

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2015 (Unaudited)

### 1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 31.03.2015 RM'000	Unaudited 3 months ended 31.03.2014 RM'000	Unaudited 31.03.2015 RM'000	Unaudited 31.03.2014 RM'000
<b>Contract revenue</b>	344,377	493,899	344,377	493,899
<b>Operating profit</b>	66,662	38,565	66,662	38,565
Financing costs	(9,830)	(14,852)	(9,830)	(14,852)
Interest income	106	652	106	652
Share of profit/ (loss) of equity accounted investees, net of tax	(3,030)	(1,114)	(3,030)	(1,114)
<b>Profit before tax</b>	53,908	23,251	53,908	23,251
Tax expense	(19,117)	(9,614)	(19,117)	(9,614)
<b>Net profit for the period</b>	34,791	13,637	34,791	13,637
<b>Other comprehensive income / (loss), net of tax</b>				
Foreign currency translation differences	(13,767)	(7,292)	(13,767)	(7,292)
Net investment in subsidiaries	(86,545)	(2,427)	(86,545)	(2,427)
Cash Flow hedge	(3,695)	(319)	(3,695)	(319)
Share of other comprehensive income of equity accounted investee	858	(263)	858	(263)
<b>Other comprehensive (loss)/income for the period, net of tax</b>	(103,149)	(10,301)	(103,149)	(10,301)
<b>Total comprehensive (loss)/income for the period</b>	(68,358)	3,336	(68,358)	3,336
Attributable to:				
Equity holders of the parent	35,052	14,172	35,052	14,172
Minority interest	(261)	(535)	(261)	(535)
	34,791	13,637	34,791	13,637
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	(67,271)	3,740	(67,271)	3,740
Minority interest	(1,087)	(404)	(1,087)	(404)
Total comprehensive (loss)/income for the period	(68,358)	3,336	(68,358)	3,336
Earnings per share:				
- Basic / Diluted (sen)	2.17	0.97	2.17	0.97

The notes set out on pages 5 to 16 form an integral part of and should be read in conjunction with this interim financial report

# KNM GROUP BERHAD

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## 2. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 31.03.2015 RM'000	Audited As at 31.12.2014 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible Assets		479,740	519,036
Goodwill		726,112	772,885
Property, plant and equipment		857,846	852,899
Other investment, including derivative		14,554	14,705
Investments in associates		22	24
Investments in jointly-controlled entities		2,760	5,383
Deferred Tax Assets		344,200	342,031
		<u>2,425,234</u>	<u>2,506,963</u>
<b>Current assets</b>			
Inventories		69,839	70,433
Contracts work in progress		506,450	491,925
Trade and other receivables		566,916	631,579
Cash and cash equivalents		118,822	208,508
		<u>1,262,027</u>	<u>1,402,445</u>
Assets classified as held for sale		-	21,155
		<u>1,262,027</u>	<u>1,423,600</u>
<b>TOTAL ASSETS</b>		<u>3,687,261</u>	<u>3,930,563</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		774,560	774,537
Treasury Shares		(53,402)	(53,402)
Reserves		1,374,863	1,440,911
		<u>2,096,021</u>	<u>2,162,046</u>
<b>Non-controlling interests</b>		<u>(5,372)</u>	<u>(4,285)</u>
<b>Total Equity</b>		<u>2,090,649</u>	<u>2,157,761</u>
<b>Non-current liabilities</b>			
Long term payable		51,356	52,142
Long service leave liability		3,178	2,886
Loans and borrowings	B9	180,994	218,099
Deferred taxation		207,134	219,222
		<u>442,662</u>	<u>492,349</u>
<b>Current liabilities</b>			
Payables and accruals		474,864	500,089
Deferred income		126,409	155,746
Loans and borrowings	B9	551,339	577,194
Current tax liabilities		1,338	1,100
		<u>1,153,950</u>	<u>1,234,129</u>
Liabilities classified as held for sale		-	46,324
		<u>1,153,950</u>	<u>1,280,453</u>
<b>Total liabilities</b>		<u>1,596,612</u>	<u>1,772,802</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>3,687,261</u>	<u>3,930,563</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.28</u>	<u>1.32</u>

The notes set out on pages 5 to 16 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 31 MARCH 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
Total comprehensive (loss)/ income for the period	-	-	-	(319)	-	(11,069)	15,127	3,739	(403)	3,336
<b>Transaction with owners in their capacity as owner</b>	1,445,033	(53,390)	16,707	4	44,981	(318,940)	929,099	2,063,494	(559)	2,062,935
Share issue expenses	-	-	(14)	-	-	-	-	(14)	-	(14)
<b>As at 31 March 2014 (Unaudited)</b>	1,445,033	(53,390)	16,693	4	44,981	(318,940)	929,099	2,063,480	(559)	2,062,921
<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

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**KNM GROUP BERHAD**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED****31 MARCH 2015****(Unaudited)**

	31.03.2015	31.03.2014
	RM	RM
	'000	'000
<b>Cash flows from operating activities</b>		
Profit before tax	53,908	23,251
Adjustments for:		
Amortisation of intangible assets	8,265	9,252
Share based payment	1,338	-
Depreciation	3,214	3,509
Interest expense	8,721	14,534
Interest income	(106)	(652)
Gain on foreign exchange-unrealised	(45,199)	(3,967)
Gain on disposal of property, plant and equipment	-	(3,200)
Share of loss of in associates and jointly-controlled entities	3,030	1,114
Change in fair value of forward contract	11,409	(319)
Allowance for Impairment loss of doubtful debts	469	-
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>22,895</u>	<u>38,963</u>
Decrease / (Increase) in working capital:		
Inventories	(515)	(127,287)
Receivables, deposits and prepayments	25,334	31,953
Payables and accruals and long service leave liability	(63,301)	(29,348)
Cash used in operations		
Income taxes paid	(4,848)	(5,376)
Interest paid	-	(1,245)
Interest received	106	652
<b>Net cash used in operating activities</b>	<u>(20,329)</u>	<u>(91,688)</u>
<b>Cash flows from investing activities</b>		
Increase in pledged deposit placed in bank	(2,422)	(6,327)
Purchase of property, plant and equipment	(15,190)	(3,322)
Proceed from disposal of other investment	-	7,255
Disposal of subsidiaries, net of cash outflow	(4,834)	-
Acquisition of other intangible assets	(54)	(7)
Proceeds from disposal of property, plant and equipment	-	11,945
<b>Net cash (used in) / generated from investing activities</b>	<u>(22,500)</u>	<u>9,544</u>
<b>Cash flows from financing activities</b>		
Net drawdown / (repayment) of bill payable	1,239	(137,599)
Repayment of hire purchase liabilities	(3,163)	(3,058)
Net (repayment) / drawdown of term loan and revolving credit	(67,017)	130,186
Interest expenses	(8,721)	(13,289)
Proceeds from issuance of shares	30	-
Share issue expenses	(122)	(14)
<b>Net cash used in financing activities</b>	<u>(77,754)</u>	<u>(23,774)</u>
Net decrease in cash and cash equivalents	(120,583)	(105,918)
Cash and cash equivalents at beginning of period	193,668	258,501
Effect of foreign currency translation	24,952	11,058
Cash and cash equivalents at end of period	<u>98,037</u>	<u>163,641</u>
Cash & bank balances	92,588	130,487
Deposits with licensed banks	26,234	51,940
Pledged deposits	<u>(17,732)</u>	<u>(11,342)</u>
	101,090	171,085
Bank overdraft	<u>(3,053)</u>	<u>(7,444)</u>
	<u>98,037</u>	<u>163,641</u>

The notes set out on pages 5 to 16 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 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 23,291,275 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 31.3.2015 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/> <b>344,377</b>	<hr/> <b>68,273</b>	<hr/> <b>90,607</b>

	<b>Revenue 3 months ended 31.3.2014 RM'000</b>	<b>Gross Profit 3 months ended 31.3.2014 RM'000</b>	<b>EBITDA 3 months ended 31.3.2014 RM'000</b>
Asia & Oceania	140,745	17,097	6,117
Europe	334,982	79,654	56,444
Americas	18,172	4,013	1,926
	<hr/> <b>493,899</b>	<hr/> <b>100,764</b>	<hr/> <b>64,487</b>

**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 the Affected 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”) for an initial investment of RM1,000,000 on 60% (Hansol) : 40% (KNMPS) basis. Both parties have fully subscribed and paid up for their respective portion of the initial investment.

## 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	160	9,088
Investment	88,888	-
	<u>89,048</u>	<u>9,088</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	392
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	96

(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 RM344.38 million, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of RM90.61 million and profit after tax and minority interest of RM35.05 million for the period ended 31 March 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 stable order book.

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

The Group's revenue of RM344.38 million for the quarter under review was lower by RM106.86 million against the immediate preceding quarter's revenue of RM451.24 million. Profit before taxation reported higher at RM53.91 million as compared to immediate preceding quarter's profit before taxation of RM44.73 million attributable to gain arising from disposal of Australia operating units and lower operating cost.

### **B3. Prospects**

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

- The Asia & Oceanic segment is expected to continuously 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 31.3.2015 RM'000</b>	<b>3 months Ended 31.3.2014 RM'000</b>
Current	755	5,974
Prior period	1,758	(664)
Deferred tax	16,604	4,304
	<u>19,117</u>	<u>9,614</u>

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 Eurasia Sdn Bhd	28 February 1992/ Malaysia	RM100,000	100	Completed
KNM Process Systems (Kazakhstan) Sdn Bhd	16 February 2005/ Malaysia	RM2	100	Completed
KNM Process Systems (Turkmenistan) Sdn Bhd	10 March 2005/ Malaysia	RM2	100	Completed
KNM Process Systems (Uzbekistan) Sdn Bhd	10 July 1995/ Malaysia	RM2	100	In progress
KNM-DP Harta Bina Sdn Bhd*	24 September 1994/ Malaysia	RM200,000	93	In progress
KNM China Pte Limited	22 January 2010/ Hong Kong	HKD100	100	Completed
Borsig Compression (China) Pte Limited	29 January 2010/ Hong Kong	HKD100	100	Completed
Borsig Valves (China) Pte Limited	29 January 2010/ Hong Kong	HKD100	100	Completed
KNM Engineering Services Private Limited	4 October 2006/ India	INR100,000	100	In progress
KNM Oil & Gas (B) Sdn Bhd	10 May 2005/ Brunei	BND100,000	100	Completed
KNM Services (Singapore) Pte Ltd	25 November 2009/ Singapore	USD1	100	Completed

*\*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”). TKSB 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. Pursuant to the Company's announcements on 17 October 2014 and 27 November 2014, KNM had proposed to undertake the following:-
  - (a) Proposed renounceable rights issue of up to 430,490,762 new ordinary shares of RM0.50 each in KNM ("KNM Share(s) or "Share(s)") ("Rights Share(s)") on the basis of 1 Rights Share for every 5 existing KNM Shares held on an Entitlement Date to be determined later together with up to 215,245,381 new free detachable warrants ("Warrant(s) B") on the basis of 1 Warrant B for every 2 Rights Shares subscribed ("Proposed Rights Issue With Warrants");
  - (b) Proposed increase in the Authorised Share Capital of KNM from RM1,125,000,000 comprising 2,250,000,000 KNM Shares to RM2,500,000,000 comprising of 5,000,000,000 KNM Shares ("Proposed Increase in Authorised Share Capital");
  - (c) Proposed Amendments to the Memorandum of Association of KNM ("Proposed Amendment"); and
  - (d) Proposed Granting of KNM's Employees Share Options to Dato' Adnan Bin Wan Mamat pursuant to the Company's existing Employees Share Option Scheme ("Proposed ESOS Grant").

The Proposed Rights Issue With Warrants, Proposed Increase in Authorised Share Capital, Proposed Amendment and Proposed ESOS Grant are collectively referred to as the "Proposals".

The Company's shareholders had approved the said Proposals at the Extraordinary General Meeting of the Company held on 19 December 2014.

On 17 February 2015, the Board had announced that the price of the Rights Shares has been fixed at RM0.50 per rights share, while the exercise price for the conversion of one Warrant B into one KNM share was fixed at RM1.00 based on the renounceable rights issue of up to 430,431,442 new KNM Shares ("Rights Share(s)") to be issued on the basis of 1 Rights Share for every 5 existing KNM Shares held as at 5.00 p.m. on Friday, 27 March 2015 ("Entitlement Date") together with up to 215,215,721 new free detachable warrants ("Warrant(s) B") on the basis of 1 Warrant B for every 2 Rights Shares subscribed.

The Abridged Prospectus has been approved by the Securities Commission of Malaysia ("SC") and issued to the Company's shareholders on 27 March 2015.

323,157,690 Rights Shares together with 161,578,504 Warrants was allotted on 22 April 2015 and duly listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 27 April 2015.

3. 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.

4. 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").

The matter is now pending fulfillment of the conditions precedent.

## 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)	253,198
Borrowings (unsecured)	104,264
Bank Overdraft	3,053
Bill Payable	119,780
Hire Purchase	7,044
Revolving credit	64,000
	<u>551,339</u>
<b>Long term :</b>	
Borrowings (secured)	52,021
Borrowings (unsecured)	107,469
Hire Purchase	21,504
	<u>180,994</u>
	<u>732,333</u>

The above are also inclusive of other borrowings in foreign currency of RMB 20.00 million, EURO 62.84 million, CAD 6.10 million and USD 11.50 million.

The exchange rates used are 1 RMB = RM 0.5974, 1 EURO = RM 3.9743, 1 CAD = RM 2.9191 and 1 USD = RM3.7036.

## 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 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	313,563	26,704
-1 year to 3 years	7,407	1,373
	<u>320,970</u>	<u>28,077</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 31.3.2015 RM'000</b>	<b>3 Months ended 31.3.2014 RM'000</b>
(a)		
Profit for the period is arrived at after charging and crediting:		
Allowance for impairment loss on doubtful debt	469	-
Bad debts written off	2	88
Net (gain)/loss on foreign exchange	(47,282)	3,641
Net (gain)/loss on derivative	11,409	(319)
Amortisation of intangible asset	8,265	9,252
Provision for warranty	1,429	436
Provision of late delivery charges	-	247
Gain on disposal of subsidiaries	(22,154)	-
Share based payment	1,338	-
And crediting:		
Interest income	106	652
Gain on disposal of other investment	-	2,437
(b)		
Interest expenses	9,830	14,852
(c)		
Depreciation charge for the period:		
Income statement	3,214	3,509
Construction work in progress	12,466	13,161
	<u>15,680</u>	<u>16,670</u>

## B12. Realised and Unrealised Profit/Losses Disclosure

	As at 31 March 2015 RM'000	As at 31 December 2014 RM'000
Total retained profit of KNM Group and its subsidiaries		
- Realised	447,979	557,566
- Unrealised	(89,174)	(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	(3,141)	270
- Unrealised	510	126
Add: Consolidation adjustments	635,998	569,289
Total Group retained profits as per consolidated accounts	992,166	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.

KNM 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 Biofuels and the deposit to be refunded to KNMPS.

KNMPS has filed for leave to appeal at the Federal Court and the leave application is fixed for hearing on 24 June 2015.

- 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)**

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

Mission Biofuels had filed for leave to appeal to the Federal Court against the order of the court striking out the Mission Petition after the Court of Appeal had dismissed Mission Biofuels's appeal on 5 January 2015 with cost of RM20,000.00 to be paid to KNMPS.

On 13 May 2015, the Federal Court finally dismissed Mission Biofuels's leave application with cost of RM10,000.00 awarded to KNMPS.

This case has now been completely closed in KNMPS's favour.

- 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") has on 30 April 2014, filed its Points of Claim in the arbitration proceedings in connection with the Engineering, Procurement, Construction and Commissioning Contract dated 25 July 2007 ("EPCC"). This Arbitration is part of KNM Group's on-going litigation actions to protect and preserve KNMPS' right and monetary claims for various works and services provided in respect of the EPCC. KNMPS is claiming for approximately RM120 million in the arbitration.

The hearing of arbitration proceeding shall commence on 28 July 2015 and scheduled to be completed on 23 October 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 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 has since filed for leave to appeal at the Federal Court and the leave to appeal is fixed for Hearing on 26 May 2015 at the Federal Court.

**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>31 March 2015</b>	<b>31 March 2014</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
<b>Basic earnings per share</b>				
Net Profit attributable to shareholders (RM'000)	35,052	14,172	35,052	14,172
Number of shares at the beginning of the year ('000)	1,639,035	1,490,013	1,639,035	1,490,013
Share option exercised ('000)	10	-	10	-
Effect of Share Buy Back ('000)	(23,291)	(23,271)	(23,291)	(23,271)
Weighted average number of shares ('000)	<u>1,615,754</u>	<u>1,466,742</u>	<u>1,615,754</u>	<u>1,466,742</u>
Basic earnings per share (sen)	2.17	0.97	2.17	0.97

**B16. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 21 May 2015.