

KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2015 (Unaudited)

1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 30.09.2015 RM'000	Unaudited 3 months ended 30.09.2014 RM'000	Unaudited 30.09.2015 RM'000	Unaudited 30.09.2014 RM'000
Contract revenue	458,175	430,682	1,183,853	1,413,895
Operating profit	41,054	38,431	134,203	110,895
Financing costs	(11,742)	(11,576)	(30,538)	(40,841)
Interest income	430	720	1,288	2,038
Share of profit/ (loss) of equity accounted investees, net of tax	(1,215)	2,920	(6,096)	1,425
Profit before tax	28,527	30,495	98,857	73,517
Tax expense	(26,567)	(14,749)	(56,629)	(33,703)
Net profit for the period	1,960	15,746	42,228	39,814
Other comprehensive income / (loss), net of tax				
Foreign currency translation differences	367,927	(45,015)	440,404	(95,444)
Net investment in subsidiaries	(32,539)	(54,863)	(100,192)	(56,885)
Cash Flow hedge	(805)	(2,764)	552	(3,035)
Share of other comprehensive income of equity accounted investee	201	118	1,038	(313)
Other comprehensive income/ (loss) for the period, net of tax	334,784	(102,524)	341,802	(155,677)
Total comprehensive income/ (loss) for the period	336,744	(86,778)	384,030	(115,863)
Attributable to:				
Equity holders of the parent	2,363	16,435	43,521	41,725
Minority interest	(403)	(689)	(1,293)	(1,911)
	1,960	15,746	42,228	39,814
Total comprehensive income attributable to:				
Equity holders of the parent	339,410	(84,480)	388,275	(112,427)
Minority interest	(2,666)	(2,298)	(4,245)	(3,436)
Total comprehensive income/ (loss) for the period	336,744	(86,778)	384,030	(115,863)
Earnings per share:				
- Basic / Diluted (sen)	0.13	1.07	2.41	2.72

The notes set out on pages 5 to 17 form an integral part of and should be read in conjunction with this interim financial report

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2. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 30.09.2015 RM'000	Audited As at 31.12.2014 RM'000
Assets			
Non-current assets			
Intangible Assets		573,361	519,036
Goodwill		898,001	772,885
Property, plant and equipment		1,046,274	852,899
Other investment, including derivative		12,972	14,705
Investments in associates		22	24
Investments in jointly-controlled entities		514	5,383
Deferred Tax Assets		357,784	342,031
		<u>2,888,928</u>	<u>2,506,963</u>
Current assets			
Inventories		79,894	70,433
Contracts work in progress		683,730	491,925
Trade and other receivables		605,941	631,579
Cash and cash equivalents		149,238	208,508
		<u>1,518,803</u>	<u>1,402,445</u>
Assets classified as held for sale		-	21,155
		<u>1,518,803</u>	<u>1,423,600</u>
TOTAL ASSETS		<u>4,407,731</u>	<u>3,930,563</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		908,670	774,537
Treasury Shares		(53,409)	(53,402)
Reserves		1,856,217	1,440,911
		<u>2,711,478</u>	<u>2,162,046</u>
Non-controlling interests		<u>(8,530)</u>	<u>(4,285)</u>
Total Equity		<u>2,702,948</u>	<u>2,157,761</u>
Non-current liabilities			
Long term payable		45,178	52,142
Long service leave liability		4,171	2,886
Loans and borrowings	B9	335,070	218,099
Deferred taxation		242,238	219,222
		<u>626,657</u>	<u>492,349</u>
Current liabilities			
Payables and accruals		555,452	500,089
Deferred income		129,688	155,746
Loans and borrowings	B9	392,108	577,194
Current tax liabilities		878	1,100
		<u>1,078,126</u>	<u>1,234,129</u>
Liabilities classified as held for sale		-	46,324
		<u>1,078,126</u>	<u>1,280,453</u>
Total liabilities		<u>1,704,783</u>	<u>1,772,802</u>
TOTAL EQUITY AND LIABILITIES		<u>4,407,731</u>	<u>3,930,563</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.38</u>	<u>1.32</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
 ENDED 30 SEPTEMBER 2015**

	← Attributable to equity holders of the parent →						Distributable Reserve		Minority Interest RM'000	Total equity RM'000
	← Non-Distributable →									
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Hedging Reserve RM'000	Warrant Reserve RM'000	Revaluation and Other Reserve RM'000	Retained Profit RM'000	Total RM'000		
As at 1 January 2014	1,445,033	(53,390)	16,707	323	44,981	(307,871)	913,972	2,059,755	(156)	2,059,599
Other comprehensive income for the year	-	-	-	(3,035)	-	(152,072)	955	(154,152)	(1,525)	(155,677)
Profit for the year	-	-	-	-	-	-	41,725	41,725	(1,911)	39,814
Total comprehensive income for the year	-	-	-	(3,035)	-	(152,072)	42,680	(112,427)	(3,436)	(115,863)
Transaction with owners in their capacity as owner										
Share buy back	-	(7)	-	-	-	-	-	(7)	-	(7)
Par value reduction	(745,007)	-	745,007	-	-	-	-	-	-	-
Issuance of ordinary share - Private Placement	73,337	-	29,335	-	-	-	-	102,672	-	102,672
- Private ESOS	975	-	312	-	-	-	-	1,287	-	1,287
Transfer to share premium for share option exercised	-	-	722	-	-	(722)	-	-	-	-
Share based payments	-	-	-	-	-	5,535	-	5,535	-	5,535
Share issue expenses	-	-	(2,171)	-	-	-	-	(2,171)	-	(2,171)
As at 30 September 2014 (Unaudited)	774,338	(53,397)	789,912	(2,712)	44,981	(455,130)	956,652	2,054,644	(3,592)	2,051,052
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	-	-	-	552	-	344,202	-	344,754	(2,952)	341,802
Profit for the year	-	-	-	-	-	-	43,521	43,521	(1,293)	42,228
Total comprehensive income for the year	-	-	-	552	-	344,202	43,521	388,275	(4,245)	384,030
Transaction with owners in their capacity as owner										
Share options exercised	23	-	7	-	-	-	-	30	-	30
Issuance of ordinary share - Rights Issue	161,578	-	-	-	-	-	-	161,578	-	161,578
Allocation of warrants reserve	(27,468)	-	-	-	27,468	-	-	-	-	-
Transfer to share premium for ESOS exercised	-	-	17	-	-	(17)	-	-	-	-
Share buy-back	-	(7)	-	-	-	-	-	(7)	-	(7)
Share based payment	-	-	-	-	-	4,014	-	4,014	-	4,014
Share issue expenses	-	-	(4,458)	-	-	-	-	(4,458)	-	(4,458)
As at 30 September 2015 (Unaudited)	908,670	(53,409)	785,701	(4,524)	72,449	1,956	1,000,635	2,711,478	(8,530)	2,702,948

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KNM GROUP BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED
 30 SEPTEMBER 2015**
 (Unaudited)

	30.09.2015 RM '000	30.9.2014 RM '000
Cash flows from operating activities		
Profit before tax	98,857	73,517
Adjustments for:		
Amortisation of intangible assets	25,488	26,915
Share based payment	4,014	5,535
Depreciation	6,705	6,095
Interest expense	25,321	37,697
Interest income	(1,288)	(2,038)
Loss/(Gain) on foreign exchange-unrealised	(88,749)	(26,021)
(Gain)/Loss on disposal of property, plant and equipment	-	(3,147)
Share of loss of in associates and jointly-controlled entities	6,096	(1,425)
Change in fair value of forward contract	6,981	7,483
Property, plant and equipment written off	-	3
Allowance for Impairment loss of doubtful debts	312	-
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>61,583</u>	<u>120,055</u>
Decrease / (Increase) in working capital:		
Inventories	3,711	(1,736)
Receivables, deposits and prepayments	39,983	(224,262)
Payables and accruals and long service leave liability	(93,360)	(27,195)
Cash used in operations		
Income taxes paid	(9,057)	(25,877)
Interest paid	(542)	(1,000)
Interest received	1,288	2,038
Net cash generated from/ (used in) operating activities	<u>3,606</u>	<u>(157,977)</u>
Cash flows from investing activities		
Increase in pledged deposit placed in bank	12,234	9,538
Purchase of property, plant and equipment, net with government grant received	(27,439)	(12,668)
Proceed from disposal of other investment	-	11,909
Disposal of subsidiaries, net of cash outflow	(4,834)	-
Purchase of other intangible assets, net with government grant received	(10)	(126)
Proceeds from disposal of property, plant and equipment	-	6,325
Net cash (used in) / generated from investing activities	<u>(20,049)</u>	<u>14,978</u>
Cash flows from financing activities		
Share buy back	(7)	(7)
Net repayment of bill payable	(44,373)	(116,509)
Repayment of hire purchase liabilities	(2,704)	(10,386)
Net drawdown/ (repayment) of term loan and revolving credit	(23,438)	(39,795)
Interest expenses	(24,779)	(36,696)
Proceeds from issuance of shares	161,609	103,959
Share issue expenses	(4,458)	(2,171)
Net cash generated from/ (used in) financing activities	<u>61,850</u>	<u>(101,605)</u>
Net increase / (decrease) in cash and cash equivalents	45,407	(244,604)
Cash and cash equivalents at beginning of period	193,668	256,572
Effect of foreign currency translation	(97,047)	140,177
Cash and cash equivalents at end of period	<u>142,028</u>	<u>152,145</u>
Cash & bank balances	142,941	135,298
Deposits with licensed banks	6,297	28,194
Less: Pledged deposits	<u>(3,074)</u>	<u>(9,538)</u>
	146,164	153,954
Bank overdraft	<u>(4,136)</u>	<u>(1,809)</u>
	<u>142,028</u>	<u>152,145</u>

The notes set out on pages 5 to 17 form an integral part of and should be read in conjunction with this interim financial report

Notes to the Quarterly Interim Financial Report – 30 September 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 and Rights Issue.

B. As at the date of this report, the Company has repurchased a total 23,301,275 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 9 months ended 30.9.2015 RM'000	Gross Profit 9 months ended 30.9.2015 RM'000	EBITDA 9 months ended 30.9.2015 RM'000
Asia & Oceania	361,296	56,152	115,613
Europe	754,761	148,262	76,301
Americas	67,796	18,766	15,387
	<hr/>	<hr/>	<hr/>
	1,183,853	223,180	207,301

	Revenue 9 months ended 30.9.2014 RM'000	Gross Profit 9 months ended 30.9.2014 RM'000	EBITDA 9 months ended 30.9.2014 RM'000
Asia & Oceania	370,168	57,572	34,014
Europe	976,428	220,825	141,375
Americas	67,299	16,256	11,935
	<hr/>	<hr/>	<hr/>
	1,413,895	294,653	187,324

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 follows:-

1. The de-registration/striking-off of the dormant 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”) on 60% (Hansol) : 40% (KNMPS) basis.
5. On 22 April 2015, KNM Group Berhad’s group subsidiary, Borsig Membrane Technology GmbH had disposed its entire 14.13% equity interest (comprising of 4 ordinary shares) in PolyAn Gesellschaft zur Herstellung von Polymeren für Spezielle Anwendungen und Analytik mbH to Fridjof Andreas Bruno Lechhart and Dr. Karl-Ulrich Schellhaas for a total cash consideration of EUR30,650.00 (about RM 128,117) only.
6. On 3 July 2015, KNM Renewable Energy Sdn Bhd (“KNMRE”) a wholly owned subsidiary of KNM Group Berhad (“KNM”), had incorporated a wholly-owned subsidiary, Global Green Energy Corporation Ltd (“GGECL”) and invested/subscribed for 1 ordinary share for nominal value of GBP1.00 (about RM5.87).
7. On 6 July 2015, Green Energy Corporation Ltd (“GGECL”) has incorporated a wholly-owned subsidiary, Peterborough Green Energy Ltd (“PGEL”) and invested/subscribed for 1 ordinary share for nominal value of GBP1.00 only (about RM5.87).
8. On 11 August 2015, KNM Group Berhad invested and subscribed for 29 ordinary shares of RM1.00 each representing 29% equity stake in Konsortium AHHK Sdn Bhd (formerly known as Ultra Cendana Sdn Bhd) [“KAHHK”] for a total cash consideration of RM29.00 only.
9. On 1 September 2015, KNM Group Berhad’s wholly-owned subsidiary, KNM International Sdn Bhd (“KNMI” or “Purchaser”) has entered into a Shares Sale Agreement (“SSA”) with Paul Antonius Verwater (the “Vendor”) to acquire *inter alia* the Vendor's entire shareholding of 375,000 ordinary shares (representing 50% equity interest) in Verwater KNM Sdn Bhd (“VKSBS”) for a total cash consideration of RM1.00 only.
10. On 14 September 2015, KNM Group Berhad’s wholly-owned indirect group subsidiary, KNM Borsig Services Sdn Bhd (“KNMBS”), has fully completed its investment/subscription of One (1) ordinary share in relation to the incorporation of Borsig Services Australia Pty Ltd (“BSAPL”) for a total cash consideration of AUD1.00 only (about RM3.074).

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	61,815	10,760
Investment	82,436	-
	<u>144,251</u>	<u>10,760</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	1,271
I.M.Bina Sdn Bhd (b)	
-General construction and civil works	450
KPS Technology & Engineering LLC (c)	
-Administrative and other support - services	339
Tofield Realty Development Corporation (d)	
- General and civil contractor and provider of staff accommodation	288

(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

(c) a company in which Mr. Lee Swee Eng is a substantial shareholder

(d) a wholly-owned subsidiary of Asiavertek, of which Mr. Lee Swee Eng and Madam Gan Siew Liat are directors and shareholders

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

B1. Review of performance

The Group achieved revenue of RM1.18 billion, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of RM207.30 million and profit after tax and minority interest of RM43.52 million for the period ended 30 September 2015. Compared to the previous year, the lower revenue this year was due to the existing jobs is towards completion stage and new secured order is at its early stage, whereas the higher profit this year was due to the gain arising from disposal of certain operating units and improved operating cost.

Asia & Oceanic Segment

This segment improved contribution margin due to improved capacity utilisation.

Europe Segment

Europe's contribution remains positive with its existing order book.

Americas Segment

Americas' contribution improved due to improve order book.

B2. Variation of results against preceding quarter

The Group's revenue of RM458.18 million for the quarter under review has improved by RM76.88 million against the immediate preceding quarter's revenue of RM381.30 million. Profit before taxation reported has also improved to RM28.53 million as compared to immediate preceding quarter's profit before taxation of RM16.42 million attributable to improved operating costs.

B3. Prospects

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

- The Asia & Oceanic segment will continue to improve its order book from Pengerang Integrated Complex ("PIC") project.
- The European and Americas segment are expected to continue being profitable.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months Ended 30.9.2015 RM'000	3 months Ended 30.9.2014 RM'000	9 months Ended 30.9.2015 RM'000	9 months Ended 30.9.2014 RM'000
Current	6,726	8,479	17,216	23,161
Prior period	320	(204)	1,826	(911)
Deferred tax	19,521	6,474	37,587	11,453
	<u>26,567</u>	<u>14,749</u>	<u>56,629</u>	<u>33,703</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-DP Harta Bina Sdn Bhd*	24 September 1994/ Malaysia	RM200,000	93	In progress
KNM Engineering Services Private Limited	4 October 2006/ India	INR100,000	100	In progress

**Note 1 – Both Ir Lee Swee Eng and Mr Chew Fook Sin has a collective interest of 63.15% in Tegas Klasik Sdn Bhd ("TKSB"). TKS B has an indirect interest of 7.14% in KNM-DP Harta Bina Sdn. Bhd as well as a 1.70% direct interest in KNM Group Berhad.*

- On 6 November 2014, KNM Group Berhad has signed an Agreement of Mutual Termination to *inter alia*, mutually terminate the Shareholders' cum Joint Venture Agreement dated 13 December 2012 (the "Shareholders' Agreement") with HMS Oil & Gas Sdn Bhd ("HMS") in respect of the management and operations of the joint venture entity known as KNM HMS Energy Sdn Bhd ("JVCO").

The parties have agreed to voluntarily wind-up the JVCO and the voluntary winding up process is currently ongoing.

3. On 12 March 2015, KNM Renewable Energy Sdn Bhd (“KNMRE”) had entered into a Share Purchase Agreement (“SPA”) with FE Global/Asia Clean Energy Services Fund L.P. (“FE GLOBAL”), FEGACE Asia Sub-Fund, L.P. (“FEGACE”), and Global Clean Energy Corp. SPC (“GCEC”) (collectively referred to as the “Vendors”) for the acquisition of the Vendors' entire equity interest in ABL Bio-Fuels Limited (“ABL”) and Asia Biofuels II Ltd. (“ABL II”) [collectively referred to as the “ABL Group” which, owns a combined 72% equity interest in Impress Ethanol Co., Ltd (“IEL”) and 49% equity interest in Impress Farming Co. Ltd (“IFL”)], for a total consideration of USD\$24,000,000.00 only (equivalent to RM88,488,000.00) (the “Consideration”).

Subsequently, the parties have mutually agreed to *inter alia* reduce the Consideration to USD21.6 million (“Revised Consideration”) and the Revised Consideration shall be satisfied wholly in cash. The said Acquisition is expected to be completed by Q1 of 2016.

4. On 19 June 2015, KNM Group Berhad’s (“KNM”, as the “Guarantor”) wholly-owned subsidiary, Splendid Investments Limited (“Splendid”, as the “Issuer”), has established a multicurrency medium term note (“MTN”) programme of an initial size of up to SGD300 million (the “Programme”).

The Programme is unconditionally and irrevocably guaranteed by KNM and as at to-date, no notes have been issued by the Issuer under the Programme.

5. On 21 October 2015, the Company announced its intention to implement a private placement of up to 193,893,700 new ordinary shares of RM0.50 each in KNM (“KNM Shares”) to independent third party investor(s) to be identified at a later date (“Private Placement”).

Bursa Malaysia Securities Berhad (“Bursa Securities”) had duly approved the Private Placement on 28 October 2015 and the Company had on 2 November 2015 fixed the issue price at the nominal par price of RM0.50 per Placement Share to be issued pursuant to the Private Placement.

The Private Placement exercise was subsequently completed upon full subscription, listing and quotation of the 193,893,700 Placement Shares at RM0.50 each on the Main Market of Bursa Securities on 12 November 2015. The gross proceeds raised from the Private Placement Exercise was RM96,946,850.00 and the current utilisation status is as set out below:-

Purpose	Proposed utilization	Actual utilisation	Timeframe for utilisation	Deviation	
	RM'000	RM'000		RM'000	%
Repayment of borrowings	46,364	(41,217)	Within six (6) months	5,147	11.10
Working capital	47,874	(9,984)	Within twelve (12) months	37,890	79.15
Defrayment of expenses related to the Proposed Placement	2,709	(2,675)	Within one (1) month	34	1.26
Total	96,947	(53,876)		43,071	

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)	60,621
Borrowings (unsecured)	155,508
Bank Overdraft	4,136
Bill Payable	80,560
Hire Purchase	7,461
Revolving credit	83,822
	<u>392,108</u>
Long term :	
Borrowings (secured)	44,404
Borrowings (unsecured)	143,847
Hire Purchase	23,273
Revolving credit	123,546
	<u>335,070</u>
	<u>727,178</u>

The above are also inclusive of other borrowings in foreign currency of RMB 20.00 million, EUR 61.17 million, CAD 6.10 million, USD 51.79 million and AED 7.07 million.

The exchange rates used are 1 RMB = RM 0.6917, 1 EUR = RM 4.9151, 1 CAD = RM 3.3027, 1 USD = RM4.3975 and AED = RM1.1973.

B10. Financial Instruments

With the adoption of MFRS 139, financial instruments are recognized on their respective contract dates.

There are no off-balance sheet financial instruments.

The outstanding forward foreign currency exchange contracts as at 30 September 2015 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	351,904	28,396
-1 year to 3 years	16,077	1,372
	<u>367,981</u>	<u>29,768</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

	3 Months ended 30.9.2015 RM'000	3 Months ended 30.9.2014 RM'000	9 Months ended 30.9.2015 RM'000	9 Months ended 30.9.2014 RM'000
(a)				
Profit for the period is arrived at after charging and crediting:				
Allowance for impairment loss on doubtful debt	(968)	-	312	-
Bad debts written off	1,274	(27)	1,277	1,398
Net (gain)/loss on foreign exchange	(39,680)	(11,576)	(87,516)	(18,839)
Net (gain)/loss on derivative	4,395	5,392	6,981	7,483
Amortisation of intangible asset	9,069	8,608	25,488	26,915
Provision for warranty	2,789	678	3,666	753
Provision of late delivery charges	(1,379)	(1,288)	(1,872)	(1,806)
Gain on disposal of subsidiaries	-	-	(22,154)	-
Share based payment	1,338	5,535	4,014	5,535
Interest income	430	720	1,288	2,038
Gain on disposal of other investment	-	-	-	2,437
(b)				
Financing costs	11,742	11,576	30,538	40,841
(c)				
Depreciation charge for the period:				
Income statement	1,852	1,400	6,705	6,095
Construction work in progress	15,131	14,833	40,905	43,419
	<u>16,983</u>	<u>16,233</u>	<u>47,610</u>	<u>49,514</u>

B12. Realised and Unrealised Profit/Losses Disclosure

	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Total retained profit of KNM Group and its subsidiaries		
- Realised	536,700	557,566
- Unrealised	(174,051)	(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	(7,066)	270
- Unrealised	1,368	126
Add: Consolidation adjustments	643,690	569,289
Total Group retained profits as per consolidated accounts	1,000,635	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.

KNMPS 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 and the deposit to be refunded to KNMPS.

KNMPS has filed for leave to appeal at the Federal Court and on 24 June 2015, the leave application was dismissed with cost of RM15,000.00 awarded to Mission after hearing full submissions.

Pursuant to an out of court settlement on 4 August 2015, the parties have reached global settlement on all court cases.

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)

On 19 April 2013, KNM Group Berhad's wholly-owned subsidiary, KNM Process System Sdn Bhd ("KNMPS") was served with a Petition for winding up under Section 21(8) (e) & (i) and Section 218 (2) (c) of the Companies Act 1965 (the "Act") dated 15 April 2013 (the "Mission Petition") by pursuant to an EPCC Contract dated 25 July 2007 for the development of a Biodiesel Plant located in Kuantan Port.

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

On 14 May 2013 Mission filed an appeal against the order of the court striking out the petition.

On 5 January 2015, the Court of Appeal dismissed Mission's appeal with cost of RM20,000 to be paid to KNM.

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

Pursuant to an out of court settlement on 4 August 2015, the parties have reached global settlement on all court cases.

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

The hearing of the arbitration proceeding was held on 28 July 2015.

The parties have entered into an out of court Settlement Agreement to amicably settle and resolve full and finally all claims, disputes, differences and issues in respect of all litigation/arbitration cases between KNM Process Systems Sdn. Bhd. and Mission Biofuels Sdn. Bhd.

Pursuant to an out of court settlement on 4 August 2015, the parties have reached global settlement on all court cases.

**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 by 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 Sdn Bhd had filed for leave to appeal at the Federal Court and the hearing at Federal Court for the leave application is to be held on 25 August 2015.

Pursuant to an out of court settlement on 4 August 2015, the parties have reached global settlement on all court cases.

B14. Dividend payable

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

B15. Earnings per share

	Individual Quarter		Cumulative Quarter	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Basic earnings per share				
Net Profit attributable to shareholders (RM’000)	2,363	16,435	43,521	41,725
Number of shares at the beginning of the year (‘000)	1,639,035	1,490,013	1,639,035	1,490,013
Issuance of share- Private Placement (‘000)	-	67,158	-	67,158
Share option exercised (‘000)	34	197	34	197
Effect of Rights Issue (‘000)	190,580	-	190,580	-
Effect of Share Buy Back (‘000)	(23,296)	(23,276)	(23,296)	(23,276)
Weighted average number of shares (‘000)	<u>1,806,353</u>	<u>1,534,092</u>	<u>1,806,353</u>	<u>1,534,092</u>
Basic earnings per share (sen)	0.13	1.07	2.41	2.72

B16. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 26 November 2015.