

KNM GROUP BERHAD

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

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

1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 31.12.2016 RM'000	Unaudited 3 months ended 31.12.2015 RM'000	Unaudited 31.12.2016 RM'000	Audited 31.12.2015 RM'000
Contract revenue	411,074	457,429	1,646,782	1,641,282
Operating profit	(303,728)	31,540	(249,538)	165,743
Financing costs	(17,154)	(6,098)	(44,303)	(36,636)
Interest income	771	83	2,132	1,371
Share of profit/ (loss) of equity accounted investees, net of tax	454	(247)	1,213	(6,343)
Profit before tax	(319,657)	25,278	(290,496)	124,135
Tax expense	(10,575)	(19,607)	(21,327)	(76,236)
Net profit for the period	(330,232)	5,671	(311,823)	47,899
Other comprehensive income / (loss), net of tax				
Foreign currency translation differences	98,863	(78,532)	32,956	361,872
Net investment in subsidiaries	(28,497)	(16,343)	(39,689)	(116,535)
Cash Flow hedge	(2,819)	181	2,006	733
Share of other comprehensive income of equity accounted investee	(22)	297	107	1,335
Other comprehensive income/ (loss) for the period, net of tax	67,525	(94,397)	(4,620)	247,405
Total comprehensive income/ (loss) for the period	(262,707)	(88,726)	(316,443)	295,304
Attributable to:				
Equity holders of the parent	(330,377)	6,006	(311,680)	49,527
Minority interest	145	(335)	(143)	(1,628)
	(330,232)	5,671	(311,823)	47,899
Total comprehensive income attributable to:				
Equity holders of the parent	(261,417)	(88,457)	(312,555)	299,818
Minority interest	(1,290)	(269)	(3,888)	(4,514)
Total comprehensive income/ (loss) for the period	(262,707)	(88,726)	(316,443)	295,304
(Loss) / Earnings per share:				
- Basic / Diluted (sen)	(15.49)	0.32	(14.61)	2.65

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

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2. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 31.12.2016 RM'000	Audited As at 31.12.2015 RM'000
Assets			
Non-current assets			
Intangible Assets		512,140	539,609
Goodwill		894,048	857,340
Property, plant and equipment		1,405,433	1,049,612
Other investment, including derivative		525	10,522
Investments in associates		22	23
Investments in jointly-controlled entities		3,194	1,315
Deferred Tax Assets		347,858	345,428
		<u>3,163,220</u>	<u>2,803,849</u>
Current assets			
Inventories		73,732	74,675
Contracts work in progress		410,640	504,885
Trade and other receivables		604,683	724,871
Cash and cash equivalents		419,183	198,857
		<u>1,508,238</u>	<u>1,503,288</u>
TOTAL ASSETS		<u>4,671,458</u>	<u>4,307,137</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,005,617	1,005,617
Treasury Shares		(53,422)	(53,414)
Reserves		1,456,600	1,766,591
		<u>2,408,795</u>	<u>2,718,794</u>
Non-controlling interests		<u>3,632</u>	<u>(9,099)</u>
Total Equity		<u>2,412,427</u>	<u>2,709,695</u>
Non-current liabilities			
Long term payable		10,460	47,775
Long service leave liability		7,097	6,348
Loans and borrowings	B9	842,283	336,431
Deferred taxation		191,024	218,595
		<u>1,050,864</u>	<u>609,149</u>
Current liabilities			
Payables and accruals		592,840	449,679
Deferred income		132,617	155,307
Loans and borrowings	B9	479,312	382,029
Current tax liabilities		3,398	1,278
		<u>1,208,167</u>	<u>988,293</u>
Total liabilities		<u>2,259,031</u>	<u>1,597,442</u>
TOTAL EQUITY AND LIABILITIES		<u>4,671,458</u>	<u>4,307,137</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.12</u>	<u>1.26</u>

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KNM GROUP BERHAD

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

	Attributable to equity holders of the parent						Retained Profit RM'000	Total RM'000	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				
As at 1 January 2015	774,537	(53,402)	790,135	(5,076)	44,981	(346,243)	957,114	2,162,046	(4,285)	2,157,761
Other comprehensive income for the year	-	-	-	733	-	249,558	-	250,291	(2,886)	247,405
Profit for the year	-	-	-	-	-	-	49,527	49,527	(1,628)	47,899
Total comprehensive income for the year	-	-	-	733	-	249,558	49,527	299,818	(4,514)	295,304
Transaction with owners in their capacity as owner										
Share options exercised	23	-	7	-	-	-	-	30	-	30
Issue of ordinary shares pursuant - Right Issue	161,579	-	-	-	-	-	-	161,579	-	161,579
Issue of ordinary shares pursuant - Private Placement	96,946	-	-	-	-	-	-	96,946	-	96,946
Allocation of warrants reserve	(27,468)	-	-	-	27,468	-	-	-	-	-
Transfer to share premium for ESOS exercised	-	-	17	-	-	(17)	-	-	-	-
Share pay-back	-	(12)	-	-	-	-	-	(12)	-	(12)
Share based payment	-	-	-	-	-	5,575	-	5,575	-	5,575
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	-	(300)	(300)
Share issue expenses	-	-	(7,188)	-	-	-	-	(7,188)	-	(7,188)
As at 31 December 2015 (Audited)	1,005,617	(53,414)	782,971	(4,343)	72,449	(91,127)	1,006,641	2,718,794	(9,099)	2,709,695
As at 1 January 2016	1,005,617	(53,414)	782,971	(4,343)	72,449	(91,127)	1,006,641	2,718,794	(9,099)	2,709,695
Realisation of revaluation reserve on property, plant and equipment written off	-	-	-	-	-	(5,688)	7,592	1,904	-	1,904
Other comprehensive income for the year	-	-	-	2,006	-	(2,881)	-	(875)	(3,745)	(4,620)
Loss for the year	-	-	-	-	-	-	(311,680)	(311,680)	(143)	(311,823)
Total comprehensive income for the year	-	-	-	2,006	-	(2,881)	(311,680)	(312,555)	(3,888)	(316,443)
Transaction with owners in their capacity as owner										
Acquisition of equity interest in subsidiaries	-	-	-	-	-	-	-	-	16,619	16,619
Share Buy Back	-	(8)	-	-	-	-	-	(8)	-	(8)
Cash flow hedge	-	-	-	-	-	-	-	-	-	-
Share based payment	-	-	-	-	-	695	-	695	-	695
Transfer from revaluation reserve on disposal of property, plant and equipment	-	-	-	-	-	-	-	-	-	-
Share issue expenses	-	-	(35)	-	-	-	-	(35)	-	(35)
As at 31 December 2016 (Unaudited)	1,005,617	(53,422)	782,936	(2,337)	72,449	(99,001)	702,553	2,408,795	3,632	2,412,427

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KNM GROUP BERHAD(Company No. 521348-H)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED****31 DECEMBER 2016****(Unaudited)**

	31.12.2016	31.12.2015
	(Unaudited)	(Restated)
	RM	RM
	'000	'000
Cash flows from operating activities		
(Loss) / Profit before tax	(290,496)	124,135
Adjustments for:		
Amortisation of intangible assets	32,491	35,102
Share based payment	695	5,575
Depreciation	61,782	62,298
Interest expense	38,762	30,493
Interest income	(2,132)	(1,371)
Gain on foreign exchange-unrealised	(8,981)	(97,556)
Property, plant and equipment written off	13,219	-
Share of (loss)/profit in associates and jointly-controlled entities	(1,213)	6,343
Change in fair value of forward contract	(9,608)	5,162
Allowance for Impairment loss of doubtful debts	25,686	2,158
Provision for foreseeable losses	279	55
Bad debts written off	7,431	1,320
Gain on disposal of subsidiaries	-	(19,880)
Loss on disposal of other investments	-	257
Provision for warranty	18,273	9,252
Impairment of other investments	-	3,987
Provision for late delivery charges	2,555	-
Gain on disposal of property, plant and equipment	(203)	-
Operating (loss) /profit before working capital changes	<u>(111,460)</u>	<u>167,330</u>
Changes in working capital:		
Inventories	2,267	5,917
Receivables, deposits and prepayments	99,116	(24,615)
Payables and accruals and long service leave liability	(98,841)	(115,469)
Cash used in operations		
Income taxes paid	(2,725)	(19,135)
Interest paid	(250)	(560)
Interest received	2,132	1,371
Net cash (used in) /generated from operating activities	<u>(109,761)</u>	<u>14,839</u>
Cash flows from investing activities		
Increase in pledged deposit placed in bank	(95)	12,849
Purchase of property, plant and equipment	(33,873)	(50,431)
Proceed from disposal of other investment	-	176
Disposal of subsidiaries, net of cash outflow	-	(4,834)
Acquisition of subsidiaries, net of cash outflow	(69,310)	-
Acquisition of other intangible assets	(8,406)	(1,973)
Proceeds from disposal of property, plant and equipment	15,695	-
Government grants received	-	6,364
Net cash used in investing activities	<u>(95,989)</u>	<u>(37,849)</u>
Cash flows from financing activities		
Proceeds from issuance of shares	-	-
Share buy back	(8)	(12)
Net drawdown/(repayment) of bill payable	164,619	(25,948)
Repayment of hire purchase liabilities	(3,453)	(6,860)
Drawdown of term loan and revolving credit	628,013	244,356
Repayment) of term loan and revolving credit	(297,804)	(296,561)
Interest expenses	(38,512)	(29,933)
Proceeds from issuance of shares	-	258,555
Share issue expenses	(35)	(7,188)
Net cash generated from financing activities	<u>452,820</u>	<u>136,409</u>
Net increase in cash and cash equivalents	247,070	113,399
Cash and cash equivalents at beginning of period	193,884	193,668
Effect of foreign currency translation	(29,235)	(113,183)
Cash and cash equivalents at end of period	<u>411,719</u>	<u>193,884</u>
Cash & bank balances	416,479	193,685
Deposits with licensed banks	2,704	5,172
Less: Pledged deposits	<u>(2,555)</u>	<u>(2,460)</u>
	416,628	196,397
Bank overdraft	<u>(4,909)</u>	<u>(2,513)</u>
	<u>411,719</u>	<u>193,884</u>

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 December 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.

On 18 November 2016, KNM Group Berhad (“KNMG”) has completed the issuance of Thai Baht bonds amounting to THB 2,780 million (equivalent to approximately RM348.2 million). These bonds are guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank and fully underwritten by United Overseas Bank (Thai) Public Company Limited (“The Guaranteed Thai Bonds”). The Guaranteed Thai Bonds has a tenure of 5-year from the date of issuance. Proceeds from the Guaranteed Thai Bonds will be utilised by KNMG to on-lend to a subsidiary ultimately owned KNMG, i.e. Impress Ethanol Co., Ltd (“IEL”) which will in turn use the Guaranteed Thai Bonds proceeds for the purposes of amongst others, refinance IEL’s existing loan, financing future expansion and working capital expenses for IEL’s bio-ethanol plants in Thailand.

B. As at the date of this report, the Company has repurchased a total 23,331,275 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:

	Revenue	Gross Profit/(Loss)	EBITDA
	12 months ended	12 months ended	12 months ended
	31.12.2016	31.12.2016	31.12.2016
	RM'000	RM'000	RM'000
Asia & Oceania	403,147	(165,026)	(207,580)
Europe	1,159,309	228,164	94,638
Americas	84,326	(37,288)	(42,323)
	<hr/> 1,646,782	<hr/> 25,850	<hr/> (155,265)

	Revenue	Gross Profit	EBITDA
	12 months ended	12 months ended	12 months ended
	31.12.2015	31.12.2015	31.12.2015
	RM'000	RM'000	RM'000
Asia & Oceania	521,897	101,999	143,118
Europe	1,024,959	216,311	107,493
Americas	94,426	21,531	12,533
	<hr/> 1,641,282	<hr/> 339,841	<hr/> 263,144

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.
5. KNM Group Berhad's wholly-owned subsidiary, KNM Renewable Energy Sdn Bhd, had on 29 December 2016 entered into a Share Purchase Agreement with Growing Heights Sdn Bhd (the "Vendor") for the acquisition of the Vendor's 51% equity interest or 30,080,820 ordinary shares of RM1.00 each in Green Energy and Technology Sdn Bhd, with full legal title and free and clear of encumbrances for a total cash consideration of RM1.00 only (hereinafter referred to as the "Proposed Acquisition").

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	8,696	14,061

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	1,665
I.M.Bina Sdn Bhd (b)	
- General construction, civil mechanical works, provision of equipment and other services	18,194
Tofield Realty Development Corporation (c)	
- Office rental, administrative expense, provision funding, treasury and other support services	335
-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 approximately RM1.65 billion, LBITDA (Loss Before Interest, Tax, Depreciation and Amortisation) of approximately RM155.27 million and loss after tax and minority interest of approximately RM311.68 million for the financial year ended 31 December 2016. The revenue achieved in financial year ended 31 December 2016 was similar to the revenue of RM1.64 billion recorded in the corresponding period last year.

The Group recorded a loss before tax of RM290.50 million during the year as compared with the profit before tax of RM124.14 million in the corresponding period last year. The loss before tax for the year was mainly due to the losses in Canada and Kuantan operations, effect of foreign exchange and unforeseen logistic costs as compared with corresponding period last year.

Asia & Oceanic Segment

Asia & Oceanic Segment recorded of gross loss of RM165.03 million during the year as compared with the corresponding period last year's gross profit of RM101.99 million. The gross loss was mainly due to effect of foreign exchange, losses incurred in Kuantan operations and unforeseen logistic costs.

Europe Segment

Europe segment recorded a higher gross profit of RM228.16 million during the year as compared with the corresponding period last year's gross profit of RM216.31 million. However, the Europe segment's EBITDA was lower at RM94.63 million as compared with RM107.49 million last year mainly due to unexpected higher operating costs.

Americas Segment

Americas Segment recorded a gross loss of RM37.29 million during the year as compared with the corresponding period last year's gross profit of RM21.53 million. The gross loss was mainly due to lack of new order due to uncertainties on oil sand development and unexpected increase in project costs.

B2. Variation of results against preceding quarter

The Group's revenue of RM411.07 million for the current quarter was similar with the revenue of RM410.65 million recorded in the immediate preceding quarter.

The Group recorded a loss before tax for the current quarter at RM319.66 million as compared with the immediate preceding quarter's profit before tax of RM2.74 million, was mainly due to losses in Canada and Kuantan operations, effect of foreign exchange and unforeseen logistic costs.

B3. Prospects

The prolonged uncertainties in the oil and gas industry for the past 2 years had resulted in lower capital expenditure spending by our customers. Nevertheless, the crude oil prices have been stabilized since January 2017 has offer some relief to the industry. The Board anticipates the outlook for financial year ending 31 December 2017 will remain challenging. The Group will continue its strategy to diversify its sources of income from project based contracts by building long term sustainable recurring revenue from energy businesses.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months Ended 31.12.2016 RM'000	3 months Ended 31.12.2015 RM'000	12 months Ended 31.12.2016 RM'000	12 months Ended 31.12.2015 RM'000
Current	4,958	1,133	36,596	18,349
Prior period	(731)	245	(941)	2,071
Deferred tax	6,348	18,229	(14,328)	55,816
	10,575	19,607	21,327	76,236

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"):-

Subsidiaries	Date of Incorporation	Paid Up Capital	% Shareholding	Status
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 ("KNMG", 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 KNMG 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 issuance bonds in Thailand of up to USD80 Million equivalent in Thai Baht (the “Guaranteed Thai Bonds”) guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“CGIF”).

The Guarantee 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 the Company 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:

	RM’000
Short term:	
Borrowings (secured)	59,907
Borrowings (unsecured)	63,809
Bank Overdraft	4,909
Bill Payable	257,213
Hire Purchase	7,733
Revolving credit	85,741
	<u>479,312</u>
Long term :	
Borrowings (secured)	44,228
Borrowings (unsecured)	422,771
Hire Purchase	21,943
Revolving credit	353,341
	<u>842,283</u>
	<u>1,321,595</u>

The above are also inclusive of other borrowings in foreign currency of RMB 45.51 million, EURO 48.08 million, CAD 7.33 million, USD 107.08 million, THB 2.67 billion and AED 7.93 million.

The exchange rates used are 1 RMB = RM 0.6457, 1 EURO = RM 4.7253, 1 CAD = RM 3.3254, 1 USD = RM4.4860, 1 THB = RM0.1252 and 1 AED = 1.2213.

10. 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 December 2016 are as follows:-

Type of Derivative	Contract/Notional value RM'000	(Gain) /Loss on Fair value changes RM'000
Foreign Exchange Contracts		
-Less than 1 year	185,071	12,682
-1 year to 3 years	628	52
	185,699	12,734

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/YEAR

	3 Months ended 31.12.2016 RM'000	3 Months ended 31.12.2015 RM'000	12 Months ended 31.12.2016 RM'000	12 Months ended 31.12.2015 RM'000
(a)				
Profit for the period is arrived at after charging:				
Allowance for impairment loss on doubtful debt	25,686	238	25,686	2,158
Bad debts written off	7,382	450	7,431	1,320
Net (gain)/loss on foreign exchange	9,447	(11,539)	3,148	(99,055)
Net (gain)/loss on derivative	7,347	(1,819)	(9,608)	5,162
Amortisation of intangible asset	7,331	9,615	32,491	35,102
(Reversal)/Provision for warranty	18,227	5,586	18,273	9,252
Provision of late delivery charges	2,555	1,023	2,555	-
Provision for foreseeable losses	200	55	279	55
(Gain)/loss on disposal of subsidiaries	-	2,274	-	(19,880)
Share based payment	(2,943)	1,561	695	5,575
Loss on disposal of other investment	-	257	-	257
Fixed asset written off	13,219	-	13,219	-
Gain on disposal of fixed asset	(203)	-	(203)	-
Interest income	771	83	(2,132)	(1,371)

(b)				
Interest expenses	16,102	6,098	38,762	30,493
(c)				
Depreciation charge for the period/year:				
Income statement	454	1,995	6,888	8,700
Construction work in progress	15,207	12,694	54,894	53,598
	<u>15,661</u>	<u>14,689</u>	<u>61,782</u>	<u>62,298</u>

B12. Realised and Unrealised Profit/Losses Disclosure

	As at 31.12.2016 RM'000	As at 31.12.2015 RM'000
Total retained profit of KNM Group and its subsidiaries		
- Realised	192,372	523,215
- Unrealised	(162,385)	(166,080)
Total share of accumulated losses from associated companies:		
- Realised	(8)	(6)
- Unrealised	-	-
Total share of retained profit / (accumulated losses) from joint venture entities:		
- Realised	(6,404)	(8,530)
- Unrealised	(720)	1,007
Add: Consolidation adjustments	679,698	657,035
Total Group retained profits as per consolidated accounts	<u>702,553</u>	<u>1,006,641</u>

B13. Material litigation

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

B14. Dividend payable

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

B15. Earnings per share

	Individual Quarter		Cumulative Quarter	
	31.12.2016	31.12.2015	31.12.2016	30.12.2015
Basic earnings per share				
Net (loss) / profit attributable to shareholders (RM'000)	(330,377)	6,006	(311,680)	49,527
Number of shares at the beginning of the year ('000)	2,156,132	1,639,035	2,156,132	1,639,035
Issuance of share-Private Placement ('000)	-	27,623	-	27,623
Share option exercised ('000)	-	37	-	37
Effect of Right Issue ('000)	-	223,997	-	223,997
Effect of Share Buy Back ('000)	(23,318)	(23,297)	(23,318)	(23,297)
Weighted average number of shares ('000)	<u>2,132,814</u>	<u>1,867,395</u>	<u>2,132,814</u>	<u>1,867,395</u>
Basic (loss) / earnings per share (sen)	(15.49)	0.32	(14.61)	2.65

B16. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 24 February 2017.