

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2016 (Unaudited)

### 1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 31.03.2016 RM'000	Unaudited 3 months ended 31.03.2015 RM'000	Unaudited 31.03.2016 RM'000	Unaudited 31.03.2015 RM'000
<b>Contract revenue</b>	397,072	344,377	397,072	344,377
<b>Operating profit</b>	30,205	66,662	30,205	66,662
Financing costs	(10,881)	(9,830)	(10,881)	(9,830)
Interest income	127	106	127	106
Share of profit / (loss) of equity accounted investees, net of tax	71	(3,030)	71	(3,030)
<b>Profit before tax</b>	19,522	53,908	19,522	53,908
Tax expense	(8,940)	(19,117)	(8,940)	(19,117)
<b>Net profit for the period</b>	10,582	34,791	10,582	34,791
<b>Other comprehensive income / (loss), net of tax</b>				
Foreign currency translation differences	(181,236)	(13,767)	(181,236)	(13,767)
Net investment in subsidiaries	(40)	(86,545)	(40)	(86,545)
Cash Flow hedge	7,366	(3,695)	7,366	(3,695)
Share of other comprehensive income of equity accounted investee	143	858	143	858
<b>Other comprehensive loss for the period, net of tax</b>	(173,767)	(103,149)	(173,767)	(103,149)
<b>Total comprehensive loss for the period</b>	(163,185)	(68,358)	(163,185)	(68,358)
Attributable to:				
Equity holders of the parent	10,787	35,052	10,787	35,052
Minority interest	(205)	(261)	(205)	(261)
	10,582	34,791	10,582	34,791
<b>Total comprehensive loss attributable to:</b>				
Equity holders of the parent	(163,984)	(67,271)	(163,984)	(67,271)
Minority interest	799	(1,087)	799	(1,087)
<b>Total comprehensive loss for the period</b>	(163,185)	(68,358)	(163,185)	(68,358)
Earnings per share:				
- Basic / Diluted (sen)	0.51	2.17	0.51	2.17

The notes set out on pages 5 to 14 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 31.03.2016 RM'000	Audited As at 31.12.2015 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible Assets		501,221	539,609
Goodwill		811,709	857,340
Property, plant and equipment		967,860	1,049,612
Other investment, including derivative		10,497	10,522
Investments in associates		23	23
Investments in jointly-controlled entities		1,609	1,315
Deferred Tax Assets		338,884	345,428
		<u>2,631,803</u>	<u>2,803,849</u>
<b>Current assets</b>			
Inventories		71,989	74,675
Contracts work in progress		474,387	504,885
Trade and other receivables		810,808	724,871
Cash and cash equivalents		137,565	198,857
		<u>1,494,749</u>	<u>1,503,288</u>
<b>TOTAL ASSETS</b>		<u>4,126,552</u>	<u>4,307,137</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		1,005,617	1,005,617
Treasury Shares		(53,414)	(53,414)
Reserves		1,603,785	1,766,591
		<u>2,555,988</u>	<u>2,718,794</u>
<b>Non-controlling interests</b>		<u>(8,300)</u>	<u>(9,099)</u>
<b>Total Equity</b>		<u>2,547,688</u>	<u>2,709,695</u>
<b>Non-current liabilities</b>			
Long term payable		40,140	47,775
Long service leave liability		5,795	6,348
Loans and borrowings	B9	365,345	336,431
Deferred taxation		191,408	218,595
		<u>602,688</u>	<u>609,149</u>
<b>Current liabilities</b>			
Payables and accruals		437,447	449,679
Deferred income		184,331	155,307
Loans and borrowings	B9	350,925	382,029
Current tax liabilities		3,473	1,278
		<u>976,176</u>	<u>988,293</u>
<b>Total liabilities</b>		<u>1,578,864</u>	<u>1,597,442</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,126,552</u>	<u>4,307,137</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.19</u>	<u>1.26</u>

The notes set out on pages 5 to 14 form an integral part of and should be read in conjunction with this interim financial report

**KNM GROUP BERHAD**

(Company No:521348-H)  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD  
ENDED 31 MARCH 2016**

	← Attributable to equity holders of the parent →						Distributable Reserve		Minority Interest	Total equity
	← Non-Distributable →									
	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	RM'000	RM'000
<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
Total comprehensive (loss)/ income for the period	-	-	-	(3,695)	-	(98,628)	35,052	(67,271)	(1,087)	(68,358)
<b>Transaction with owners in their capacity as owner</b>	774,537	(53,402)	790,135	(8,771)	44,981	(444,871)	992,166	2,094,775	(5,372)	2,089,403
Share options exercised	23	-	7	-	-	-	-	30	-	30
Share based payment	-	-	-	-	-	1,338	-	1,338	-	1,338
Share Issue expenses	-	-	(122)	-	-	-	-	(122)	-	(122)
<b>As at 31 March 2015 (Unaudited)</b>	774,560	(53,402)	790,020	(8,771)	44,981	(443,533)	992,166	2,096,021	(5,372)	2,090,649
<b>As at 1 January 2016</b>	1,005,617	(53,414)	782,971	(4,343)	72,449	(91,127)	1,006,641	2,718,794	(9,099)	2,709,695
Total comprehensive (loss)/ income for the period	-	-	-	7,366	-	(182,137)	10,787	(163,984)	799	(163,185)
<b>Transaction with owners in their capacity as owner</b>	1,005,617	(53,414)	782,971	3,023	72,449	(273,264)	1,017,428	2,554,810	(8,300)	2,546,510
Share options exercised	-	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	1,213	-	1,213	-	1,213
Share issue expenses	-	-	(35)	-	-	-	-	(35)	-	(35)
<b>As at 31 March 2016 (Unaudited)</b>	1,005,617	(53,414)	782,936	3,023	72,449	(272,051)	1,017,428	2,555,988	(8,300)	2,547,688

**KNM GROUP BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED****31 MARCH 2016****(Unaudited)**

	<b>31.03.2016</b>	<b>31.3.2015</b>
	<b>RM</b>	<b>RM</b>
	<b>'000</b>	<b>'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	19,522	53,908
Adjustments for:		
Amortisation of intangible assets	9,371	8,265
Share based payment	1,213	1,338
Depreciation	3,402	3,214
Interest expense	9,679	8,721
Interest income	(127)	(106)
Loss/(Gain) on foreign exchange-unrealised	(13,038)	(45,199)
Property, plant and equipment written off	542	-
Share of (profit)/loss of in associates and jointly-controlled entities	(71)	3,030
Change in fair value of forward contract	(17,439)	11,409
Allowance for Impairment loss of doubtful debts	-	469
Provision for foreseeable losses	79	-
Gain on disposal of subsidiaries	-	(22,154)
Operating profit before working capital changes	<u>13,133</u>	<u>22,895</u>
Decrease / (Increase) in working capital:		
Inventories	(2,600)	(515)
Receivables, deposits and prepayments	(109,452)	25,334
Payables and accruals and long service leave liability	49,919	(63,301)
Cash used in operations		
Income taxes paid	(1,868)	(4,848)
Interest paid	(2)	-
Interest received	127	106
<b>Net cash used in operating activities</b>	<u>(50,743)</u>	<u>(20,329)</u>
<b>Cash flows from investing activities</b>		
Increase in pledged deposit placed in bank	90	(2,422)
Purchase of property, plant and equipment	(5,646)	(15,190)
Disposal of subsidiaries, net of cash outflow	-	(4,834)
Acquisition of other intangible assets	-	(54)
<b>Net cash used in investing activities</b>	<u>(5,556)</u>	<u>(22,500)</u>
<b>Cash flows from financing activities</b>		
Net repayment of bill payable	(6,110)	1,239
Repayment of hire purchase liabilities	(2,609)	(3,163)
Net drawdown/ (repayment) of term loan and revolving credit	4,215	(67,017)
Interest expenses	(9,677)	(8,721)
Proceeds from issuance of shares	-	30
Share issue expenses	(35)	(122)
<b>Net cash used in financing activities</b>	<u>(14,216)</u>	<u>(77,754)</u>
Net decrease in cash and cash equivalents	(70,515)	(120,583)
Cash and cash equivalents at beginning of period	193,884	193,668
Effect of foreign currency translation	7,000	24,952
Cash and cash equivalents at end of period	<u>130,369</u>	<u>98,037</u>
Cash & bank balances	131,973	92,588
Deposits with licensed banks	5,592	26,234
Less: Pledged deposits	(2,368)	(17,732)
	<u>135,197</u>	<u>101,090</u>
Bank overdraft	(4,828)	(3,053)
	<u>130,369</u>	<u>98,037</u>

The notes set out on pages 5 to 14 form an integral part of and should be read in conjunction with this interim financial report

## Notes to the Quarterly Interim Financial Report – 31 March 2016

### 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 2015. 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 2015.

#### A2. Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2015 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 2015.

The Group has adopted the following Amendments and Annual improvements to standards, with a date of initial application of 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 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>

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 2018:***

MFRS 9	<i>Financial Instruments (2014)</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>

The adoption of MFRS 9 and MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting these accounting standards.

**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 2015.

**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 23,311,275 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 3 months ended 31.3.2016 RM'000</b>	<b>Gross Profit 3 months ended 31.3.2016 RM'000</b>	<b>EBITDA 3 months ended 31.3.2016 RM'000</b>
Asia & Oceania	117,195	21,808	35,972
Europe	257,385	48,835	30,463
Americas	22,492	(5,862)	(11,155)
	<hr/>	<hr/>	<hr/>
	397,072	64,781	55,280

	<b>Revenue 3 months ended 31.3.2015 RM'000</b>	<b>Gross Profit 3 months ended 31.3.2015 RM'000</b>	<b>EBITDA 3 months ended 31.3.2015 RM'000</b>
Asia & Oceania	83,814	16,469	63,612
Europe	237,698	45,913	23,472
Americas	22,865	5,891	3,523
	<hr/>	<hr/>	<hr/>
	344,377	68,273	90,607

## 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 2015.

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 follows:-

1. The de-registration/striking-off of the dormant Subsidiaries as per item B8(1) are currently ongoing.
2. On 9 March 2016, KNM Group Berhad's wholly owned subsidiary, KNM Process Systems Sdn Bhd ("KNMPS"), has *inter alia*, entered into a Joint Venture Agreement with Ho Hup Construction Company Berhad ("Ho Hup") to incorporate a joint venture company called "KHH Infrastructures Sdn Bhd" ("KHHI") on a 50% (KNMPS) : 50% (Ho Hup) basis.
3. On 6 May 2016, KNM Group Berhad's wholly owned subsidiary in Uzbekistan, KNM Technical Services LLC, has been voluntarily liquidated.

### 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	905	15,444
Investment	66,884	-
	<u>67,789</u>	<u>15,444</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	393
I.M.Bina Sdn Bhd (b)	
-General construction and civil works	-
Tofield Realty Development Corporation (c)	
- General and civil contractor and provider of staff accommodation	98

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

(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 director and shareholder



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

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

The Group achieved revenue of RM397.07 million, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of RM55.28 million and profit after tax and minority interest of RM10.79 million for the period ended 31 March 2016. Compared to the corresponding quarter last year, the higher revenue this year was due to higher project percentage of completion recognised by our Asia & Oceanic and Europe segments. The Group has commenced to deliver the process equipment to our customers in relation to the Pengerang Integrated Complex (“PIC”) project during the period.

The Group registered a lower profit before tax for the period mainly due to recognition of one off gain arising from disposal of Australian operations in the corresponding quarter last year. Consequently, the profit before tax for the period decreased to RM19.52 million as compared with the profit before tax of RM53.91 million in the corresponding quarter last year.

#### Asia & Oceanic Segment

The improved revenue contribution from this segment during the period was mainly driven by the PIC related projects. The lower EBITDA during the period was due to an one off gain arising from disposal of Australian operations in the corresponding quarter last year.

#### Europe Segment

Europe segment’s contribution has improved due to higher progress recognised during the period.

#### Americas Segment

Americas' segment recorded a loss during the period mainly attributable to low orders secured resulting from the uncertainties in oil sand development in North America.

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

The Group’s revenue of RM397.07 million for the quarter was lower by RM60.36 million as compared with the immediate preceding quarter’s revenue of RM457.43 million. The decrease was primarily due to lower project percentage of completion recognised during the period.

The profit before tax reported was lower at RM19.52 million as compared with the immediate preceding quarter’s profit before tax of RM25.28 million mainly due to the new projects secured still at its early stage of completion.

### **B3. Prospects**

The Board is confident that the Group will remain profitable for the remaining financial year barring any unforeseen circumstances.

### **B4. Profit forecast**

Not applicable as no profit forecast was given.

**B5. Tax expense**

	<b>3 months Ended 31.3.2016 RM'000</b>	<b>3 months Ended 31.3.2015 RM'000</b>
Current	18,801	755
Prior period	(5)	1,758
Deferred tax	(9,856)	16,604
	8,940	19,117

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"):-

Subsidiaries	Date of Incorporation	Paid Up Capital	% Shareholding	Status
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 Berhad.*

- 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 on going.

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 has been deemed completed on 19 May 2016.

4. 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)	52,690
Borrowings (unsecured)	119,385
Bank Overdraft	4,828
Bill Payable	86,483
Hire Purchase	6,542
Revolving credit	80,997
	<u>350,925</u>
 <b>Long term :</b>	
Borrowings (secured)	56,347
Borrowings (unsecured)	107,064
Hire Purchase	18,439
Revolving credit	183,495
	<u>365,345</u>
	<u>716,270</u>

The above are also inclusive of other borrowings in foreign currency of RMB 20.00 million, EURO 50.35 million, CAD 6.10 million, USD 44.65 million and AED 8.38 million.

The exchange rates used are 1 RMB = RM 0.6054, 1 EURO = RM 4.4428, 1 CAD = RM 3.0018, 1 USD = RM3.9040 and 1 AED = 1.0629.

## 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 31 March 2016 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	346,473	2,628
-1 year to 3 years	-	-
	<hr/>	<hr/>
	346,473	2,628

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 31.3.2016 RM'000</b>	<b>3 Months ended 31.3.2015 RM'000</b>
(a)		
Profit for the period is arrived at after charging:		
Allowance for impairment loss on doubtful debt	-	469
Bad debts written off	6	2
Net (gain)/loss on foreign exchange	(11,979)	(47,282)
Net (gain)/loss on derivative	(17,439)	11,409
Amortisation of intangible asset	9,371	8,265
(Reversal)/Provision for warranty	(1,330)	1,429
Provision for foreseeable losses	79	-
Share based payment	1,213	1,338
And crediting:		
Interest income	127	106
Gain on disposal of subsidiaries	-	22,154
(b)		
Interest expenses	10,881	9,830
(c)		
Depreciation charge for the period:		
Income statement	3,402	3,214
Construction work in progress	12,302	12,466
	<u>15,704</u>	<u>15,680</u>

**B12. Realised and Unrealised Profit/Losses Disclosure**

	<b>As at 31 March 2016 RM'000</b>	<b>As at 31 December 2015 RM'000</b>
Total retained profit of KNM Group and its subsidiaries		
- Realised	501,233	512,894
- Unrealised	(128,349)	(151,729)
Total share of accumulated losses from associated companies:		
- Realised	(7)	(6)
- Unrealised	-	-
Total share of retained profit / (accumulated losses) from joint venture entities:		
- Realised	(8,550)	(8,530)
- Unrealised	916	1,007
Add: Consolidation adjustments	652,185	653,005
Total Group retained profits as per consolidated accounts	<u>1,017,428</u>	<u>1,006,641</u>

**B13. Material litigation**

As at the date of this announcement, there were no material litigation since the last annual balance sheet date

**B14. Dividend payable**

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

**B15. Earnings per share**

	Individual Quarter		Cumulative Quarter	
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
<b>Basic earnings per share</b>				
Net Profit attributable to shareholders (RM'000)	10,787	35,052	10,787	35,052
Number of shares at the beginning of the year ('000)	2,156,132	1,639,035	2,156,132	1,639,035
Share option exercised ('000)	-	10	-	10
Effect of Share Buy Back ('000)	(23,311)	(23,291)	(23,311)	(23,291)
Weighted average number of shares ('000)	<u>2,132,821</u>	<u>1,615,754</u>	<u>2,132,821</u>	<u>1,615,754</u>
Basic earnings per share (sen)	0.51	2.17	0.51	2.17

**B16. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 26 May 2016.