

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (Unaudited)

### 1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 30.09.2016 RM'000	Unaudited 3 months ended 30.09.2015 RM'000	Unaudited 30.09.2016 RM'000	Unaudited 30.09.2015 RM'000
<b>Contract revenue</b>	410,652	458,175	1,235,708	1,183,853
<b>Operating profit</b>	8,737	41,054	54,190	134,203
Financing costs	(7,199)	(11,742)	(27,149)	(30,538)
Interest income	827	430	1,361	1,288
Share of profit/ (loss) of equity accounted investees, net of tax	379	(1,215)	759	(6,096)
<b>Profit before tax</b>	2,744	28,527	29,161	98,857
Tax expense	(1,220)	(26,567)	(10,752)	(56,629)
<b>Net profit for the period</b>	1,524	1,960	18,409	42,228
<b>Other comprehensive income / (loss), net of tax</b>				
Foreign currency translation differences	75,850	367,927	(65,907)	440,404
Net investment in subsidiaries	3,887	(32,539)	(11,192)	(100,192)
Cash Flow hedge	111	(805)	4,825	552
Share of other comprehensive income of equity accounted investee	(6)	201	129	1,038
<b>Other comprehensive income/ (loss) for the period, net of tax</b>	79,842	334,784	(72,145)	341,802
<b>Total comprehensive income/ (loss) for the period</b>	81,366	336,744	(53,736)	384,030
Attributable to:				
Equity holders of the parent	1,118	2,363	18,697	43,521
Minority interest	406	(403)	(288)	(1,293)
	1,524	1,960	18,409	42,228
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	83,832	339,410	(51,137)	388,275
Minority interest	(2,466)	(2,666)	(2,599)	(4,245)
<b>Total comprehensive income/ (loss) for the period</b>	81,366	336,744	(53,736)	384,030
Earnings per share:				
- Basic / Diluted (sen)	0.05	0.13	0.88	2.41

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 30.09.2016 RM'000	Audited As at 31.12.2015 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible Assets		510,193	539,609
Goodwill		875,611	857,340
Property, plant and equipment		1,335,069	1,049,612
Other investment, including derivative		10,517	10,522
Investments in associates		23	23
Investments in jointly-controlled entities		2,322	1,315
Deferred Tax Assets		345,731	345,428
		<u>3,079,466</u>	<u>2,803,849</u>
<b>Current assets</b>			
Inventories		79,830	74,675
Contracts work in progress		643,723	504,885
Trade and other receivables		529,892	724,871
Cash and cash equivalents		217,840	198,857
		<u>1,471,285</u>	<u>1,503,288</u>
<b>TOTAL ASSETS</b>		<u>4,550,751</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		(53,419)	(53,414)
Reserves		1,719,057	1,766,591
		<u>2,671,255</u>	<u>2,718,794</u>
<b>Non-controlling interests</b>		<u>12,970</u>	<u>(9,099)</u>
<b>Total Equity</b>		<u>2,684,225</u>	<u>2,709,695</u>
<b>Non-current liabilities</b>			
Long term payable		22,908	47,775
Long service leave liability		6,427	6,348
Loans and borrowings	B9	555,841	336,431
Deferred taxation		195,921	218,595
		<u>781,097</u>	<u>609,149</u>
<b>Current liabilities</b>			
Payables and accruals		488,797	449,679
Deferred income		160,634	155,307
Loans and borrowings	B9	425,516	382,029
Current tax liabilities		10,482	1,278
		<u>1,085,429</u>	<u>988,293</u>
<b>Total liabilities</b>		<u>1,866,526</u>	<u>1,597,442</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,550,751</u>	<u>4,307,137</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.24</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**

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD  
ENDED 30 SEPTEMBER 2016**

	← Attributable to equity holders of the parent →						Distributable Reserve			
	Share Capital RM'000	Treasury Share RM'000	← Non-Distributable →			Warrant Reserve RM'000	Revaluation and Other Reserve RM'000	Retained Profit RM'000	Total RM'000	Minority Interest RM'000
Share Premium RM'000			Hedging Reserve 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
Other comprehensive income for the period	-	-	-	552	-	344,202	-	344,754	(2,952)	341,802
Profit for the period	-	-	-	-	-	-	43,521	43,521	(1,293)	42,228
<b>Total comprehensive income for the period</b>	-	-	-	552	-	344,202	43,521	388,275	(4,245)	384,030
<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	-	-	-	-	-	4,014	-	4,014	-	4,014
Share issue expenses	-	-	(4,458)	-	-	-	-	(4,458)	-	(4,458)
<b>As at 30 September 2015 (Unaudited)</b>	<b>908,670</b>	<b>(53,409)</b>	<b>785,701</b>	<b>(4,524)</b>	<b>72,449</b>	<b>1,956</b>	<b>1,000,635</b>	<b>2,711,478</b>	<b>(8,530)</b>	<b>2,702,948</b>
<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
Other comprehensive income for the period	-	-	-	4,825	-	(74,659)	-	(69,834)	(2,311)	(72,145)
Profit for the period	-	-	-	-	-	-	18,697	18,697	(288)	18,409
<b>Total comprehensive income for the period</b>	-	-	-	4,825	-	(74,659)	18,697	(51,137)	(2,599)	(53,736)
<b>Transaction with owners in their capacity as owner</b>										
Acquisition of equity interest in subsidiaries	-	-	-	-	-	-	-	-	24,668	24,668
Share Buy Back	-	(5)	-	-	-	-	-	(5)	-	(5)
Share based payment	-	-	-	-	-	3,638	-	3,638	-	3,638
Share issue expenses	-	-	(35)	-	-	-	-	(35)	-	(35)
<b>As at 30 September 2016 (Unaudited)</b>	<b>1,005,617</b>	<b>(53,419)</b>	<b>782,936</b>	<b>482</b>	<b>72,449</b>	<b>(162,148)</b>	<b>1,025,338</b>	<b>2,671,255</b>	<b>12,970</b>	<b>2,684,225</b>

**KNM GROUP BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED  
 30 SEPTEMBER 2016**

(Unaudited)

	30.09.2016	30.09.2015
	RM	RM
	'000	'000
<b>Cash flows from operating activities</b>		
Profit before tax	29,161	98,857
Adjustments for:		
Amortisation of intangible assets	25,160	25,488
Share based payment	3,638	4,014
Depreciation	6,434	6,705
Interest expense	22,660	25,321
Interest income	(1,361)	(1,288)
Gain on foreign exchange-unrealised	(15,508)	(88,749)
Property, plant and equipment written off	2,026	-
Share of (loss)/profit in associates and jointly-controlled entities	(759)	6,096
Change in fair value of forward contract	(16,956)	6,981
Allowance for Impairment loss of doubtful debts	-	312
Provision for foreseeable losses	79	-
Bad debts written off	49	1,277
Gain on disposal of subsidiaries	-	(22,154)
Operating profit before working capital changes	<u>54,623</u>	<u>62,860</u>
Changes in working capital:		
Inventories	(6,697)	3,711
Receivables, deposits and prepayments	79,185	38,706
Payables and accruals and long service leave liability	(148,726)	(93,360)
Cash used in operations		
Income taxes refund/(paid)	1,340	(9,057)
Interest paid	(153)	(542)
Interest received	1,361	1,288
<b>Net cash generated from/(used in) operating activities</b>	<u>(19,067)</u>	<u>3,606</u>
<b>Cash flows from investing activities</b>		
Increase in pledged deposit placed in bank	3	12,234
Purchase of property, plant and equipment	(26,447)	(27,439)
Disposal of subsidiaries, net of cash outflow	-	(4,834)
Acquisition of subsidiaries, net of cash outflow	(69,310)	-
Acquisition of other intangible assets	(1,110)	(10)
<b>Net cash generated from/(used in) investing activities</b>	<u>(96,864)</u>	<u>(20,049)</u>
<b>Cash flows from financing activities</b>		
Share buy back	(5)	(7)
Net repayment of bill payable	66,189	(44,373)
Repayment of hire purchase liabilities	(2,626)	(2,704)
Net drawdown/ (repayment) of term loan and revolving credit	103,948	(23,438)
Interest expenses	(22,507)	(24,779)
Proceeds from issuance of shares	-	161,609
Share issue expenses	(35)	(4,458)
<b>Net cash generated from/(used in) financing activities</b>	<u>144,964</u>	<u>61,850</u>
Net increase in cash and cash equivalents	29,033	45,407
Cash and cash equivalents at beginning of period	193,884	193,668
Effect of foreign currency translation	(12,443)	(97,047)
Cash and cash equivalents at end of period	<u>210,474</u>	<u>142,028</u>
Cash & bank balances	215,237	142,941
Deposits with licensed banks	2,603	6,297
Less: Pledged deposits	<u>(2,456)</u>	<u>(3,074)</u>
	215,384	146,164
Bank overdraft	<u>(4,910)</u>	<u>(4,136)</u>
	<u>210,474</u>	<u>142,028</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 – 30 September 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 23,321,275 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 9 months ended 30.09.2016</b>	<b>Gross Profit 9 months ended 30.09.2016</b>	<b>EBITDA 9 months ended 30.09.2016</b>
	RM'000	RM'000	RM'000
Asia & Oceania	344,803	54,898	50,252
Europe	808,026	164,080	97,381
Americas	82,879	(19,052)	(22,162)
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	1,235,708	199,926	125,471

  

	<b>Revenue 9 months ended 30.09.2015</b>	<b>Gross Profit 9 months ended 30.09.2015</b>	<b>EBITDA 9 months ended 30.09.2015</b>
	RM'000	RM'000	RM'000
Asia & Oceania	361,296	56,152	115,613
Europe	754,761	148,262	76,301
Americas	67,796	18,766	15,387
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	1,183,853	223,180	207,301

## 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.

4. On 19 May 2016, KNM Renewable Energy Sdn Bhd (“KNMRE”)’s 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”) on 12 March 2015, 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 revised cash consideration of USD\$21,600,000.00 only (equivalent to RM88,488,000) (the “Consideration”) has been deemed completed.

#### 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

	Approved and contracted for RM'000	Approved but not contracted for RM'000
Property, plant and equipment	36	14,777

#### 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, administrative expense, provision funding, treasury and other support services	1,542
I.M.Bina Sdn Bhd (b)	
- General construction, civil mechanical works, provision of equipment and other services	9,364
Tofield Realty Development Corporation (c)	
- Office rental, administrative expense, provision funding, treasury and other support services	301
-General construction, civil mechanical work and other support services	-

(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 RM1.24 billion, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of RM125.47 million and profit after tax and minority interest of RM18.70 million for the period ended 30 September 2016. Compared to the corresponding period last year, the higher revenue this year was due to higher project percentage of completion recognised by our Europe and Americas segments.

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 period last year and loss incurred in Americas segment for current period. Consequently, the profit before tax for the period decreased to RM29.16 million as compared with the profit before tax of RM98.86 million in the corresponding period last year.

#### Asia & Oceanic Segment

The improved revenue contribution from this segment during the period was mainly driven by the Pengerang Integrated Complex related projects. The lower EBITDA during the period was due to an one off gain arising from disposal of Australian operations in the corresponding period 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 and high project overhead costs.

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

The Group's revenue of RM410.65 million for the current quarter was lower by RM17.33 million as compared with the immediate preceding quarter's revenue of RM427.98 million. The decrease was primarily due to lower project percentage of completion recognised during the quarter.

The profit before tax reported for the current quarter was lower at RM2.74 million as compared with the immediate preceding quarter's profit before tax of RM6.90 million mainly due to reduce in operating profit of RM6.51 million which was cushioned by reduction in finance costs of RM1.87 million in current quarter.

### **B3. Prospects**

The prolonged uncertainties in the oil and gas industry had resulted in lower capital expenditure spending by our customers. Thus, the Board anticipates the financial year ending 31 December 2016 will remain challenging given the current economic outlook. The Group will continue its strategy to diversify its sources of income from project based contracts by building long term sustainable recurring revenue from renewable energy businesses.

**B4. Profit forecast**

Not applicable as no profit forecast was given.

**B5. Tax expense**

	<b>3 months Ended 30.09.2016 RM'000</b>	<b>3 months Ended 30.09.2015 RM'000</b>	<b>9 months Ended 30.09.2016 RM'000</b>	<b>9 months Ended 30.09.2015 RM'000</b>
Current	3,544	6,726	31,638	17,216
Prior period	(372)	320	(210)	1,826
Deferred tax	(1,952)	19,521	(20,676)	37,587
	1,220	26,567	10,752	56,629

The Group's effective tax rate for the financial period is higher than statutory tax rate mainly due to non-deductible expenses.

**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 Engineering Services Private Limited	4 October 2006/ India	INR100,000	100	In progress

- 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, which is in progress.

- 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.

4. On 26 September 2016 it was announced that the Company has submitted its application to the Securities Commission of Malaysia in respect of the Proposed Issuance of Bonds in Thailand of up to USD80 Million equivalent in Thai Baht (the “Proposed Thai Bonds”) guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“CGIF”).

The Proposed Thai Bonds exercise has been completed on 18 November 2016 with the issuance of Thai Baht 2.78 billion nominal value of the “AAA” rated Thai Bonds by KNM at a fixed coupon rate of 3.00% p.a. and for a 5-year tenor period maturing on 18 November 2021.

#### **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)	71,387
Borrowings (unsecured)	120,449
Bank Overdraft	4,910
Bill Payable	143,106
Hire Purchase	7,499
Revolving credit	78,165
	<u>425,516</u>
<b>Long term :</b>	
Borrowings (secured)	143,146
Borrowings (unsecured)	85,678
Hire Purchase	22,305
Revolving credit	304,712
	<u>555,841</u>
	<u>981,357</u>

The above are also inclusive of other borrowings in foreign currency of RMB 45.29 million, EURO 44.63 million, CAD 7.50 million, USD 67.28 million, THB 900 million and AED 5.89 million.

The exchange rates used are 1 RMB = RM 0.6199, 1 EURO = RM 4.6487, 1 CAD = RM 3.1499, 1 USD = RM4.1355, 1 THB = RM0.1196 and 1 AED = 1.1259.

#### **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 September 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	211,332	3,430
-1 year to 3 years	579	8
	211,911	3,438

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 30.09.2016 RM'000</b>	<b>3 Months ended 30.09.2015 RM'000</b>	<b>9 Months ended 30.09.2016 RM'000</b>	<b>9 Months ended 30.09.2015 RM'000</b>
(a)				
Profit for the period is arrived at after charging:				
Allowance for impairment loss on doubtful debt	-	(968)	-	312
Bad debts written off	1	1,274	49	1,277
Net (gain)/loss on foreign exchange	4,775	(39,680)	(6,299)	(87,516)
Net (gain)/loss on derivative	(4,149)	4,395	(16,956)	6,981
Amortisation of intangible asset	7,245	9,069	25,160	25,488
(Reversal)/Provision for warranty	46	2,789	46	3,666
Provision of late delivery charges	-	(1,379)	-	(1,872)
Provision for foreseeable losses	-	-	79	-
Gain on disposal of subsidiaries	-	-	-	(22,154)
Share based payment	1,210	1,338	3,638	4,014
And crediting:				
Interest income	827	430	1,361	1,288
(b)				
Interest expenses	5,094	9,311	22,660	25,321

(c)				
Depreciation charge for the period:				
Income statement	1,520	1,852	6,434	6,705
Construction work in progress	13,690	15,131	39,687	40,905
	<u>15,210</u>	<u>16,983</u>	<u>46,121</u>	<u>47,610</u>

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

	<b>As at 30.09.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
Total retained profit of KNM Group and its subsidiaries		
- Realised	497,377	512,894
- Unrealised	(136,239)	(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	(6,631)	(8,530)
- Unrealised	(171)	1,007
Add: Consolidation adjustments	671,009	653,005
Total Group retained profits as per consolidated accounts	<u>1,025,338</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**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.09.2016</b>	<b>30.09.2015</b>	<b>30.09.2016</b>	<b>30.09.2015</b>
<b>Basic earnings per share</b>				
Net Profit attributable to shareholders (RM'000)	1,118	2,363	18,697	43,521
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)	-	34	-	34
Effect of Right Issue ('000)	-	190,580	-	190,580
Effect of Share Buy Back ('000)	(23,316)	(23,296)	(23,316)	(23,296)
Weighted average number of shares ('000)	<u>2,132,816</u>	<u>1,806,353</u>	<u>2,132,816</u>	<u>1,806,353</u>
Basic earnings per share (sen)	0.05	0.13	0.88	2.41

**B16. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 24 November 2016.