Quarterly rpt on consolidated results for the financial period ended 31 Mar 2018

KNM GROUP BERHAD

Financial Year End	31 Dec 2018
Quarter	1 Qtr
Quarterly report for the financial period ended	31 Mar 2018
The figures	have not been audited

Attachments

KNM_Financial Results_Q12018.pdf
285.3 kB

Default Currency | **Other Currency**

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION
31 Mar 2018

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31 Mar 2018	**31 Mar 2017**	**31 Mar 2018**	**31 Mar 2017**
		$$'000	$$'000	$$'000	$$'000
1	**Revenue**	337,759	319,882	337,759	319,882
2	**Profit/(loss) before tax**	-14,550	2,820	-14,550	2,820
3	**Profit/(loss) for the period**	-18,865	1,084	-18,865	1,084
4	**Profit/(loss) attributable to ordinary equity holders of the parent**	-18,423	547	-18,423	547
5	**Basic earnings/(loss) per share (Subunit)**	-0.86	0.03	-0.86	0.03
6	**Proposed/Declared dividend per share (Subunit)**	0.00	0.00	0.00	0.00
		AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7	**Net assets per share attributable to ordinary equity holders of the parent ($$)**	0.9800		1.0100	

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE PERIOD ENDED 31 MARCH 2018 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 31.03.2018 RM'000	(Restated) Unaudited 3 months ended 31.03.2017 RM'000	Unaudited 31.03.2018 RM'000	(Restated) Unaudited 31.03.2017 RM'000
Revenue	337,759	319,882	337,759	319,882
Operating profit	169	13,291	169	13,291
Financing costs	(14,480)	(11,090)	(14,480)	(11,090)
Interest income	463	186	463	186
Share of (loss)/profit of equity accounted investees, net of tax	(702)	432	(702)	432
(Loss)/Profit before tax	(14,550)	2,820	(14,550)	2,820
Tax expense	(4,315)	(1,735)	(4,315)	(1,735)
Net (loss)/profit for the period	(18,865)	1,084	(18,865)	1,084
Other comprehensive loss, net of tax				
Foreign currency translation differences	(66,047)	(14,042)	(66,047)	(14,042)
Net investment in subsidiaries	11,073	7,367	11,073	7,367
Cash flow hedge	(3,457)	2,302	(3,457)	2,302
Realisation of revaluation reserve on property, plant and equipment written off	-	1,339	-	1,339
Share of other comprehensive income of equity accounted investee	118	-	118	-
Other comprehensive loss for the period, net of tax	(58,313)	(3,034)	(58,313)	(3,034)
Total comprehensive loss for the period	(77,178)	(1,950)	(77,178)	(1,950)
Attributable to:				
Equity holders of the parent	(18,423)	547	(18,423)	547
Minority interest	(442)	537	(442)	537
	(18,865)	1,084	(18,865)	1,084
Total comprehensive loss attributable to:				
Equity holders of the parent	(76,982)	(2,749)	(76,982)	(2,749)
Minority interest	(196)	799	(196)	799
Total comprehensive loss for the period	(77,178)	(1,950)	(77,178)	(1,950)
Loss per share:				
- Basic / Diluted (sen)	(0.86)	0.03	(0.86)	0.03

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 31.03.2018 RM'000	Restated As at 31.12.2017 RM'000	Restated As at 1.1.2017 RM'000
Assets				
Non-current assets				
Other intangible assets		479,429	496,502	1,404,817
Goodwill		900,988	918,308	894,502
Property, plant and equipment		1,357,493	1,393,757	512,071
Other investment, including derivative		4,161	5,467	525
Investments in associates		21	21	22
Investments in jointly-controlled entities		5,024	5,479	3,098
Deferred tax assets		342,870	344,243	347,858
		3,089,986	3,163,777	3,162,893
Current assets				
Inventories		151,308	161,966	128,268
Contract work in progress		359,997	356,504	360,032
Trade and other receivables		439,794	479,304	581,638
Cash and bank balances		203,106	235,638	419,183
		1,154,205	1,233,412	1,489,121
TOTAL ASSETS		4,244,191	4,397,189	4,652,014
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital		1,883,513	1,883,513	1,005,617
Treasury shares		(53,425)	(53,425)	(53,422)
Reserves		458,151	535,122	1,408,537
		2,288,239	2,365,210	2,360,732
Non-controlling interests		13,318	13,514	3,455
Total Equity		2,301,557	2,378,724	2,364,187
Non-current liabilities				
Long term payables		8,431	8,976	10,589
Long service leave liability		7,322	7,574	7,097
Loans and borrowings	B9	763,034	701,911	839,695
Deferred taxation		256,229	262,565	228,410
		1,035,016	981,026	1,085,791
Current liabilities				
Payables and accruals		386,596	431,731	597,881
Deferred income		103,828	114,571	120,383
Loans and borrowings	B9	412,268	487,055	481,704
Current tax liabilities		4,926	4,082	2,069
		907,618	1,037,439	1,202,037
Total liabilities		1,942,633	2,018,464	2,287,827
TOTAL EQUITY AND LIABILITIES		4,244,191	4,397,189	4,652,014
Net assets per share attributable to equity holders of the parent (RM)		0.98	1.01	1.09

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2018

Attributable to equity holders of the parent
Non-Distributable | **Distributable Reserve**

	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 Earnings RM'000	Total RM'000	Minority Interest RM'000	Total equity RM'000
As at 1 January 2017 - as previously reported	1,005,617	(53,422)	782,971	(2,337)	72,449	(101,112)	681,252	2,385,418	3,455	2,388,873
Effect of adopting MFRS	-	-	-	-	-	-	(24,686)	(24,686)	-	(24,686)
As at 1 January 2017 (Restated)	1,005,617	(53,422)	782,971	(2,337)	72,449	(101,112)	656,566	2,360,732	3,455	2,364,187
Other comprehensive income for the year	-	-	-	2,302	-	(5,598)	-	(3,296)	262	(3,034)
Profit for the year	-	-	-	-	-	-	547	547	537	1,084
Total comprehensive income/(loss) for the year	-	-	-	2,302	-	(5,598)	547	(2,749)	799	(1,950)
Transactions with owners in their capacity as owner										
Share based payment	-	-	-	-	-	105	-	105	-	105
As at 31 March 2017, restated (Unaudited)	1,005,617	(53,422)	782,971	(35)	72,449	(106,605)	657,113	2,358,088	4,254	2,387,028
As at 1 January 2018 - as previously reported	1,883,513	(53,425)	-	(1,902)	27,468	(97,677)	638,245	2,396,222	13,514	2,409,736
Effect of adopting MFRS	-	-	-	-	-	-	(31,012)	(31,012)	-	(31,012)
As at 1 January 2018 (Restated)	1,883,513	(53,425)	-	(1,902)	27,468	(97,677)	607,233	2,365,210	13,514	2,378,724
Other comprehensive income/(loss) for the year	-	-	-	(1,788)	-	(56,771)	-	(58,559)	246	(58,313)
Loss for the year	-	-	-	-	-	-	(18,423)	(18,423)	(442)	(18,865)
Total comprehensive loss for the year	-	-	-	(1,788)	-	(56,771)	(18,423)	(76,982)	(196)	(77,178)
Transactions with owners in their capacity as owner										
Share based payment	-	-	-	-	-	11	-	11	-	11
As at 31 March 2018 (Unaudited)	1,883,513	(53,425)	-	(3,690)	27,468	(154,437)	588,810	2,288,239	13,318	2,301,557

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report

KNM GROUP BERHAD
(Company No. 521348-H)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2018
(Unaudited)

	31.03.2018 (Unaudited) RM '000	31.03.2017 (Unaudited) RM '000
Cash flows from operating activities		
(Loss)/Profit before tax	(14,550)	2,820
Adjustments for:		
Amortisation of intangible assets	7,474	7,366
Share based payment	11	105
Depreciation	2,520	3,343
Interest expense	13,893	10,002
Interest income	(463)	(186)
Gain on foreign exchange-unrealised	11,171	(2,746)
Share of profit in associates and jointly-controlled entities	702	(432)
Change in fair value of forward contracts	1,682	(2,987)
Bad debts written off	-	334
Reversal of provision for warranty	(4,000)	(1,686)
Reversal of impairment loss of doubtful debts	(767)	(3,562)
(Gain)/Loss on disposal of property, plant and equipment	(104)	23
Operating profit before working capital changes	17,569	12,394
Changes in working capital:		
Inventories	8,190	(12,231)
Receivables, deposits and prepayments	5,966	82,197
Payables and accruals and long service leave liability	(33,625)	(115,839)
Cash used in operations	(1,900)	(33,479)
Income taxes paid	(3,848)	(4,158)
Interest paid	-	(195)
Interest received	463	186
Net cash used in operating activities	(5,285)	(37,646)
Cash flows from investing activities		
Change in pledged deposits placed in banks	128	6
Purchase of property, plant and equipment	(2,906)	(6,160)
Acquisition of other intangible assets	-	(15)
Proceeds from disposal of property, plant and equipment	4,609	25
Net cash generated from/(used in) investing activities	1,831	(6,144)
Cash flows from financing activities		
Net (repayment)drawdown of bill payable	(82,323)	10,027
Repayment of hire purchase liabilities	(3,462)	(1,467)
(Repayment)/Drawdown of term loan and revolving credit	90,921	(9,019)
Interest expenses	(13,893)	(9,807)
Net cash used in financing activities	(8,757)	(10,266)
Net decrease in cash and cash equivalents	(12,211)	(54,056)
Cash and cash equivalents at beginning of period	195,587	411,719
Effect of foreign currency translation	(42,739)	(15,912)
Cash and cash equivalents at end of period	140,637	341,751
Cash and bank balances	181,703	346,215
Deposits with licensed banks	21,403	2,941
Less: Pledged deposits	(21,403)	(2,548)
	181,703	346,608
Bank overdrafts	(41,066)	(4,857)
	140,637	341,751

The notes set out on pages 5 to 15 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 2018

PART A: EXPLANATORY NOTES AS PER MFRS 134

A1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirement of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. These explanatory notes attached to the interim financial statements provide explanation of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

A2. Significant Accounting Policies

The audited financial statements of the Group for the financial year ended 31 December 2017 were prepared in accordance with MFRS. Except for certain differences, the requirements under IFRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2017 except for the adoption of new MFRSs and amendments that are mandatory for the Group for the financial year with effect from1 January 2018:

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property

The initial application of the abovementioned accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The Group has established a team to manage the implementation of MFRS 15. For respective group entities, the team reviewed contracts with customers to account for the financial impact of the adoption of the new standard. The team is also responsible to set up a group policy on implementation and to design approaches to account into the Group's financial reporting process.

Based on the assessment, the key concepts that may give rise to material impact upon adoption are as included below:

(i) Separate performance obligations ("PO")
Components in a project are accounted for as separate performance obligations unless these components are highly dependent, inter-related and integrated to be incorporated into a single output. The Group has assessed that there are separate performance obligations arising from a single contract, which are required to be accounted for separately and will depart from current practice. The impact is as disclosed below.

(ii) Timing of revenue recognition
For construction contracts, currently the Group recognises revenue in proportion to the stages of completion of a contract, which are assessed by reference to surveys of work performed/completion of a physical proportion of contract work. Upon adoption of MFRS 15, the timing of revenue recognition remains as "over-time" recognition for most performance obligations, except for certain performance obligations, the timing of revenue recognition would change from the current "over-time" recognition to "in-time" recognition. The impact upon adoption, which is as disclosed below.

The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements for year ended 31 December 2017 and the beginning of the earliest period presented 1 January 2017 as below.

	Statement of financial position as at 31 December 2017		**Statement of financial position as at 1 January 2017**	
Group	**As currently reported RM'000**	**Restatement RM'000**	**As currently reported RM'000**	**Restatement RM'000**
Inventories	100,870	161,966	73,732	128,268
Amount due from contract customers	387,122	356,504	404,013	360,032
Payable and accruals	(400,519)	(431,731)	(599,995)	(597,881)
Deferred taxation	(192,287)	(262,565)	(191,054)	(228,410)
Retained earnings	(638,245)	(607,233)	(681,252)	(656,566)

(*ii*) *MFRS 9, Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: (i) measured at amortised cost; (ii) fair value through other comprehensive income (FVOCI); and (iii) fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group has established a team to manage the implementation of MFRS 9. For respective group entities, the team reviewed each category of financial assets to assess the impact of the adoption. Based on the assessment performed, the Group does not expect that the application of the new classification requirement will have a material impact on accounting for its financial assets.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

The Group does not expect that the application of the forward-looking expected credit loss (ECL) model will have a material impact on accounting for its financial assets.

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:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, 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

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments in respective financial years when the abovementioned accounting standards, interpretations and amendments become effective, where applicable.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments.

There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

A3. Qualification of annual financial statements

There was no audit qualification in the annual financial statements of the Group for the financial year ended 31 December 2017.

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 period to date.

A6. Material changes in estimates

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

A7. 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 shares issued under the ESOS scheme.

B. As at the date of this report, the Company has repurchased a total of 23,341,275 of its issued share 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 127 of the Companies Act 2016.

A8. Dividend Paid

No dividend was paid during the quarter under review.

A9. Segment information

Segmental analysis of the revenue and result:-

Geographical segments:

	Revenue 3 months ended 31.03.2018 RM'000	Gross Profit 3 months ended 31.03.2018 RM'000	EBITDA 3 months ended 31.03.2018 RM'000
Asia & Oceania	85,355	1,848	1,925
Europe	251,468	44,574	26,097
Americas	936	931	(2,335)
	337,759	47,353	25,687

	(Restated) Revenue 3 months ended 31.03.2017 RM'000	(Restated) Gross Profit 3 months ended 31.03.2017 RM'000	(Restated) EBITDA 3 months ended 31.03.2017 RM'000
Asia & Oceania	69,634	8,310	15,174
Europe	242,116	47,392	26,485
Americas	8,132	(4,273)	(4,294)
	319,882	51,429	37,365

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 financial year ended 31 December 2017.

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

As at to-date, the following are the updates for the composition of the Group:-

A. The de-registration/striking-off of the dormant Subsidiaries as per item B8(1) are all currently on-going.

B. The Company had on 16 May 2018 received a confirmation from the Registrar of Corporations, Government of Alberta, Canada that 1840355 Alberta Ltd. ("AL"), an indirect wholly-owned subsidiary of the Company had been voluntarily dissolved on 15 May 2018.

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	117,359	27,844

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	277
I.M.Bina Sdn. Bhd. (b)	
- General construction, civil mechanical works, provision of equipment and other services	1,864

(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.*

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

B1. Performance of 3-month ended 31 March 2018 against 31 March 2017

The Group achieved a revenue of approximately RM337.76 million in the current quarter as compared to RM319.88 million achieved in the same corresponding quarter in the previous year. The higher revenue in the current quarter was mainly due to contribution from new bio-ethanol plant in Thailand which has commenced commercial operations since September 2017.

The Group recorded a lower Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of approximately RM25.69 million in the current quarter as compared with RM37.37 million in the corresponding quarter in previous financial year. The lower EBITDA was mainly attributable to unrealised foreign exchange loss.

Consequently, the Group posted a higher loss before tax of RM14.55 million in the current quarter as compared with a profit before tax of RM2.82 million in same corresponding quarter in the previous year.

<u>Asia & Oceanic Segment</u>
Asia & Oceanic Segment recorded a higher revenue mainly attributable to the sales of bio-ethanol in Thailand. This Segment recorded a lower EBITDA mainly due to unrealised foreign exchange loss.

<u>Europe Segment</u>
Europe segment recorded a higher revenue with a slightly lower profit margin due to market competition.

<u>Americas Segment</u>
Americas segment registered a lower loss mainly due to lower operating costs.

B2. Performance of the current quarter against the preceding quarter (1st Quarter 2018 versus 4th Quarter 2017)

The Group reported a lower loss before tax of RM14.55 million as compared to a loss before tax of RM46.97 million in preceding quarter. The significant improvement was mainly due to the positive contribution by the bio-ethanol plant and overall cost saving achievement for lower operating expenses within the Group.

B3. Prospects

The Board anticipates the outlook for financial year ending 31 December 2018 will remain challenging. However, the recent recovery of the crude oil price will stimulate more capital expenditure into refineries which were deferred several years ago.

In addition, the Group's strategy to diversify its sources of income from project-based contracts to recurring-income businesses in renewable energy industry is bearing results. The bio-ethanol plant in Thailand has been in commercial operations since September 2017 and it will contribute positively to the Group in the following financial years. The phase two (2) bio-ethanol plant for additional 300,000 litres per day is currently under construction.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months Ended 31.03.2018 RM'000	(Restated) 3 months Ended 31.03.2017 RM'000
Current	(5,067)	449
Prior period	(501)	(10)
Deferred tax	1,253	(2,174)
	(4,315)	(1,735)

The Group's effective tax rate for the financial period is higher than statutory tax rate mainly due to non-deductible expenses and no deferred tax assets have been recognised on tax losses subsidiaries.

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

1. Previously, 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-registration/striking-off the Affected Subsidiaries from the respective register of companies with the relevant authorities ("Proposed Dissolution"):-

   (i) On 6 November 2014, the Company had 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 strike-off the JVCO. An application to strike-off the JVCO has been submitted to the Companies Commission of Malaysia ("CCM") on 28 December 2017 and is currently pending CCM's notification approval.

2. 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.

3. On 10 November 2017, the Company announced its intention to implement a private placement of up to 213,281,400 new ordinary shares in KNM ("KNM Shares") to independent third party investor(s) to be identified at a later date ("Private Placement").

The listing application in relation to the Private Placement has been submitted to Bursa Securities on 13 November 2017. Bursa Securities had duly approved the Private Placement on 15 November 2017 and the Company had on 16 November 2017 fixed the issue price at RM0.24 per KNM Shares to be issued pursuant to the Private Placement.

The Private Placement exercise was subsequently completed upon full subscription, listing and quotation of 213,281,400 KNM Shares at RM0.24 each on the Main Market of Bursa Securities on 29 November 2017. The gross proceeds raised from the Private Placement exercise was RM51,187,536.00 and the current utilization status is as set out below:-

Purpose	**Proposed Utilisation**	**Actual Utilisation**	**Timeframe for Utilisation**	**Deviation**	
	RM'000	**RM'000**		**RM'000**	**%**
Repayment of bank borrowings	40,000	(40,000)	Within twelve (12) months	-	-
Working capital requirements	9,733	(9,733)	Within one (1) month	-	-
Defrayment of expenses related to the Private Placement	1,455	(1,455)	Within one (1) month	-	-
Total	51,188	(51,188)		-	-

B9. Group borrowings and debt securities

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

	As at 31.03.2018 RM'000
Short term:	
Borrowings (secured)	67,996
Borrowings (unsecured)	47,917
Bank Overdrafts	41,067
Bills Payable	89,842
Hire Purchase	4,691
Revolving credits	160,755
	412,268
Long term :	
Borrowings (secured)	85,053
Borrowings (unsecured)	447,393
Hire Purchase	17,565
Revolving credits	213,023
	763,034
	1,175,302

The above are also inclusive of other borrowings in foreign currency of RMB 40.00 million, EURO 50.04 million, CAD 6.71 million, USD 85.68million, THB 2.77 billion and AED 7.89 million.

The exchange rates used are 1 RMB = RM 0.6157, 1 EURO = RM 4.7608, 1 CAD = RM 2.9964, 1 USD = RM3.8645, 1 THB = RM0.1239 and 1 AED = 1.0519.

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 2018 are as follows:-

Type of Derivative	Contract/Notional value RM'000	Gain on Fair value changes RM'000
Foreign Exchange Contracts		
-Less than 1 year	95,322	3,151
	95,322	3,151

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. (LOSS)/PROFIT FOR THE PERIOD

	3 Months ended 31.03.2018 RM'000	3 Months ended 31.03.2017 RM'000
(a)		
(Loss)/Profit for the period is arrived at after charging:		
Reversal of impairment loss on trade receivables	(767)	(3,562)
Bad debts written off	-	334
Net loss/(gain) on foreign exchange	10,906	(8,007)
Net loss/(gain) on derivative	1,682	(2,987)
Amortisation of intangible asset	7,474	7,366
Reversal of provision for warranty	(4,000)	(1,686)
(Gain)/Loss on disposal of fixed assets	(104)	23
Share-based payment	11	105
And crediting:		
Interest income	463	186

(b)		
Interest expenses	13,893	10,002
(c)		
Depreciation charged for the period:		
Income statement	2,520	3,343
Construction work in progress	15,524	12,758
	18,044	16,101

B12. Material litigation

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

B13. Dividend payable

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

B14. (Loss)/Profit per share

	Individual Quarter		Cumulative Quarter	
		(Restated)		**(Restated)**
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**
Basic loss per share				
Net loss/(profit) attributable to shareholders (RM'000)	(18,423)	547	(18,423)	547
Number of shares at the beginning of the year ('000)	2,175,420	2,156,133	2,175,420	2,156,133
Issuance of share-Private Placement ('000)	194,017	-	194,017	-
Effect of Share Buy Back ('000)	(23,341)	(23,318)	(23,341)	(23,318)
Weighted average number of shares ('000)	2,346,096	2,132,815	2,346,096	2,132,815
Basic (loss)/profit per share (sen)	(0.86)	0.03	(0.86)	0.03

B15. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 23 May 2018.