets and to the classification and additional amounts of liabilities should the Group and the Company are unable to successfully implement or achieve the outcomes of the said plans.

2. The carrying amount of property, plant and equipment of the Group as at 31 December 2023 which has not been in use amounted to RM739,595,000. As disclosed in Note 3.6 to the financial statements, the auditors were not provided with the fair value less cost of disposal or value in use to determine the recoverable amount of the said property, plant and equipment. As a result, the auditors were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amount of property, plant and equipment of the Group and to determine whether any adjustments were necessary in respect of the Group's property, plant and equipment and the elements making up the statement of profit or loss and other comprehensive income, changes in equity and cash flows.

3. The audit of the subsidiaries in Germany is currently on-going. As disclosed in Note 6, the delay in completion of the audit was due to amongst others, the ongoing negotiation/renewal of the credit facilities with the financial institutions which is due to expire on 2 May 2024. Accordingly, the auditors were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the following carrying amounts included in the Group financial statement:

Property, plant and equipment	RM 112,593,000
Right-of-use assets	RM 71,651,000
Goodwill	RM 452,916,000
Other intangible assets	RM 346,587,000
Inventories	RM 58,519,000
Current tax assets	RM 29,786,000
Contract assets	RM 132,920,000
Trade and other receivables	RM 206,305,000
Derivative financial assets	RM 6,045,000
Cash and cash equivalents	RM 144,037,000
Loans and borrowings	RM 7,089,000
Lease liabilities	RM 76,544,000
Deferred tax liabilities	RM 190,176,000
Trade and other payables	RM 127,637,000
Contract liabilities	RM 100,644,000
Non-controlling interest	RM 10,893,000
Revenue	RM 1,582,703,000
Contract costs	RM 1,212,365,000
Administrative expenses	RM 148,561,000
Other income	RM 37,759,000
Other operating expenses	RM 91,375,000
Finance costs	RM 7,152,000
Finance income	RM 1,753,000
Tax expense	RM 50,132,000

The auditors were unable to determine whether any adjustments were necessary in respect of the above financial information, and the elements making up of the statement of financial position, statement of profit or loss and other comprehensive income, changes in equity and cash flows.

4. The carrying amount of interests in subsidiaries of the Company and amount due from subsidiaries as at 31 December 2023 amounted to RM1,990,490,000 and RM407,155,000 respectively. As disclosed in Note 6 and Note 13.1 to the financial statements, the auditors were not provided with the fair value less cost of disposal or value in use to determine the recoverable amount of the interests in subsidiaries and amounts due from subsidiaries. As a result, the auditors were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amount of interests in subsidiaries of the Company and amount due from subsidiaries and to determine whether any adjustments were necessary in respect of the Company’s interests in subsidiaries and amount due from subsidiaries and the elements making up the statement of profit or loss and other comprehensive income, changes in equity and cash flows.

5. Certain subsidiaries have defaulted loans and borrowings supported by corporate guarantee issued by the Company during the financial period. As disclosed in Note 17.7 of the financial statement, the auditors were not provided with the expected recoverable amount of the underlying securities. As a result, the auditors unable to obtain sufficient appropriate audit evidence to determine whether a provision for corporate guarantee is required for the Company and to determine whether any adjustments were necessary in respect of the provision for corporate guarantee and the elements making up the statement of profit or loss and other comprehensive income, changes in equity and cash flows.

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

On 26 May 2023, the Board has announced the proposed disposal of 100% equity interest in its fabrication businesses and facility located at Italy ("FBMHI") and United Arab Emirates ("FBM FZE") given its financial status which needs immediate restructuring and investment. On 27 March 2024, the Group had entered into a Share Purchase Agreement with buyers from Italy to dispose of its 100% equity in FBMHI and FBM FZE for an aggregate cash consideration of EUR16,500,000. The sale transaction is expected to be completed within 12 months after the end of the financial period.

Consequently, both FBMHI and FBM FZE have been classified as discontinued operations in the accounts starting from the last three previous quarters.

More details on the above matter are reflected on Note B8.

A10. Segment information

Segmental analysis of the revenue and result :-
Geographical segments:

	Revenue	Gross (loss)/profit	(LBITDA)/ EBITDA
	RM'000	RM'000	RM'000
Cumulative period ended 31.03.2024			
Continuing operations:			
Asia & Oceania	1,021	(7,924)	(26,717)
Europe	215,363	56,060	61,711
Americas	-	-	(1,274)
	216,384	48,136	33,720
Discontinued operations:			
Europe	33,221	(36,466)	(41,417)
	249,605	11,670	(7,697)

	Revenue	Gross (loss)/profit	(LBITDA)/ EBITDA
	RM'000	RM'000	RM'000
Cumulative period ended 31.03.2023*			
Continuing operations:			
Asia & Oceania	-	-	-
Europe	-	-	-
Americas	-	-	-
	-	-	-
Discontinued operations:			
Europe	-	-	-
	-	-	-

* 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 31 December 2024.

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

On 08 April 2024, the Kuala Lumpur High Court dismissed the Restraining Order under Originating Summons No. WA-24NCC-643-11/2023 by both KNM Group Berhad and KNM Process Systems Sdn Bhd (collectively referred to as "the **Applicants**"). However, the High Court granted an ad interim Erinford Order until 26 April 2024.

On 26 April 2024, the Applicants filed a fresh Originating Summons No. WA-24NCC-201-04/2024 to the High Court of Kuala Lumpur under **Sections 366 and 368 of the Companies Act ("CA") 2016** to sanction a new Proposed Scheme of Arrangement with its creditors and for a Restraining Order pursuant to **Section 368(1) of the CA 2016**.

Pursuant to Originating Summons No. WA-24NCC-201-04/2024, an automatic statutory moratorium under **Section 368(1A) of the Companies (Amendment) Act 2024** was granted to the Applicants from the date of filing of the application on 26 April 2024 for a maximum of two months or until the High Court decides on the application, which has the following effect –

(a) no order may be made, and no resolution may be passed, for the winding up of the Applicants;

(b) no receiver or receiver and manager may be appointed over any undertaking or property of the Applicants;

(c) no proceedings may be commenced or continued against the Applicants other than the proceedings under Section 366, 368c, 368d, 369a or 370 of the CA 2016 except with the leave of the Court and subject to any terms as the Court may impose;

(d) no execution, distress or other legal process may be commenced, continued or levied against any property of the Applicants except with the leave of the Court and subject to any terms as the Court may impose;

(e) no steps may be taken to enforce any security over any property of the Applicants, or to repossess any goods held by the Applicants under any chattels leasing agreement, hire purchase agreement or retention of title agreement, except with the leave of the Court and subject to any terms as the Court may impose; and

(f) no right of re-entry or forfeiture under any lease in respect of any premises occupied by the Applicants may be enforced except with the leave of the Court and subject to any terms as the Court may impose.

The Kuala Lumpur High Court will hear the Applicants' application on 25 June 2024. Further development in relation to the Scheme of Arrangement and the Restraining Order will be announced in due course.

There were no other material events subsequent to the end of the last reporting period and up to the date of issuance of this report.

A13. Changes in the composition of the Group

There were no other changes in the composition of the Group since the last update in the Q6 2023 results.

A14. Contingent liabilities and Assets

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

	31.03.2024 RM'000	31.12.2023 RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	927,232	927,232

There were no other material changes in the contingent liabilities.

There were no material contingent assets for the Group.

A15. Capital commitments

	Contracted but not provided for RM'000
Property, plant and equipment	37,329

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 3-month ended 31 March 2024

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 3-month period ended 31 March 2024, the Group posted a revenue recognition of RM249.61 million from its fabrication division worldwide and a gross profit of RM11.67 million, representing an average gross profit margin of 4.8% in the current financial period.

Consequently, the Group reported a Loss Before Interest, Tax, Depreciation and Amortisation ("LBITDA") of RM7.7 million including unrealised loss in foreign exchange incurred for the current financial period under review.

The Group reported a Loss Before Tax ("LBT") of RM66.75 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 RM1.02 million to the Group solely from its fabrication business during the current financial period.

Consequently, this Segment's gross loss stood at RM7.92 million with a LBITDA of RM26.72 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 RM248.58 million mainly contributed from one of its key fabrication plants in Germany, namely BORSIG. BORSIG had contributed 86.28% to the consolidated revenue of the Group for the financial period under review.

This Segment had contributed a gross profit of RM19.59 million to the Group and achieved an EBITDA of RM20.29 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 (1st quarter 2024 versus 6th quarter 2023)

The Group posted a lower revenue of RM249.61 million in current quarter as against RM284.78 million in the preceding quarter.

Consequently, the Group recorded a lower gross profit of RM11.67 million in the current quarter as against RM52.57 million in the preceding quarter. The Group posted an LBITDA of RM7.7 million and LBT of RM66.75 million respectively in the current quarter as against EBITDA RM64.78 million and LBT RM139.40 million in the preceding quarter in the absence of unrealised foreign exchange loss incurred in the preceding quarter.

B3. Prospects

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

The Malaysian economy grew at a higher rate of 4.2% in the first quarter of 2024 (4Q 2023: 2.9%), driven by stronger private expenditure and positive turnaround in exports. Household spending was higher amid continued growth in employment and wages. Better investment activities were supported by higher capital spending by both the private and public sectors. Exports rebounded amid higher external demand. On the supply side, most sectors registered higher growth. The manufacturing sector was lifted by a rebound across both the electrical and electronic (E&E) and non-E&E industries. The stronger growth in the services sector was driven by higher retail trade activities and continued support from the transport and storage subsector. *(Sources: Bank Negara Malaysia)*

When green hydrogen gets its legs, it will become the ‘new oil’ - the energy source that drives the global economy. As such, countries are now preparing and forming international coalitions to position themselves for that future. The quest to hit net zero by 2050 is generating interest in clean hydrogen, which also has the potential to decarbonize hard-to-abate sectors such as steel, chemicals, and shipping. While technology and clean energy prices are falling, they must decline more to complete this energy transformation. The green hydrogen market will expand from about $1 billion today to $30 billion in 2030, according to Markets and Markets. Low renewable energy prices and advancements in electrolysis will drive the growth. *(Sources: Forbes.com)*

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

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

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3-month ended 31.03.2024 RM’000	3-month ended 31.03.2023 RM’000	Cumulative period ended 31.12.2024 RM’000	Cumulative period ended 31.12.2023 RM’000
Current	(17,762)	-	(17,762)	-
-Prior period	(745)	-	(745)	-
Deferred tax	5,123	-	5,123	-
	(13,384)	-	(13,384)	-

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 S.p.A. ("FBMHI") and FBM-KNM FZCO (collectively as the "FBM Group") on Catalist, the sponsor-supervised board of the Singapore Stock Exchange Securities Trading Limited ("SGX-ST") by way of an initial public offering ("IPO") (the "Proposed Flotation").

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

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

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

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

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

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

   On 16 February 2024, the Company had announced that the Company could not proceed with the completion of the Proposed Disposal to Petro MAT and therefore all parties mutually terminated the SPA.

   The Company also had on 16 February 2024 announced that KNME had received two binding and irrevocable offers ("the Offer") from the following parties on a joint basis:

   (i) BM Carpenterie Oil & Gas S.R.L. ("BM Carpenterie"), registered at Companies' Registry of Milan with number MI-2693046, represented by its legal representative and sole director Mr Domenico Colloca (tax code CLLDNC82H02F537W), for the acquisition of the shares representing 60% share capital of FBMHI, at an indicative consideration of up to EUR 9,900,000.00 (Nine Million Nine Hundred Thousand); and

(ii) Officine Piccoli S.p.A. ("Officine Piccoli"), registered at Companies' Registry of Verona with number VR-173358, represented by its legal representative pro tempore Mr Pierluigi Piccoli (Tax Code PCCPLG66C28L7810), for the acquisition of the shares representing 40% share capital of FBMHI, at an indicative consideration of up to EUR 6,600,000.00 (Six Million Six Hundred Thousand Only);

(collectively referred as "the Potential Purchasers").

The Potential Purchasers will each undertake to fund the working capital requirements of FBMHI in the following manner:

(i) BM Carpenterie undertakes to fund, between the acceptance of the Offer and the Closing Date (which is defined below), FBMHI's ordinary business and to maintain sufficient cash-flow to be able to carry on the latter and fulfil outstanding (current and future) obligations and trade orders on the basis of FBMHI's business operation, on terms acceptable to the relevant parties up to EUR 2,400,000.00 per month; and

(ii) Officine Piccoli undertakes to fund between the acceptance of the Offer and the Closing Date (which is defined below), FBMHI's ordinary business and to maintain sufficient cash-flow to be able to carry on the latter and fulfil outstanding (current and future) obligations and trade orders on the basis of FBMHI's business operation, on terms acceptable to the relevant parties up to EUR 1,600,000.00 per month.

The Potential Purchasers may, at their sole discretion, conduct a business, financial and legal due diligence investigation, business and operations of FBMHI to be completed within 15 business days from the acceptance of the Offer from them ("Due Diligence").

Upon completion of the Due Diligence, all parties shall negotiate the sale and purchase agreement in good faith and on the basis of the terms and conditions set forth in the Offer, with the objective of reaching the signing of the sale and purchase agreement in any event by two months from the acceptance by KNME of the Offer which is currently set at no later than end 30 April 2024 ("the Closing Date").

On 27 March 2024, the Company had announced that KNME had on 27 March 2024 entered into a Share Purchase Agreement with BM Carpenterie and Officine Piccoli, to dispose of its 100% equity in FBMHI comprising 746,501 ordinary shares for an aggregate cash consideration of EUR 16,500,000.00 ("Proposed Disposal").

Following the Proposed Disposal, BM Carpenterie shall acquire shares representing 60% of the share capital of FBMHI, while Officine Piccoli shall acquire shares representing the remaining 40% of the share capital of FBMHI.

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Disposal is expected to be completed on the 30 June of 2024.

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

b. On 24 May 2022, the Company had announced a proposed disposal of its indirect wholly-owned subsidiary incorporated in Germany, Borsig GmbH to GPR Siebzigste Verwaltungsgesellschaft mbH for a consideration of EUR220.80 million ("Proposed Disposal"). After due consideration of all aspects of the Proposed Disposal, in the best interest of the Company and its stakeholders, DKNM had decided not to further extend the Longstop date of the Proposed Disposal and instead exercised its withdrawal right under the share sale and purchase agreement. Hence, the Proposed Disposal did not materialise.

On 16 December 2022, the Company had announced that the Board of Directors had agreed to the proposed listing of Borsig GmbH on main board of the Singapore Stock Exchange Securities

Trading Limited ("SGX-ST") by way of an initial public offer ("IPO"), with a view of achieving a market capitalisation of up to USD300 million or its Singapore Dollar equivalent and a placement of 49% of the enlarged capital comprising vendor and/or new shares("Proposed Listing").

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

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

c. On 20 January 2023, on behalf of the Board of Directors of the Company, M&A Securities Sdn. Bhd. announced that the Company proposes to undertake a private placement of up to 367,642,100 new ordinary shares in the Company ("Placement Share(s)"), representing not more than 10% of the issued ordinary shares in the Company ("Private Placement"). Subsequently on 31 January 2023, the Company had announced that approval from Bursa Malaysia Securities Berhad had been obtained vide its letter dated 31 January 2023.

On 19 April 2023, the Company had allotted 37,500,000 Placement Shares at an issue price of RM0.0500 per Placement Share ("Tranche 1 of the Private Placement"). The Tranche 1 of the Private Placement was completed on 20 April 2023 with the listing of and quotation for the said placement shares on the Main Market Bursa Securities.

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

As at 31 March 2024, the said proceed has been utilized as follows:

Proposed utilisation of proceeds	**Expected timeframe for utilisation from completion of private placement**	**Proposed utilisation (based on actual amount raised)**	**Actual utilisation as of 31 Mar 2024**	**Balance available for utilisation**
		RM'000	**RM'000**	**RM'000**
Working capital requirements	Within 6 months	16,292	16,292	-
Expenses for restructuring and formulation of the regularisation plan	Within 12 months	3,000	1,424	1,576
Expenses for the private placement	Immediate	444	444	-
Total		**19,736**	**18,160**	**1,576**

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

Save for the above, there is no other corporate proposal announced but not completed during the current financial quarter under review.

B9. Group borrowings and debt securities

The Group's borrowings as at the end of the financial period were as follows:

	As at 31.03.2024 RM'000
Short-term :	
Bank overdrafts	8,463
Term loan	743,627
Hire Purchase	1,249
Revolving credits (Secured)	527,749
	1,281,088
Long-term :	
Borrowings (Secured)	
Hire Purchase	5,840
Revolving credits (Unsecured)	-
	5,840
	1,286,928

The above are also inclusive of borrowings in foreign currency of EUR78.95 million, USD43.8 million and THB3.48 billion.

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

The Group has defaulted various loans and borrowings to banks and financial institutions which amounting to RM1,280,052,000. These loans and borrowings are currently classified as current liabilities. Certain defaulted loans and borrowings were supported by corporate guarantee issued by the Company. The provision for corporate guarantee has not been provided for as expected recoverable amount of underlying securities could not be reasonably determined as the Directors are currently exploring opportunities to monetize these assets.

The Company is in close communication with the banks and financial institutions on the Company's ongoing restructuring plans under the scheme of arrangement to address this event of default.

B10. Financial Instruments

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

Type of Derivative	Contract/Notional value RM'000	Gain on Fair value changes RM'000
Foreign Exchange Contracts		
-Less than 1 year	90,994	3,726
-Within 1-3 years		
	90,994	3,726

Exposure to foreign currency fluctuation of underlying commitments is monitored on on-going and timely basis. The Company's objective to incept derivative instrument contract is mainly to hedge against foreign exchange exposure on transactions in currencies other than its own.

Forward foreign exchange contracts are entered into with licensed banks to hedge the Group's exposure to foreign exchange risk in respect of its export sales, import purchases and other obligations by establishing the basis rate at which a foreign currency asset or liability will be settled. These contracts are executed with credit-worthy/reputable financial institutions and as such, credit risk and liquidity risk in respect of non-performance by counterparties to these contracts is minimal.

The fair values of the forward foreign currency exchange contracts are subject to market risk and the fair values were derived from marking to available market quoted price as of the reporting year. The fair value of the forward contracts may change in accordance with the fluctuation of the exchange rate of the underlying currency resulting in gain or loss in fair value.

The cash requirement for these derivatives will be fulfilled by future contract and other proceeds on the respective maturity date.

B11. Loss for the Period

	3 months ended 31.03.2024 RM'000	3 months ended 31.03.2023 RM'000	12-month ended 31.12.2024 RM'000	18-month ended 31.12.2023 RM'000
(a)				
Loss for the period is arrived at after charging:				
Amortisation of intangible assets	3,381	-	3,381	-
Provision for late delivery charges	(375)	-	(375)	-
Impairment loss on trade receivables	(3,154)	-	(3,154)	-
Reversal of provision for warranty	65	-	65	-
Bad debts written back/ (recovered)	(1)	-	(1)	-
And crediting:				
Gain on disposal of property, plant and equipment	(137)	-	(137)	-
Unrealised gain of foreign exchange	7,690	-	7,690	-
(b)				
Interest expense	27,244	-	27,244	-
(c)				
Depreciation charge for the period is allocated as follow:				
Income statement	22,363	-	22,363	-
	57,076	-	57,076	-

B12. Material litigation

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

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

The hearing date for the Petition was fixed on 19 January 2023. However, due to the Restraining Order, it was fixed for case management on 21 August 2023 and further rescheduled to 11 October 2023 and the next case management is fixed on 30 May 2024 in view of the new Restraining Order application made on 26 April 2024 where an automatic moratorium under Section 368(1A) of the Companies (Amendment) Act 2024 is granted to the Applicants from the date of filing of the application on 26 April 2024 for a maximum of two months or until the High Court decides on the application, whichever is earlier.

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.

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

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

In view of the Restraining Orders ("RO") granted by the High Court on 15 December 2022 and 21 November 2023 respectively as well as the new RO application made on 26 April 2024, where an automatic moratorium under Section 368(1A) of the Companies (Amendment) Act 2024 is granted to the Applicants from the date of filing of the application on 26 April 2024 for a maximum of two months or until the High Court decides on the application, whichever is earlier, 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 31October 2022 with interest rates ranges from 8% to 18% per annum.

The Petitions were initially fixed to be heard at the Shah Alam High court on 9 March 2023 and further rescheduled to 12 November 2024 and 13 November 2024 respectively.

In view of the Restraining Orders ("RO") granted by the High Court on 15 December 2022 and 21 November 2023 respectively as well as the new RO application made on 26 April 2024, where an automatic moratorium under Section 368(1A) of the Companies (Amendment) Act 2024 is granted to the Applicants from the date of filing of the application on 26 April 2024 for a maximum of two months or until the High Court decides on the application, whichever is earlier, all proceedings/settlement payments have been put on hold until further notice. The next case management for both the Petitions are fixed on 5 July 2024.

d. On 11 October 2023, the Company, Deutsche KNM GmbH, and Borsig GmbH ("Plaintiffs") has filed a writ action at the High Court of Malaya at Kuala Lumpur vide Civil Suit No. WA-22NCC-731-10/2023 against Flavio Porro ("1st Defendant") and Terence Tan Koon Ping ("2nd Defendant") (collectively referred to as "Defendants") for damages claim of EUR3,444,832. The claim made was based on conspiracy to injure, breach of duty of loyalty and fidelity, negligence, and breach of statutory duties in respect of the intended sale of Borsig GmbH to Vorsprung Industries GmbH which was later terminated in December 2022.

The Defendants have filed their pleadings with Statements of Defence and Counterclaim.

The Plaintiffs have filed an application for security for cost against the 1st Defendant pursuant to Order 23 Rule 1 of the Rules of Court 2012on 19 March 2024 ("Enclosure 22").

The 2nd Defendant has filed an application to strike out the Plaintiffs' claim pursuant to Order 18 rule 19(1)(b) and/or (d) of the Rules of Court 2012 on 04 March 2024 ("Enclosure 16").

The hearing dates for Enclosure 22 vis a vis Security for Costs and Enclosure 16 vis a vis Striking out Application have been fixed on 5 July 2024 and 18 June 2024 respectively.

B13. Dividend payable

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

B14. Profit/ (Loss) per share

<u>Basic loss per ordinary share</u>	**Individual Quarter** **31.03.2024**	**31.03.2023**	**Cumulative Quarter** **31.12.2024**	**31.12.2023**
Net profit/ (loss) attributable to shareholders (RM'000)	(75,723)	-	(75,723)	-
Number of shares at the beginning of the year ('000)	4,045,905	-	4,045,905	-
Issuance of shares - Private placement ('000)	-	-	-	-
Weighted average number of ordinary shares ('000)	4,045,905	-	4,045,905	-
Basic profit/ (loss) per ordinary share (Sen)	(1.87)	-	(1.87)	-

<u>Diluted loss earnings per ordinary shares</u>	**Individual Quarter** **31.03.2024**	**31.03.2023**	**Cumulative Quarter** **31.12.2024**	**31.12.2023**
Net profit/ (loss) attributable to shareholders (RM'000)	(75,723)	-	(75,723)	-
Weighted average number of ordinary shares ('000)	4,045,905	-	4,045,905	-
Weighted average number of shares ('000)	4,045,905	-	4,045,905	-
Diluted profit/ (loss) per ordinary share (Sen)	(1.87)	-	(1.87)	-

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 31st May 2024.
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