

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 JUNE 2015 (Unaudited)

### 1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 30.06.2015 RM'000	Unaudited 3 months ended 30.06.2014 RM'000	Unaudited 30.06.2015 RM'000	Unaudited 30.06.2014 RM'000
<b>Contract revenue</b>	381,301	489,314	725,678	983,213
<b>Operating profit</b>	26,487	33,899	93,149	72,464
Financing costs	(8,966)	(14,413)	(18,796)	(29,265)
Interest income	752	666	858	1,318
Share of loss of equity accounted investees, net of tax	(1,851)	(381)	(4,881)	(1,495)
<b>Profit before tax</b>	16,422	19,771	70,330	43,022
Tax expense	(10,945)	(9,340)	(30,062)	(18,954)
<b>Net profit for the period</b>	5,477	10,431	40,268	24,068
<b>Other comprehensive income / (loss), net of tax</b>				
Foreign currency translation differences	86,244	(43,137)	72,477	(50,429)
Net investment in subsidiaries	18,892	405	(67,653)	(2,022)
Cash Flow hedge	5,052	48	1,357	(271)
Share of other comprehensive income of equity accounted investee	(21)	(168)	837	(431)
<b>Other comprehensive income/ (loss) for the period, net of tax</b>	110,167	(42,852)	7,018	(53,153)
<b>Total comprehensive income/ (loss) for the period</b>	115,644	(32,421)	47,286	(29,085)
Attributable to:				
Equity holders of the parent	6,106	11,118	41,158	25,290
Minority interest	(629)	(687)	(890)	(1,222)
	5,477	10,431	40,268	24,068
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	116,136	(31,687)	48,865	(27,947)
Minority interest	(492)	(734)	(1,579)	(1,138)
<b>Total comprehensive income/ (loss) for the period</b>	115,644	(32,421)	47,286	(29,085)
Earnings per share:				
- Basic / Diluted (sen)	0.35	0.74	2.37	1.69

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

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## 2. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 30.06.2015 RM'000	Audited As at 31.12.2014 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible Assets		498,912	519,036
Goodwill		768,262	772,885
Property, plant and equipment		877,044	852,899
Other investment, including derivative		14,690	14,705
Investments in associates		22	24
Investments in jointly-controlled entities		1,308	5,383
Deferred Tax Assets		344,108	342,031
		<u>2,504,346</u>	<u>2,506,963</u>
<b>Current assets</b>			
Inventories		68,378	70,433
Contracts work in progress		561,943	491,925
Trade and other receivables		586,793	631,579
Cash and cash equivalents		138,029	208,508
		<u>1,355,143</u>	<u>1,402,445</u>
Assets classified as held for sale		-	21,155
		<u>1,355,143</u>	<u>1,423,600</u>
<b>TOTAL ASSETS</b>		<u>3,859,489</u>	<u>3,930,563</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		908,670	774,537
Treasury Shares		(53,409)	(53,402)
Reserves		1,515,539	1,440,911
		<u>2,370,800</u>	<u>2,162,046</u>
<b>Non-controlling interests</b>		<u>(5,864)</u>	<u>(4,285)</u>
<b>Total Equity</b>		<u>2,364,936</u>	<u>2,157,761</u>
<b>Non-current liabilities</b>			
Long term payable		51,283	52,142
Long service leave liability		3,426	2,886
Loans and borrowings	B9	283,977	218,099
Deferred taxation		213,488	219,222
		<u>552,174</u>	<u>492,349</u>
<b>Current liabilities</b>			
Payables and accruals		473,767	500,089
Deferred income		75,159	155,746
Loans and borrowings	B9	392,399	577,194
Current tax liabilities		1,054	1,100
		<u>942,379</u>	<u>1,234,129</u>
Liabilities classified as held for sale		-	46,324
		<u>942,379</u>	<u>1,280,453</u>
<b>Total liabilities</b>		<u>1,494,553</u>	<u>1,772,802</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,859,489</u>	<u>3,930,563</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.21</u>	<u>1.32</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**

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD  
ENDED 30 JUNE 2015**

	Attributable to equity holders of the parent						Distributable Reserve		Minority Interest RM'000	Total equity RM'000
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Hedging Reserve RM'000	Warrant Reserve RM'000	Revaluation and Other Reserve RM'000	Retained Profit RM'000	Total RM'000		
<b>As at 1 January 2014</b>	1,445,033	(53,390)	16,707	323	44,981	(307,871)	913,972	2,059,755	(156)	2,059,599
Other comprehensive income for the year	-	-	-	(271)	-	(53,921)	955	(53,237)	84	(53,153)
Profit for the year	-	-	-	-	-	-	25,290	25,290	(1,222)	24,068
<b>Total comprehensive income for the year</b>	-	-	-	(271)	-	(53,921)	26,245	(27,947)	(1,138)	(29,085)
<b>Transaction with owners in their capacity as owner</b>										
Share buy back	-	(7)	-	-	-	-	-	(7)	-	(7)
Par value reduction	(745,007)	-	745,007	-	-	-	-	-	-	-
Issuance of ordinary share - Private Placement	73,337	-	29,335	-	-	-	-	102,672	-	102,672
Share issue expenses	-	-	(2,138)	-	-	-	-	(2,138)	-	(2,138)
<b>As at 30 June 2014 (Unaudited)</b>	<b>773,363</b>	<b>(53,397)</b>	<b>788,911</b>	<b>52</b>	<b>44,981</b>	<b>(361,792)</b>	<b>940,217</b>	<b>2,132,335</b>	<b>(1,294)</b>	<b>2,131,041</b>
<b>As at 1 January 2015</b>	774,537	(53,402)	790,135	(5,076)	44,981	(346,243)	957,114	2,162,046	(4,285)	2,157,761
Other comprehensive income for the year	-	-	-	1,357	-	6,350	-	7,707	(689)	7,018
Profit for the year	-	-	-	-	-	-	41,158	41,158	(890)	40,268
<b>Total comprehensive income for the year</b>	-	-	-	1,357	-	6,350	41,158	48,865	(1,579)	47,286
<b>Transaction with owners in their capacity as owner</b>										
Share options exercised	23	-	7	-	-	-	-	30	-	30
Issue of ordinary shares pursuant to Right Issue	161,578	-	-	-	-	-	-	161,578	-	161,578
Allocation of warrants reserve	(27,468)	-	-	-	27,468	-	-	-	-	-
Transfer to share premium for ESOS exercised	-	-	17	-	-	(17)	-	-	-	-
Share pay-back	-	(7)	-	-	-	-	-	(7)	-	(7)
Share based payment	-	-	-	-	-	2,676	-	2,676	-	2,676
Share issue expenses	-	-	(4,388)	-	-	-	-	(4,388)	-	(4,388)
<b>As at 30 June 2015 (Unaudited)</b>	<b>908,670</b>	<b>(53,409)</b>	<b>785,771</b>	<b>(3,719)</b>	<b>72,449</b>	<b>(337,234)</b>	<b>998,272</b>	<b>2,370,800</b>	<b>(5,864)</b>	<b>2,364,936</b>

**KNM GROUP BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED****30 JUNE 2015****(Unaudited)**

	<b>30.06.2015</b>	<b>30.6.2014</b>
	<b>RM</b>	<b>RM</b>
	<b>'000</b>	<b>'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	70,330	43,022
Adjustments for:		
Amortisation of intangible assets	16,419	18,307
Share based payment	2,676	-
Depreciation	4,853	4,695
Interest expense	16,010	28,410
Interest income	(858)	(1,318)
Gain on foreign exchange-unrealised	(44,754)	(7,650)
(Gain)/Loss on disposal of property, plant and equipment	-	(3,169)
Share of loss of in associates and jointly-controlled entities	4,881	1,495
Change in fair value of forward contract	2,586	2,091
Property, plant and equipment written off	-	3
Allowance for Impairment loss of doubtful debts	1,280	-
Reversal of impairment of other investment	-	(2,122)
Gain on disposal of subsidiaries	(22,154)	-
Gain on disposal of other investment	-	(2,437)
Operating profit before working capital changes	<u>51,269</u>	<u>81,327</u>
Decrease / (Increase) in working capital:		
Inventories	2,974	5,585
Receivables, deposits and prepayments	70,361	(154,868)
Payables and accruals and long service leave liability	(88,363)	15,571
Cash used in operations		
Income taxes paid	(16,267)	(14,417)
Interest paid	(313)	(1,904)
Interest received	858	1,318
<b>Net cash generated from/(used in) operating activities</b>	<u>20,519</u>	<u>(67,388)</u>
<b>Cash flows from investing activities</b>		
Increase in pledged deposit placed in bank	(3,149)	(6,139)
Purchase of property, plant and equipment, net with government grant received	(14,156)	(7,473)
Proceed from disposal of other investment	-	5,761
Disposal of subsidiaries, net of cash outflow	(4,834)	-
Purchase of other intangible assets, net with government grant received	33	(133)
Proceeds from disposal of property, plant and equipment	-	11,732
<b>Net cash (used in)/generated from investing activities</b>	<u>(22,106)</u>	<u>3,748</u>
<b>Cash flows from financing activities</b>		
Share buy back	(7)	(7)
Net repayment of bill payable	(34,605)	(129,018)
Repayment of hire purchase liabilities	(3,593)	(7,319)
Net (repayment)/drawdown of term loan and revolving credit	(87,423)	74,004
Interest expenses	(15,697)	(26,505)
Proceeds from issuance of shares	161,609	102,672
Share issue expenses	(4,388)	(2,138)
<b>Net cash generated from financing activities</b>	<u>15,896</u>	<u>11,689</u>
Net increase/(decrease) in cash and cash equivalents	14,309	(51,951)
Cash and cash equivalents at beginning of period	193,668	256,572
Effect of foreign currency translation	(94,790)	64,954
Cash and cash equivalents at end of period	<u>113,187</u>	<u>269,575</u>
Cash & bank balances	116,289	226,276
Deposits with licensed banks	21,740	56,193
Less: Pledged deposits	<u>(18,458)</u>	<u>(6,139)</u>
	119,571	276,330
Bank overdraft	<u>(6,384)</u>	<u>(6,755)</u>
	<u>113,187</u>	<u>269,575</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

## Notes to the Quarterly Interim Financial Report – 30 June 2015

### 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 year ended 31 December 2014. 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 year ended 31 December 2014.

#### A2. Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2014 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 year ended 31 December 2014.

The Group has adopted the following Amendments and Annual improvements to standards, with a date of initial application of 1 January 2015.

Amendments to MFRS 2, Amendments to MFRS 3	<i>Share-based Payment (Annual Improvements 2010-2012 Cycle) Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>
Amendments to MFRS 8 Amendments to MFRS 13	<i>Operating Segments (Annual Improvements 2010-2012 Cycle) Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>
Amendments to MFRS 116	<i>Properties, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 124 Amendments to MFRS 138	<i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle) Intangible Assets (Annual Improvements 2010-2012 Cycle)</i>

The adoption of the above pronouncements do not have any impact on the financial statements of the Group.

The following are accounting standards, amendments and interpretations of the MFRS that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group:

#### ***MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates</i>

	<i>and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i>
Amendments to MFRS 11	<i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements – Disclosure Initiative</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 127	<i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>
Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)</i>

***MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017:***

MFRS 15	<i>Revenue from Contracts with Customers</i>
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***MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018:***

MFRS 9	<i>Financial Instruments (2014)</i>
Amendments to MFRS 7	<i>Financial Instruments : Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>

The adoptions of the above pronouncements do not have any impact on the financial statements of the Group other than for the two Standards mentioned below, for which the effects are still being assessed:

MFRS 15	<i>Revenue from Contracts with Customers</i>
MFRS 9	<i>Financial Instruments</i>

**A3. Qualification of annual financial statements**

There was no audit qualification in the annual financial statements of the Group for the year ended 31 December 2014.

**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 quarter and financial year to date.

**A6. Material changes in estimates**

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

**A7. Issuances and repayment of debt and equity securities**

A. There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial period to date except for share issued under the ESOS scheme.

B. As at the date of this report, the Company has repurchased a total 23,301,275 of its issued shares capital from the open market. The average price paid for the shares repurchased was RM2.29 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act 1965.

**A8. Dividend Paid**

No dividend was paid during the quarter under review.

**A9. Segment information**

Segmental analysis of the revenue and result:-

Geographical segments:

	<b>Revenue 6 months ended 30.6.2015 RM'000</b>	<b>Gross Profit 6 months ended 30.6.2015 RM'000</b>	<b>EBITDA 6 months ended 30.6.2015 RM'000</b>
Asia & Oceania	200,852	41,421	81,089
Europe	478,620	95,316	52,019
Americas	46,206	10,947	7,087
	<hr/>	<hr/>	<hr/>
	725,678	147,684	140,195

  

	<b>Revenue 6 months ended 30.6.2014 RM'000</b>	<b>Gross Profit 6 months ended 30.6.2014 RM'000</b>	<b>EBITDA 6 months ended 30.6.2014 RM'000</b>
Asia & Oceania	275,459	46,131	22,258
Europe	675,662	145,948	96,627
Americas	32,092	6,908	5,167
	<hr/>	<hr/>	<hr/>
	983,213	198,987	124,052

**A10. Valuation of property, plant and equipment**

Valuation of freehold lands of the Group have been brought forward without amendment from the financial statements for the year ended 31 December 2014.

There is no revaluation of property, plant and equipment during the period under review.

**A11. Material events subsequent to the end of the interim period**

There was no material event subsequent to the end of the reporting period and up to the date of issuance of this report.

## A12. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year to date except as follow:-

1. The de-registration/striking-off of the dormant Subsidiaries as per item B8(1) are currently ongoing.
2. On 5 February 2015, KNM Process Systems Sdn Bhd (“KNMPS”) has entered into a Sale and Purchase Agreement (“SPA”) with Northfield Global Limited (the “Purchaser”) for the disposal of *inter alia* KNMPS entire business and equity interest in KNM Pty Ltd group (“KPL Group”) for a total cash consideration of AUD2.00 only (equivalent to RM5.54).
3. On 16 February 2015, KNM Group Berhad’s wholly-owned group subsidiary, KNM Process Equipment Inc. (“KNMPEI”), has fully subscribed and completed its subscription of One (1) Class “C” ordinary share in relation to the incorporation of 1840355 Alberta Ltd (“Alberta”) for a total cash consideration of CAD1.00 only (equivalent to RM2.87).
4. On 16 March 2015, KNM Group Berhad’s wholly-owned subsidiary, KNM Process Systems Sdn Bhd (“KNMPS”) had entered into a Joint Venture Agreement (“JVA”) with Hansol EME Co., Ltd (“Hansol”) to *inter alia* set up a joint venture company called Hansol KNM Greentech Sdn Bhd (“HKG” or “JVCO”) on 60% (Hansol) : 40% (KNMPS) basis.
5. On 3 July 2015, KNM Renewable Energy Sdn Bhd (“KNMRE”) a wholly owned subsidiary of KNM Group Berhad (“KNM”), had incorporated a wholly-owned subsidiary, Global Green Energy Corporation Ltd (“GGECL”) and invested/subscribed for 1 ordinary share for nominal value of GBP1.00 (about RM5.87).
6. On 6 July 2015, Green Energy Corporation Ltd (“GGECL”) has incorporated a wholly-owned subsidiary, Peterborough Green Energy Ltd (“PGEL”) and invested/subscribed for 1 ordinary share for nominal value of GBP1.00 only (about RM5.87).

## A13. Changes in contingent liabilities

There were no material changes in contingent liabilities for the Group as at the date of this announcement.

## A14. Capital commitments

	<b>Approved and contracted for RM’000</b>	<b>Approved but not contracted for RM’000</b>
Property, plant and equipment	3,685	7,232
Investment	82,436	-
	<u>86,121</u>	<u>7,232</u>



## A15. Related party transactions

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

	RM'000
Inter Merger Sdn Bhd (a)	
- Office rental, related charges and administrative expense	863
I.M.Bina Sdn Bhd (b)	
-General construction and civil works	477
Tofield Realty Development Corporation (c)	
- General and civil contractor and provider of staff accommodation	191

(a) a company in which Mr. Lee Swee Eng and Madam Gan Siew Liat are directors

(b) a company in which Inter Merger Sdn Bhd is the holding company

(c) a wholly-owned subsidiary of Asiavertek, of which Mr. Lee Swee Eng and Madam Gan Siew Liat are directors and shareholders

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

### **B1. Review of performance**

The Group achieved revenue of RM725.68 million, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of RM140.20 million and profit after tax and minority interest of RM41.16 million for the period ended 30 June 2015. Compared to the previous year, the lower revenue this year was due to lower job progress recognition, whereas the higher profit this year was due to the gain arising from disposal of Australia operating units and lower operating cost.

#### Asia & Oceanic Segment

This segment improved contribution margin on disposal of Australia operating units.

#### Europe Segment

Europe's contribution remains positive though lower job progress recognized during the period.

#### Americas Segment

Americas' contribution remains positive with its existing order book.

### **B2. Variation of results against preceding quarter**

The Group's revenue of RM381.30 million for the quarter under review was higher by RM36.92 million against the immediate preceding quarter's revenue of RM344.38 million. Profit before taxation reported lower at RM16.42 million as compared to immediate preceding quarter's profit before taxation of RM53.91 million attributable to gain arising from disposal of Australia operating units in the preceding quarter.

### **B3. Prospects**

The Board is optimistic of the Group's financial performance for the remaining financial year.

- The Asia & Oceanic segment will continue to improve its order book from Pengerang Integrated Complex ("PIC") project.
- The European and Americas segment is expected to be continue profitable.

### **B4. Profit forecast**

Not applicable as no profit forecast was given.

**B5. Tax expense**

	<b>3 months Ended 30.6.2015 RM'000</b>	<b>3 months Ended 30.6.2014 RM'000</b>	<b>6 months Ended 30.6.2015 RM'000</b>	<b>6 months Ended 30.6.2014 RM'000</b>
Current	9,735	8,708	10,490	14,682
Prior period	(252)	(43)	1,506	(707)
Deferred tax	1,462	675	18,066	4,979
	10,945	9,340	30,062	18,954

The Group's effective tax rate for the financial period is higher than statutory tax rate mainly due to deferred tax effects.

**B6. Unquoted investments and properties**

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

**B7. Quoted and marketable investments**

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

**B8. Status of corporate proposals announced but not completed**

- On 28 November 2013, the Company had announced the proposed dissolution of the following inactive and/or dormant subsidiaries ("Affected Subsidiaries") either by way of voluntary winding up or de-registering/striking-off the Affected Subsidiaries from the respective register of companies with the relevant authorities ("Proposed Dissolution"):-

<b>Subsidiaries</b>	<b>Date of Incorporation</b>	<b>Paid Up Capital</b>	<b>% Shareholding</b>	<b>Status</b>
KNM-DP Harta Bina Sdn Bhd*	24 September 1994/ Malaysia	RM200,000	93	In progress
KNM Engineering Services Private Limited	4 October 2006/ India	INR100,000	100	In progress

*\*Note 1 – Both Ir Lee Swee Eng and Mr Chew Fook Sin has a collective interest of 63.15% in Tegas Klasik Sdn Bhd ("TKSB"). TKS B has an indirect interest of 7.14% in KNM-DP Harta Bina Sdn. Bhd as well as a 1.70% direct interest in KNM Group Bhd.*

2. On 6 November 2014, KNM Group Berhad has signed an Agreement of Mutual Termination to *inter alia*, mutually terminate the Shareholders' cum Joint Venture Agreement dated 13 December 2012 (the "Shareholders' Agreement") with HMS Oil & Gas Sdn Bhd ("HMS") in respect of the management and operations of the joint venture entity known as KNM HMS Energy Sdn Bhd ("JVCO").

The parties have agreed to voluntarily wind-up the JVCO and the voluntary winding up process is currently ongoing.

3. On 12 March 2015, KNM Renewable Energy Sdn Bhd ("KNMRE") had entered into a Share Purchase Agreement ("SPA") with FE Global/Asia Clean Energy Services Fund L.P. ("FE GLOBAL"), FEGACE Asia Sub-Fund, L.P. ("FEGACE"), and Global Clean Energy Corp. SPC ("GCEC") (collectively referred to as the "Vendors") for the acquisition of the Vendors' entire equity interest in ABL Bio-Fuels Limited ("ABL") and Asia Biofuels II Ltd. ("ABL II") [collectively referred to as the "ABL Group" which, owns a combined 72% equity interest in Impress Ethanol Co., Ltd ("IEL") and 49% equity interest in Impress Farming Co. Ltd ("IFL")], for a total consideration of USD\$24,000,000.00 only (equivalent to RM88,488,000.00) (the "Consideration").

Subsequently, the parties have mutually agreed to *inter alia* reduce the Consideration to USD21.6 million ("Revised Consideration") and the Revised Consideration shall be satisfied wholly in cash. The said Acquisition is expected to be completed by Q3 of 2015.

4. On 27 April 2015, the Company had completed its exercise of Rights Issue of up to 323,157,690 new ordinary shares of RM0.50 each in the Company on the basis of 1 Rights Share for every 5 existing shares together with up to 161,578,504 free detachable Warrants B on the basis of 1 Warrant B for every 2 Rights Shares subscribed.

The utilisation of rights issue proceeds are as follows:

Purpose	Proposed utilisation	Actual utilisation	Timeframe for utilisation	Deviation	
				RM'000	%
Repayment of bank borrowings	116,300	(116,300)	Within 6 months	-	-
Defray expenses relating to the exercise	4,300	(4,300)	Upon completion	-	-
Working capital	40,979	(40,979)	Within 6 months	-	-
	161,579	(161,579)		-	-

5. On 19 June 2015, KNM Group Berhad's ("KNM", as the "Guarantor") wholly-owned subsidiary, Splendid Investments Limited ("Splendid", as the "Issuer"), has established a multicurrency medium term note ("MTN") programme of an initial size of up to SGD300 million (the "Programme").

The Programme is unconditionally and irrevocably guaranteed by KNM and as at to-date, no notes have been issued by the Issuer under the Programme.

## B9. Group borrowings and debt securities

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

	<b>RM'000</b>
<b>Short term:</b>	
Borrowings (secured)	106,583
Borrowings (unsecured)	120,548
Bank Overdraft	6,384
Bill Payable	85,968
Hire Purchase	6,884
Revolving credit	66,032
	<u>392,399</u>
<b>Long term :</b>	
Borrowings (secured)	43,114
Borrowings (unsecured)	146,744
Hire Purchase	21,658
Revolving credit	72,461
	<u>283,977</u>
	<u>676,376</u>

The above are also inclusive of other borrowings in foreign currency of RMB 20.00 million, EUR 68.21 million, CAD 6.10 million, USD 54.50 million and AED 9.46 million.

The exchange rates used are 1 RMB = RM 0.6089, 1 EUR = RM 4.2050, 1 CAD = RM 3.0221, 1 USD = RM3.7755 and AED = RM1.0279.

## B10. Financial Instruments

With the adoption of MFRS 139, financial instruments are recognized on their respective contract dates.

There are no off-balance sheet financial instruments.

The outstanding forward foreign currency exchange contracts as at 30 June 2015 are as follows:-

<b>Type of Derivative</b>	<b>Contract/Notional value RM'000</b>	<b>(Gain) /Loss on Fair value changes RM'000</b>
Foreign Exchange Contracts		
-Less than 1 year	317,677	17,774
-1 year to 3 years	7,762	1,195
	<u>325,439</u>	<u>18,969</u>

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 period. The fair value of the forward contracts may change in accordance to 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. PROFIT FOR THE PERIOD

	<b>3 Months ended 30.6.2015 RM'000</b>	<b>3 Months ended 30.6.2014 RM'000</b>	<b>6 Months ended 30.6.2015 RM'000</b>	<b>6 Months ended 30.6.2014 RM'000</b>
(a)				
Profit for the period is arrived at after charging and crediting:				
Allowance for impairment loss on doubtful debt	811	-	1,280	-
Bad debts written off	1	1,337	3	1,425
Net (gain)/loss on foreign exchange	(554)	(4,268)	(47,836)	(627)
Net (gain)/loss on derivative	(8,823)	2,410	2,586	2,091
Amortisation of intangible asset	8,513	9,055	16,419	18,307
Provision for warranty	(552)	(361)	877	75
Provision of late delivery charges	(493)	(765)	(493)	(518)
Gain on disposal of subsidiaries	-	-	(22,154)	-
Share based payment	1,338	-	2,676	-
Interest income	752	666	858	1,318
Gain on disposal of other investment	-	-	-	2,437
(b)				
Interest expenses	8,966	14,413	18,796	29,265
(c)				
Depreciation charge for the period:				
Income statement	1,639	1,186	4,853	4,695
Construction work in progress	13,308	15,425	25,774	28,586
	<u>14,947</u>	<u>16,611</u>	<u>30,627</u>	<u>33,281</u>

## B12. Realised and Unrealised Profit/Losses Disclosure

	<b>As at 30 June 2015 RM'000</b>	<b>As at 31 December 2014 RM'000</b>
Total retained profit of KNM Group and its subsidiaries		
- Realised	473,041	557,566
- Unrealised	(88,301)	(170,131)
Total share of accumulated losses from associated companies:		
- Realised	(6)	(6)
- Unrealised	-	-
Total share of retained profit / (accumulated losses) from joint venture entities:		
- Realised	(6,576)	270
- Unrealised	454	126
Add: Consolidation adjustments	619,660	569,289
Total Group retained profits as per consolidated accounts	998,272	957,114

## B13. Material litigation

As at the date of this announcement, there were no material litigation since the last annual balance sheet date except for the following:-

### 1. Shah Alam High Court (Commercial Division) Suit No.: 28-461-11/2012 Court of Appeal Civil Appeal No.: B-02-713-03/2013 Federal Court Appeal No.: 08(f)-708-12/2014(B)

#### **KNM Process Systems Sdn Bhd (Petitioner) v. Mission Biofuels Sdn Bhd (Respondent)**

KNM Group Berhad wholly –owned subsidiary, KNM Process System Sdn Bhd (“KNMPS”) had on, 9 November 2012 served a Winding Up Petition under Section 218 (1) (e) & (i) and Section 218 (2) (c) of the Companies Act 1965 dated 1 November 2012 (the “KNMPS Petition”) against Mission Biofuels Sdn Bhd (“Mission Biofuels”).

The KNMPS Petition was heard and dismissed by the High Court on 12 March 2013 on the grounds that the Court was not satisfied that, taking into account Mission Biofuels contingent and prospective liabilities, Mission Biofuels was unable to pay its debts.

KNMPS appealed to the Court of Appeal and the matter was dismissed on 17 November 2014 with cost of RM20,000.00 to be paid to Mission and the deposit to be refunded to KNMPS.

KNMPS has filed for leave to appeal at the Federal Court and on 24 June 2015, the leave application was dismissed with cost of RM15,000.00 awarded to Mission after hearing full submissions. This case has come to an end.

**2. Shah Alam High Court (Commercial Division)**  
**Suit No. : 28-179-04/2013**  
**Court of Appeal No.: B-02-1164-05/2013**  
**Federal Court Appeal No.: 08(f)-29-01/2015(B)**

**Mission Biofuels Sdn Bhd (Petitioner) v. KNM Process Systems Sdn Bhd (Respondent)**

On 19 April 2013, KNM Group Berhad's wholly-owned subsidiary, KNM Process System Sdn Bhd ("KNMPS") was served with a Petition for winding up under Section 21(8) (e) & (i) and Section 218 (2) (c) of the Companies Act 1965 (the "Act") dated 15 April 2013 (the "Mission Petition") by pursuant to an EPCC Contract dated 25 July 2007 for the development of a Biodiesel Plant located in Kuantan Port.

The Mission Petition was heard and struck out by the Courts with cost on 9 May 2013 on the ground that the petition was not only without basis and therefore frivolous and vexation, but also a clear abuse of process of court.

On 14 May 2013 Mission filed an appeal against the order of the court striking out the petition.

On 5 January 2015, the Court of Appeal dismissed Mission's appeal with cost of RM20,000 to be paid to KNM.

On 13 May 2015, the Federal Court dismissed Mission's leave application with cost of RM10,000.00 awarded to KNM. This matter has come to an end.

**3. In the Matter of Arbitration Between KNM Process System Sdn Bhd (Claimant) and Mission Biofuels Sdn Bhd (Respondent)**

KNM Group Berhad's wholly-owned subsidiary, KNM Process System Sdn Bhd ("KNMPS") had on 30 April 2014, filed its Points of Claim in an arbitration proceedings in connection with the Engineering, Procurement, Construction and Commissioning Contract dated 25 July 2007 ("EPCC"). This Arbitration was part of KNM Group's legal action to protect and preserve KNMPS' right and monetary claims for various works and services provided in respect of the EPCC. KNMPS was claiming for approximately RM120 million in the arbitration.

The hearing of the arbitration proceeding was held on 28 July 2015.

The parties have entered into an out of court Settlement Agreement to amicably settle and resolve full and finally all claims, disputes, differences and issues in respect of all litigation/arbitration cases between KNM Process Systems Sdn. Bhd. and Mission Biofuels Sdn. Bhd.

Accordingly, all claims and disputes between KNM Process Systems Sdn. Bhd. and Mission Biofuels Sdn. Bhd. have been withdrawn after the execution of the Settlement Agreement on 4 August 2015.



**4. Shah Alam High Court (Commercial Division) suit no.: 24NCVC-688-04/2013  
Court of Appeal Civil Appeal No.: W-02(NCVC)(A)-808-05/2013  
Federal Court Appeal No. 08(f)-645-11/2014 (W)**

**KNM Process Systems Sdn Bhd v. Mission Biofuels Sdn Bhd**

On 31 March 2014, the High Court judge dismissed KNM Process System Sdn Bhd (“KNMPS”) application and an appeal was filed in the Court of Appeal, Putrajaya. On 29 October 2014, the Court of Appeal unanimously reaffirmed KNMPS’s right to an equitable Lien over the biodiesel plant owned by Mission Biofuels, a wholly-owned subsidiary of Mission NewEnergy Limited (MNEL), a company listed both on the Australian Stock Exchange (under “MBT:ASX”) and in the US OTC (under “MNEL:OTCBB”), in connection with the Engineering, Procurement, Construction and Commissioning Contract dated 25 July 2007 (“EPCC”).

Mission Biofuels Sdn Bhd had filed for leave to appeal at the Federal Court and the hearing at Federal Court for the leave application is to be held on 25 August 2015.

Pursuant to an out of court settlement entered into between the parties on 4 August 2015, Mission Biofuels Sdn. Bhd. has since withdrawn its application for leave to appeal to the Federal Court on 5 August 2015.

**B14. Dividend payable**

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

**B15. Earnings per share**

	Individual Quarter		Cumulative Quarter	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
<b>Basic earnings per share</b>				
Net Profit attributable to shareholders (RM’000)	6,106	11,118	41,158	25,290
Number of shares at the beginning of the year (‘000)	1,639,035	1,490,013	1,639,035	1,490,013
Issuance of share- Private Placement (‘000)	-	26,742	-	26,742
Share option exercised (‘000)	27	-	27	-
Effect of Right Issue (‘000)	123,193	-	123,193	-
Effect of Share Buy Back (‘000)	(23,293)	(23,266)	(23,293)	(23,266)
Weighted average number of shares (‘000)	1,738,962	1,493,489	1,738,962	1,493,489
Basic earnings per share (sen)	0.35	0.74	2.37	1.69

**B16. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 26 August 2015.