



16 MAY, 2024

KNM's external auditor issues disclaimer of opinion on financial statements

The Edge CEO Morning Brief, Malaysia

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KUALA LUMPUR (May 15): Cash-strapped KNM Group Bhd (KL:KNM) said its external auditor KPMG PLT had expressed a disclaimer of opinion on the group's audited financial statements for the 18-month period ended Dec 31, 2023, due to insufficient audit evidence.

KPMG highlighted that there were material uncertainties that may cast significant doubt on KNM's ability to continue as a going concern, the group said in a filing with Bursa Malaysia on Wednesday.

The basis for the disclaimer of opinion relates to KNM's net loss of RM420.83 million for the period ended Dec 31, 2023, and the fact that the group's current liabilities exceeded its current assets by RM1.16 billion.

The auditor also noted that KNM had been classified as a Practice Note 17 (PN17) company since Nov 1, 2022, and had failed to submit its regularisation plan to the relevant regulatory authorities for approval before the deadline of April 30, 2024. Nevertheless, KNM had submitted an application to Bursa Malaysia for a further extension of 12 months to submit its regularisation plan.

Besides that, KPMG highlighted that KNM had defaulted on various loans and borrowings amounting to RM1.25 billion, while a subsidiary of the group, KNM Process Systems Sdn Bhd, is fac-

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BY EMIR ZAINUL
theedgemaalaysia.com

ing winding-up petitions by its creditors.

Further, it was also noted that the credit facilities of certain overseas subsidiaries in Germany were set to expire on May 2, 2024, as negotiations with the financial institution to renew or extend the credit facilities were still ongoing.

Steps to address issues already in motion, says KNM

Notwithstanding the disclaimer of opinion, KNM said that the financial statements of the group had been prepared on a going concern basis.

As part of its regularisation plan, the group said it had initiated plans to dispose of its investment in Italy and the United

Arab Emirates, and to float the shares of its subsidiary in Germany. KNM is also exploring opportunities to monetise its other overseas investments and non-core assets.

"The remaining plans are still in their preliminary stages, and no formal agreements have been entered into with any investors or buyers.

"In view of the uncertainties involving the timing and a successful floatation exercise, as well as disposal of other investments and non-core assets, KPMG was not able to obtain sufficient appropriate audit evidence to determine whether the group's use of going concern basis of accounting was appropriate," the group added.

Just last week, KNM announced that its substantial shareholder MAA Group Bhd (KL:MAA) had extended a RM13.5 million loan to address its working capital requirements. The loan, bearing an interest rate of 12% per annum, was provided to KNM's wholly owned subsidiary, KNM Process Systems, on May 8.

Prior to that, MAA had in February provided a RM2.1 million loan to cover the salary of KNM chief executive officer Ravindrasingham Balasingham.

Shares in KNM, which have fallen over 40% over the past year, closed up half a sen or 6.25% at 8.5 sen on Wednesday, valuing the group at RM343.9 million.



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SUMMARIES

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