

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017 (Unaudited)

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 30.09.2017 RM'000	Unaudited 3 months ended 30.09.2016 RM'000	Unaudited 30.09.2017 RM'000	Unaudited 30.09.2016 RM'000
<b>Contract revenue</b>	347,522	410,652	1,039,169	1,235,708
<b>Operating profit</b>	21,488	8,737	46,393	54,190
Financing costs	(12,775)	(7,199)	(31,423)	(27,149)
Interest income	303	827	894	1,361
Share of profit of equity accounted investees, net of tax	1,126	379	2,591	759
<b>Profit before tax</b>	10,142	2,744	18,455	29,161
Tax expense	(8,173)	(1,220)	(13,421)	(10,752)
<b>Net profit for the period</b>	1,969	1,524	5,034	18,409
<b>Other comprehensive income / (loss), net of tax</b>				
Foreign currency translation differences	2,331	75,850	6,870	(65,907)
Net investment in subsidiaries	18,138	3,887	58,426	(11,192)
Cash flow hedge	(614)	111	2,814	4,825
Share of other comprehensive income of equity accounted investee	4	(6)	1,351	129
<b>Other comprehensive income / (loss) for the period, net of tax</b>	19,859	79,842	69,461	(72,145)
<b>Total comprehensive income / (loss) for the period</b>	21,828	81,366	74,495	(53,736)
Attributable to:				
Equity holders of the parent	1,313	1,118	3,777	18,697
Minority interest	656	406	1,257	(288)
	1,969	1,524	5,034	18,409
<b>Total comprehensive income / (loss) attributable to:</b>				
Equity holders of the parent	24,336	83,832	75,126	(51,137)
Minority interest	(2,508)	(2,466)	(631)	(2,599)
Total comprehensive income / (loss) for the period	21,828	81,366	74,495	(53,736)
Earnings per share:				
- Basic / Diluted (sen)	0.06	0.05	0.18	0.88

The notes set out on pages 5 to 14 form an integral part of and should be read in conjunction with this interim financial report

# KNM GROUP BERHAD

(Company No:521348-H)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 30.09.2017 RM'000	Audited As at 31.12.2016 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Other intangible assets		517,225	512,071
Goodwill		942,151	894,502
Property, plant and equipment		1,412,506	1,404,817
Other investment, including derivative		551	525
Investments in associates		21	22
Investments in jointly-controlled entities		5,368	3,098
Deferred tax assets		345,476	347,858
		<u>3,223,298</u>	<u>3,162,893</u>
<b>Current assets</b>			
Inventories		114,182	73,732
Contracts work in progress		422,406	404,013
Trade and other receivables		537,933	581,638
Cash and cash equivalents		233,913	419,183
		<u>1,308,434</u>	<u>1,478,566</u>
<b>TOTAL ASSETS</b>		<u>4,531,732</u>	<u>4,641,459</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		1,005,617	1,005,617
Treasury shares		(53,425)	(53,422)
Reserves		1,508,664	1,433,223
		<u>2,460,856</u>	<u>2,385,418</u>
<b>Non-controlling interests</b>		<u>16,747</u>	<u>3,455</u>
<b>Total Equity</b>		<u>2,477,603</u>	<u>2,388,873</u>
<b>Non-current liabilities</b>			
Long term payables		9,217	10,589
Long service leave liability		7,508	7,097
Loans and borrowings	B9	747,924	839,695
Deferred taxation		200,330	191,054
		<u>964,979</u>	<u>1,048,435</u>
<b>Current liabilities</b>			
Payables and accruals		417,423	599,995
Deferred income		151,954	120,383
Loans and borrowings	B9	518,257	481,704
Current tax liabilities		1,516	2,069
		<u>1,089,150</u>	<u>1,204,151</u>
<b>Total liabilities</b>		<u>2,054,129</u>	<u>2,252,586</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,531,732</u>	<u>4,641,459</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.14</u>	<u>1.11</u>

The notes set out on pages 5 to 14 form an integral part of and should be read in conjunction with this interim financial report

**KNM GROUP BERHAD**

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD  
 ENDED 30 SEPTEMBER 2017**

	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				
<b>As at 1 January 2016</b>	1,005,617	(53,414)	782,971	(4,343)	72,449	(91,127)	1,006,641	2,718,794	(9,099)	2,709,695
Other comprehensive income for the period	-	-	(2,591)	4,825	-	(74,659)	-	(69,834)	(2,311)	(72,145)
(Loss)/Profit for the period	-	-	-	(42,788)	-	-	18,697	18,697	(288)	18,409
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	50,441	-	(74,659)	18,697	(51,137)	(2,599)	(53,736)
<b>Transaction with owners in their capacity as owner</b>										
Acquisition of equity interest in subsidiaries	-	-	-	-	-	-	-	-	24,668	24,668
Share Buy Back	-	(5)	-	(10,202)	-	-	-	(5)	-	(5)
Share based payment	-	-	-	-	-	3,638	-	3,638	-	3,638
Share issue expenses	-	-	(35)	-	-	-	-	(35)	-	(35)
<b>As at 31 September 2016 (Unaudited)</b>	1,005,617	(53,419)	782,936	482	72,449	(162,148)	1,025,338	2,671,255	12,970	2,684,225
<b>As at 1 January 2017</b>	1,005,617	(53,422)	782,971	(2,337)	72,449	(101,112)	681,252	2,385,418	3,455	2,388,873
Other comprehensive income/(loss) for the period	-	-	-	2,814	-	68,535	-	71,349	(1,888)	69,461
Profit for the period	-	-	-	-	-	-	3,777	3,777	1,257	5,034
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	2,814	-	68,535	3,777	75,126	(631)	74,495
<b>Transaction with owners in their capacity as owner</b>										
Change in oweneship interest in a subsidiary	-	-	-	-	-	-	-	-	13,923	13,923
Share based payment	-	-	-	-	-	315	-	315	-	315
Share Buy Back	-	(3)	-	-	-	-	-	(3)	-	(3)
<b>As at 30 September 2017 (Unaudited)</b>	1,005,617	(53,425)	782,971	477	72,449	(32,262)	685,029	2,460,856	16,747	2,477,603

The notes set out on pages 5 to 14 form an integral part of and should be read in conjunction with this interim financial report

**KNM GROUP BERHAD**(Company No. 521348-H)  
(Incorporated in Malaysia )**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED  
30 SEPTEMBER 2017**

(Unaudited)

	30.09.2017 (Unaudited) RM '000	30.09.2016 (Unaudited) RM '000
<b>Cash flows from operating activities</b>		
Profit before tax	18,455	29,161
Adjustments for:		
Amortisation of intangible assets	22,535	25,160
Share based payment	315	3,638
Depreciation	4,688	6,434
Interest expense	27,988	22,660
Interest income	(894)	(1,361)
Gain on foreign exchange-unrealised	(12,854)	(15,508)
Property, plant and equipment written off	-	2,026
Share of profit in associates and jointly-controlled entities	(2,591)	(759)
Change in fair value of forward contract	(9,161)	(16,956)
Reversal for Impairment loss of doubtful debts	(8,870)	-
Provision for foreseeable losses	-	79
Bad debts written off	347	49
Provision/(Reversal) of provision for warranty	(1,780)	46
Provision for late delivery charges	99	-
Loss on disposal of property, plant and equipment	68	-
	<u>38,345</u>	<u>54,669</u>
Operating profit before working capital changes		
Changes in working capital:		
Inventories	(39,909)	(6,697)
Receivables, deposits and prepayments	92,220	79,139
Payables and accruals and long service leave liability	(160,330)	(148,726)
Cash used in operations		
Income taxes refund/(paid)	(8,577)	1,340
Interest paid	(428)	(153)
Interest received	894	1,361
	<u>(77,785)</u>	<u>(19,067)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Change in pledged deposit placed in bank	(18,966)	3
Purchase of property, plant and equipment	(11,337)	(26,447)
Acquisition of subsidiaries, net of cash outflow	-	(69,310)
Acquisition of other intangible assets	(110)	(1,110)
Proceeds from disposal of property, plant and equipment	124	-
	<u>(30,289)</u>	<u>(96,864)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Share buy back	(3)	(5)
Net drawdown/(repayment) of bill payable	26,944	66,189
Repayment of hire purchase liabilities	(4,614)	(2,626)
(Repayment)/drawdown of term loan and revolving credit	(79,761)	103,948
Interest expenses	(27,560)	(22,507)
Share issue expenses	-	(35)
	<u>(84,994)</u>	<u>144,964</u>
<b>Net cash (used in)/generated from financing activities</b>		
Net (decrease)/increase in cash and cash equivalents	(193,068)	29,033
Cash and cash equivalents at beginning of period	411,719	193,884
Effect of foreign currency translation	(11,213)	(12,443)
	<u>207,438</u>	<u>210,474</u>
Cash and cash equivalents at end of period		
Cash and bank balances	212,012	215,237
Deposits with licensed banks	21,901	2,603
Less: Pledged deposits	(21,521)	(2,456)
	<u>212,392</u>	<u>215,384</u>
Bank overdraft	(4,954)	(4,910)
	<u>207,438</u>	<u>210,474</u>

The notes set out on pages 5 to 14 form an integral part of and should be read in conjunction with this interim financial report

**PART A: EXPLANATORY NOTES AS PER MFRS 134**

**A1. Basis of preparation**

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

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide explanation of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2016.

**A2. Significant Accounting Policies**

The audited financial statements of the Group for the financial year ended 31 December 2016 were prepared in accordance with MFRS. Except for certain differences, the requirements under IFRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2016 except for the adoption of new MFRSs and amendments that are mandatory for the Group for the financial year with effect from 1 January 2017:

- Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above new MFRSs and amendments does not have any material 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:

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

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

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

- MFRS 16, *Leases*

***MFRSs, Interpretations and amendments effective for a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*

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

**A3. Qualification of annual financial statements**

There was no audit qualification in the annual financial statements of the Group for the financial year ended 31 December 2016.

**A4. Seasonal and cyclical factors**

The Group's business operation results were not materially affected by any major seasonal or cyclical factors.

**A5. Unusual nature and amount of items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual nature and amount of items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial period to date.

**A6. Material changes in estimates**

There were no material changes in estimates of 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 23,213 new shares issued pursuant to the exercise of 23,161 and 52 Warrants 2012/2017 at an issue price of RM0.98 per share. The shares were listed and quoted on the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") on 30 October 2017 and 10 November 2017 respectively.
- B. As at the date of this report, the Company had repurchased a total of 23,341,275 of its issued share capital from the open market. The average price paid for the shares repurchased was RM2.29 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares and treated in accordance with the requirement of Section 127 of the Companies Act, 2016.

**A8. Dividend Paid**

No dividend was paid during the quarter under review.

#### A9. Segment information

Segmental analysis of the revenue and result:-

Geographical segments:

	<b>Revenue 9 months ended 30.09.2017 RM'000</b>	<b>Gross Profit/(Loss) 9 months ended 30.09.2017 RM'000</b>	<b>EBITDA 9 months ended 30.09.2017 RM'000</b>
Asia & Oceania	136,618	4,078	23,909
Europe	894,508	163,303	102,575
Americas	8,043	(6,133)	(5,939)
	<b>1,039,169</b>	<b>161,248</b>	<b>120,545</b>

  

	<b>Revenue 9 months ended 30.09.2016 RM'000</b>	<b>Gross Profit/(Loss) 9 months ended 30.09.2016 RM'000</b>	<b>EBITDA 9 months ended 30.09.2016 RM'000</b>
Asia & Oceania	344,803	54,898	50,252
Europe	808,026	164,080	97,381
Americas	82,879	(19,052)	(22,162)
	<b>1,235,708</b>	<b>199,926</b>	<b>125,471</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 financial year ended 31 December 2016.

There is no revaluation of property, plant and equipment during the period under review.

#### A11. Material events subsequent to the end of the interim period

There was no material event subsequent to the end of the reporting period and up to the date of issuance of this report.

#### A12. Changes in the composition of the Group

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

A. A new subsidiary company, KNM Transparent Energy Sdn Bhd (“KNMTE”) was incorporated on 19 October 2017. KNMTE is 100% owned by KNM Process Systems Sdn Bhd.

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

#### 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**

	<b>Approved and contracted for RM'000</b>	<b>Approved but not contracted for RM'000</b>
Property, plant and equipment	1,199	15,258

**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	1,182
I.M.Bina Sdn Bhd (b)	
- General construction, civil mechanical works, provision of equipment and other services	21,082

(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



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

### **B1. Performance of 9-month ended 30 September 2017 against 30 September 2016**

The Group achieved a revenue of approximately RM1.04 billion for the current period as compared with RM1.24 billion achieved in corresponding period of last financial year. The lower revenue for the current period was mainly due to low revenue contribution from Asia & Oceania and Americas segments and lower project percentage of completion recognised as the projects related to the Pengerang Integrated Petroleum Complex are mostly delivered / near completion; and slower replenishment of new orders due to market uncertainties.

Consequently, the Group recorded a lower Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) and profit before tax of approximately RM120.55 million and RM18.46 million respectively for the current period as compared with EBITDA of RM125.47 million and profit before tax of RM29.16 million for the corresponding period of last financial year.

#### Asia & Oceanic Segment

Asia & Oceanic Segment recorded lower revenue due to slower replenishment of new orders. However, the lower revenue was partially offset by the revenue contributed by the bio-ethanol plant in Thailand, which has been in commercial operations since September 2017.

#### Europe Segment

Europe segment recorded higher revenue with a slightly lower profit due to higher operating costs.

#### Americas Segment

Americas segment recorded a lower loss mainly due to lower operating expenses.

### **B2. Performance of the current quarter against the preceding quarter (3rd Quarter 2017 versus 2nd Quarter 2017)**

The Group reported a higher profit before tax of RM10.14 million as compared to a profit before tax of RM3.47 million in preceding quarter, mainly due to the higher gross profit in current quarter.

### **B3. Prospects**

The Board anticipates the outlook for financial year ending 31 December 2017 will remain challenging. However, the Group’s strategy to diversify its sources of income from project-based contracts to recurring-income businesses in renewable energy industry is bearing results.

The bio-ethanol plant in Thailand has been in commercial operations since September 2017 and it will contribute positively to the Group in the following financial years. The phase two (2) bio-ethanol plant for additional 300,000 litres per day is currently under construction and is expected to commence commercial operations in fourth (4th) quarter of 2018.

### **B4. Profit forecast**

Not applicable as no profit forecast was given.

**B5. Tax expense**

	<b>3 months Ended 30.09.2017 RM'000</b>	<b>3 months Ended 30.09.2016 RM'000</b>	<b>9 months Ended 30.09.2017 RM'000</b>	<b>9 months Ended 30.09.2016 RM'000</b>
Current	5,860	3,544	12,225	31,638
Prior period	50	(372)	(1,098)	(210)
Deferred tax	2,263	(1,952)	2,294	(20,676)
	<u>8,173</u>	<u>1,220</u>	<u>13,421</u>	<u>10,752</u>

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

**B6. Unquoted investments and properties**

There were no significant investments or disposals in unquoted investments and properties for the current quarter and financial period to date.

**B7. Quoted and marketable investments**

There were no significant investments or disposals in quoted and marketable securities during the current quarter and financial period to date.

**B8. Status of corporate proposals announced but not completed**

1. Previously, the Company had announced the proposed dissolution of the following inactive and/or dormant subsidiaries ("Affected Subsidiaries") either by way of voluntary winding up or de-registration/striking-off the Affected Subsidiaries from the respective register of companies with the relevant authorities ("Proposed Dissolution"):-
  - (i) The Company has received confirmation on 14 September 2017 through the Ministry of Corporate Affairs, India that the Company's subsidiary, KNM Engineering Services Private Limited has been officially struck-off and dissolved.
  - (ii) On 6 November 2014, the Company had signed an Agreement of Mutual Termination to *inter alia*, mutually terminate the Shareholders' cum Joint Venture Agreement dated 13 December 2012 (the "Shareholders' Agreement") with HMS Oil & Gas Sdn Bhd ("HMS") in respect of the management and operations of the joint venture entity known as KNM HMS Energy Sdn Bhd ("JVCO"). The parties have agreed to voluntarily wind-up the JVCO.
2. On 19 June 2015, KNM Group Berhad's ("KNM", as the "Guarantor") wholly-owned subsidiary, Splendid Investments Limited ("Splendid", as the "Issuer"), has established a multicurrency medium term note ("MTN") programme of an initial size of up to SGD300 million (the "Programme"). The Programme is unconditionally and irrevocably guaranteed by KNM and as at to-date, no notes have been issued by the Issuer under the Programme.

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

The listing application in relation to the Private Placement has been submitted to Bursa Securities on 13 November 2017 and was approved on 15 November 2017. On 16 November 2017, the Company has announced that the Company has fixed the issue price of the Placement Shares at RM0.24 per Placement Share to be issued pursuant to the Private Placement.

#### **B9. Group borrowings and debt securities**

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

	<b>As at 30.09.2017 RM’000</b>
<b>Short term:</b>	
Borrowings (secured)	67,214
Borrowings (unsecured)	87,352
Bank Overdraft	4,954
Bill Payable	209,318
Hire Purchase	7,147
Revolving credit	142,272
	<u>518,257</u>
<b>Long term :</b>	
Borrowings (secured)	104,418
Borrowings (unsecured)	343,065
Hire Purchase	20,082
Revolving credit	280,359
	<u>747,924</u>
	<u>1,266,181</u>

The above are also inclusive of other borrowings in foreign currency of RMB 36.78 million, EURO 32.69 million, CAD 6.96 million, USD 78.64 million, THB 2.71 billion and AED 31.27 million.

The exchange rates used are 1 RMB = RM 0.6343, 1 EURO = RM 4.9861, 1 CAD = RM 3.3847, 1 USD = RM4.2205, 1 THB = RM0.1266 and 1 AED = 1.1492.

#### **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 2017 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	70,639	(1,380)
-1 year to 3 years	1,554,150	(1,623)
	1,624,789	(3,003)

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 30.09.2017 RM'000	3 Months ended 30.09.2016 RM'000	9 Months ended 30.09.2017 RM'000	9 Months ended 30.09.2016 RM'000
(a)				
Profit for the period is arrived at after charging:				
Reversal for impairment loss on doubtful debt	(5,767)	-	(8,870)	-
Bad debts written off	13	1	347	49
Net (gain)/ loss on foreign exchange	(7,416)	4,775	(20,269)	(6,299)
Net (gain) on derivative	(3,598)	(4,149)	(9,161)	(16,956)
Amortisation of intangible asset	7,774	7,245	22,535	25,160
Provision/ (Reversal) for warranty	2,980	46	(1,780)	46
Provision for foreseeable losses	-	-	-	79
Provision for late delivery charges	99	-	99	-
Loss on disposal of property, plant and equipment	-	-	68	-
Share based payment	105	1,210	315	3,638
And crediting:				
Interest income	303	827	894	1,361

(b)				
Interest expenses	11,432	5,094	27,988	22,660
(c)				
Depreciation charge for the period:				
Income statement	673	1,520	4,688	6,434
Construction work in progress	19,416	13,690	46,929	39,687
	<u>20,089</u>	<u>15,210</u>	<u>51,617</u>	<u>46,121</u>

## B12. Realised and Unrealised Profit/Losses Disclosure

	As at 30.09.2017 RM'000	As at 31.12.2016 RM'000
Total retained profit of KNM Group and its subsidiaries		
- Realised	129,075	71,438
- Unrealised	(177,106)	(162,416)
Total share of accumulated losses from associated companies:		
- Realised	(9)	(8)
Total share of retained profit / (accumulated losses) from joint venture entities:		
- Realised	(7,347)	(6,341)
- Unrealised	471	(720)
Add: Consolidation adjustments	739,945	779,299
Total Group retained profits as per consolidated accounts	<u>685,029</u>	<u>681,252</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	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
<b>Basic earnings per share</b>				
Net profit attributable to shareholders (RM'000)	1,313	1,118	3,777	18,697
Number of shares at the beginning of the year ('000)	2,156,132	2,156,132	2,156,132	2,156,132

Effect of Share Buy Back (‘000)	(23,332)	(23,316)	(23,332)	(23,316)
Weighted average number of shares (‘000)	2,132,800	2,132,816	2,132,800	2,132,816
Basic earnings per share (sen)	0.06	0.05	0.18	0.88

**B16. Authorisation for issue**

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