

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017 (Unaudited)

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 31.12.2017 RM'000	Unaudited 3 months ended 31.12.2016 RM'000	Unaudited 31.12.2017 RM'000	Audited 31.12.2016 RM'000
<b>Contract revenue</b>	351,081	411,074	1,390,250	1,646,782
<b>Operating (loss)/profit</b>	(28,677)	(329,687)	17,716	(275,497)
Finance cost	(16,416)	(17,273)	(47,839)	(44,422)
Interest income	168	771	1,062	2,132
Share of (loss)/profit of equity accounted investees, net of tax	(612)	381	1,979	1,140
<b>Loss before tax</b>	(45,537)	(345,808)	(27,082)	(316,647)
Tax expense	(663)	(5,725)	(14,084)	(16,477)
<b>Net loss for the period</b>	(46,200)	(351,533)	(41,166)	(333,124)
<b>Other comprehensive (expense)/income, net of tax</b>				
Foreign currency translation differences	(69,419)	96,752	(62,549)	30,845
Net investment in subsidiaries	4,254	(28,497)	62,680	(39,689)
Cash flow hedge	(2,379)	(2,819)	435	2,006
Realisation of revaluation reserve on property, plant and equipment written off	-	1,904	-	1,904
Share of other comprehensive income/(expense) of equity accounted investee	11	(22)	1,362	107
<b>Other comprehensive (expense)/income for the period, net of tax</b>	(67,533)	67,318	1,928	(4,827)
<b>Total comprehensive expense for the period/year</b>	(113,733)	(284,215)	(39,238)	(337,951)
Attributable to:				
Equity holders of the parent	(46,224)	(351,678)	(42,447)	(332,981)
Non-controlling interests	24	145	1,281	(143)
	(46,200)	(351,533)	(41,166)	(333,124)
<b>Total comprehensive expense attributable to:</b>				
Equity holders of the parent	(113,910)	(282,926)	(38,784)	(334,063)
Non-controlling interests	177	(1,289)	(454)	(3,888)
<b>Total comprehensive expenses for the period/year</b>	(113,733)	(284,215)	(39,238)	(337,951)
Loss per share:				
- Basic / Diluted (sen)	(2.15)	(16.49)	(1.97)	(15.61)

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 31.12.2017 RM'000	Audited As at 31.12.2016 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Other intangible assets		496,502	512,071
Goodwill		918,308	894,502
Property, plant and equipment		1,398,283	1,404,817
Other investment, including derivative		538	525
Investments in associates		21	22
Investments in jointly-controlled entities		5,157	3,098
Deferred tax assets		344,242	347,858
		<u>3,163,051</u>	<u>3,162,893</u>
<b>Current assets</b>			
Inventories		101,102	73,732
Contract work in progress		385,237	404,013
Trade and other receivables		483,040	581,638
Cash and cash equivalents		235,792	419,183
		<u>1,205,171</u>	<u>1,478,566</u>
<b>TOTAL ASSETS</b>		<u>4,368,222</u>	<u>4,641,459</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		1,883,513	1,005,617
Treasury shares		(53,425)	(53,422)
Reserves		566,565	1,433,223
		<u>2,396,653</u>	<u>2,385,418</u>
<b>Non-controlling interests</b>		<u>16,927</u>	<u>3,455</u>
<b>Total Equity</b>		<u>2,413,580</u>	<u>2,388,873</u>
<b>Non-current liabilities</b>			
Long term payables		8,976	10,589
Long service leave liability		7,574	7,097
Loans and borrowings	B9	701,911	839,695
Deferred taxation		189,685	191,054
		<u>908,146</u>	<u>1,048,435</u>
<b>Current liabilities</b>			
Payables and accruals		440,788	599,995
Deferred income		114,571	120,383
Loans and borrowings	B9	487,055	481,704
Current tax liabilities		4,082	2,069
		<u>1,046,496</u>	<u>1,204,151</u>
<b>Total liabilities</b>		<u>1,954,642</u>	<u>2,252,586</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,368,222</u>	<u>4,641,459</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.02</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 YEAR  
ENDED 31 DECEMBER 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 expense for the year	-	-	-	2,006	-	(10,680)	7,592	(1,082)	(3,745)	(4,827)
Loss for the year	-	-	-	-	-	-	(332,981)	(332,981)	(143)	(333,124)
<b>Total comprehensive income/(expense) for the year</b>	-	-	-	2,006	-	(10,680)	(325,389)	(334,063)	(3,888)	(337,951)
<b>Transactions with owners in their capacity as owner</b>										
Acquisition of equity interest in subsidiaries	-	-	-	-	-	-	-	-	16,442	16,442
Share buy-back	-	(8)	-	-	-	-	-	(8)	-	(8)
Share-based payment	-	-	-	-	-	695	-	695	-	695
<b>As at 31 December 2016 (Audited)</b>	1,005,617	(53,422)	782,971	(2,337)	72,449	(101,112)	681,252	2,385,418	3,455	2,388,873
<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/(expense) for the year	-	-	-	435	-	3,228	-	3,663	(1,735)	1,928
Loss for the year	-	-	-	-	-	-	(42,447)	(42,447)	1,281	(41,166)
<b>Total comprehensive income/(expense) for the year</b>	-	-	-	435	-	3,228	(42,447)	(38,784)	(454)	(39,238)
<b>Transactions with owners in their capacity as owner</b>										
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	-	13,926	13,926
Share-based payment	-	-	-	-	-	78	-	78	-	78
Issuance arising from private placement	51,188	-	(1,267)	-	-	-	-	49,921	-	49,921
Issuance arising from exercise of warrants	23	-	-	-	-	-	-	23	-	23
Share buy-back	-	(3)	-	-	-	-	-	(3)	-	(3)
Transfer of warrant reserve upon exercise and expiry of warrants	44,981	-	-	-	(44,981)	-	-	-	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	781,704	-	(781,704)	-	-	-	-	-	-	-
<b>As at 31 December 2017 (Unaudited)</b>	1,883,513	(53,425)	-	(1,902)	27,468	(97,806)	638,805	2,396,653	16,927	2,413,580

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED  
31 DECEMBER 2017**  
(Unaudited)

	31.12.2017 (Unaudited) RM '000	31.12.2016 (Audited) RM '000
<b>Cash flows from operating activities</b>		
Loss before tax	(27,082)	(316,647)
Adjustments for:		
Amortisation of intangible assets	30,167	32,491
Share-based payment	78	695
Depreciation	7,120	6,857
Interest expense	44,282	36,670
Interest income	(1,062)	(2,132)
Gain on foreign exchange-unrealised	(19,192)	(2,353)
Property, plant and equipment written off	-	1,185
Share of profit in associates and jointly-controlled entities	(1,979)	(1,140)
Change in fair value of forward contracts	(5,621)	(9,608)
Impairment loss on trade receivable	180	27,060
Provision for foreseeable losses	-	279
Bad debts written off	1,338	7,431
Provision for warranty	2,410	18,273
Impairment loss of property, plant and equipment	1,065	11,347
Provision for late delivery charges	104	447
Gain on disposal of property, plant and equipment	(28)	(199)
Operating profit / (loss) before working capital changes	<u>31,780</u>	<u>(189,344)</u>
Changes in working capital:		
Inventories	(29,861)	2,266
Receivables, deposits and prepayments	112,371	124,747
Payables and accruals and long service leave liability	(158,660)	(119,605)
Cash used in operations		
Income taxes paid	(15,598)	(4,569)
Interest paid	(369)	(370)
Interest received	1,062	2,132
<b>Net cash used in operating activities</b>	<u>(59,275)</u>	<u>(184,743)</u>
<b>Cash flows from investing activities</b>		
Change in pledged deposits placed in banks	61	(94)
Purchase of property, plant and equipment	(6,895)	(24,635)
Acquisition of subsidiaries, net of cash outflow	-	(69,310)
Acquisition of other intangible assets	(491)	(2,050)
Proceeds from disposal of property, plant and equipment	879	6,673
<b>Net cash used in investing activities</b>	<u>(6,446)</u>	<u>(89,416)</u>
<b>Cash flows from financing activities</b>		
Share buy-back	(3)	(8)
Net (repayment)/drawdown of bill payable	(17,400)	89,780
Repayment of hire purchase liabilities	(9,861)	(8,850)
(Repayment)/Drawdown of term loans and revolving credits	(119,112)	479,690
Interest expenses	(43,913)	(36,300)
Proceeds from issuance of shares	51,211	-
<b>Net cash (used in)/generated from financing activities</b>	<u>(139,078)</u>	<u>524,312</u>
Net (decrease)/increase in cash and cash equivalents	(204,799)	250,153
Cash and cash equivalents at beginning of year	411,719	193,884
Effect of foreign currency translation	7,856	(32,318)
Cash and cash equivalents at end of year	<u>214,776</u>	<u>411,719</u>
Cash and bank balances	214,262	416,479
Deposits with financial institutions	-	-
Deposits with licensed banks	21,530	2,704
Less: Pledged deposits	<u>(2,493)</u>	<u>(2,554)</u>
	233,299	416,629
Bank overdraft	<u>(18,523)</u>	<u>(4,910)</u>
	<u>214,776</u>	<u>411,719</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

## Notes to the Quarterly Interim Financial Report – 31 December 2017

### 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 year to date.

**A6. Material changes in estimates**

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

**A7. Debt and equity securities**

- A. There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year 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.

As at the expiry date of Warrants 2012/2017 on 15 November 2017, 517,652,416 warrants which remained unexercised became null and void and ceased to be exercisable, and were removed from the official list of Bursa Securities with effect from 16 November 2017.

- 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 12 months ended 31.12.2017 RM'000</b>	<b>Gross Profit/(Loss) 12 months ended 31.12.2017 RM'000</b>	<b>EBITDA 12 months ended 31.12.2017 RM'000</b>
Asia & Oceania	202,068	14,816	9,469
Europe	1,179,717	215,848	117,896
Americas	8,465	(7,358)	(8,959)
	<b>1,390,250</b>	<b>223,306</b>	<b>118,406</b>

  

	<b>Revenue 12 months ended 31.12.2016 RM'000</b>	<b>Gross Profit/(Loss) 12 months ended 31.12.2016 RM'000</b>	<b>EBITDA 12 months ended 31.12.2016 RM'000</b>
Asia & Oceania	403,147	(171,015)	(220,021)
Europe	1,159,309	214,771	81,090
Americas	84,326	(37,287)	(42,323)
	<b>1,646,782</b>	<b>6,469</b>	<b>(181,254)</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 year under review.

**A11. Material events subsequent to the end of the interim year**

There was no material event subsequent to the end of the reporting year 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 Company had received confirmation on 14 September 2017 through the Ministry of Corporate Affairs, India that the Company's subsidiary, KNM Engineering Services Private Limited had been officially struck-off and dissolved on 29 June 2017.
- C. The de-registration/striking-off of the dormant subsidiary as per item B8(1) is 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	2,945	130,247

**A15. Related party transactions**

Significant related party transactions for the financial year to date are as follows:

	RM'000
Inter Merger Sdn. Bhd. (a)	
- Office rental, administrative expense, provision funding, treasury and other support services	1,543
I.M.Bina Sdn. Bhd. (b)	
- General construction, civil mechanical works, provision of equipment and other services	26,723

(a) a company in which Mr. Lee Swee Eng and Madam Gan Siew Liat are directors.

(b) a company in which Inter Merger Sdn. Bhd. is the holding company.



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

### **B1. Performance of 12-month ended 31 December 2017 against 31 December 2016**

The Group achieved a revenue of approximately RM1.39 billion in the current financial year as compared with RM1.65 billion achieved in previous financial year. The lower revenue in the current financial year was mainly due to low revenue contribution from Asia & Oceania and lower project percentage of completion recognised as the projects related to the Pengerang Integrated Petroleum Complex were mostly delivered / near completion.

The Group recorded a higher Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of approximately RM118.41 million in the current financial year as compared with Loss Before Interest, Tax, Depreciation and Amortisation of RM181.25 million in previous financial year. The significantly improved operating profit in current financial year was mainly attributable to improved operating performance by Europe, Asia and Oceania segments; lower operating loss in the Americas segment; and continuous cost saving measures within the Group.

Consequently, the Group posted a significant lower loss before tax of RM27.08 million in the current financial year as compared with a loss before tax of RM316.64 million in the last financial year.

#### Asia & Oceanic Segment

Asia & Oceanic Segment recorded lower revenue mainly due to lower project percentage of completion recognised as the projects related to the Pengerang Integrated Petroleum Complex were mostly delivered / near completion. 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 a higher revenue and higher EBITDA mainly due to lower operating expenses.

#### Americas Segment

Americas segment recorded a loss mainly due to lower order book.

### **B2. Performance of the current quarter against the preceding quarter (4th Quarter 2017 versus 3rd Quarter 2017)**

The Group reported a higher loss before tax of RM45.54 million as compared to a profit before tax of RM10.14 million in preceding quarter, mainly due to overall higher operating expenses and higher depreciation expenses arising from the new bio-ethanol plant in Thailand which has been in commercial operations since September 2017.

### **B3. Prospects**

The Board anticipates the outlook for financial year ending 31 December 2018 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 31.12.2017 RM'000</b>	<b>3 months ended 31.12.2016 RM'000</b>	<b>12 months ended 31.12.2017 RM'000</b>	<b>12 months ended 31.12.2016 RM'000</b>
Current	4,193	78	16,418	31,716
Prior period/year	779	(730)	(319)	(940)
Deferred tax	(4,309)	6,377	(2,015)	(14,299)
	663	5,725	14,084	16,477

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

**B6. Unquoted investments and properties**

There were no significant investments or disposals in unquoted investments and properties for the current quarter and financial year 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 year 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 subsidiary either by way of voluntary winding up or de-registration/striking-off the said subsidiary from the registers with the relevant authorities ("Proposed Dissolution"):-
  - (i) On 6 November 2014, the Company had signed an Agreement of Mutual Termination to *inter alia*, mutually terminate the Shareholders' cum Joint Venture Agreement dated 13 December 2012 (the "Shareholders' Agreement") with HMS Oil & Gas Sdn. Bhd. ("HMS") in respect of the management and operations of the joint venture entity known as KNM HMS Energy Sdn. Bhd. ("JVCO"). The parties had 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 ("KNM Shares") to independent third party investor(s) to be identified at a later date ("Private Placement").

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

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

Purpose	Proposed Utilisation	Actual Utilisation	Timeframe For Utilisation	Deviation		Explanations (if the deviation is 5% or more)
				RM'000	%	
Repayment of bank borrowings	40,000	(40,000)	Within twelve (12) months	-	-	-
Working capital requirements	9,733	(9,733)	Within one (1) month	-	-	-
Defrayment of expenses related to the Private Placement	1,455	(1,211)	Within one (1) month	244	16.77	Actual utilisation is lower than proposed utilisation
Total	51,188	(50,944)		244		

#### B9. Group borrowings and debt securities

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

	<b>As at 31.12.2017 RM'000</b>
<b>Short term:</b>	
Borrowings (secured)	70,349
Borrowings (unsecured)	76,404
Bank Overdrafts	18,523
Bills Payable	158,751
Hire Purchase	7,225
Revolving credits	155,803
	<u>487,055</u>
 <b>Long term :</b>	
Borrowings (secured)	89,612
Borrowings (unsecured)	356,095
Hire Purchase	19,138
Revolving credits	237,066
	<u>701,911</u>
	<u>1,188,966</u>

The above are also inclusive of other borrowings in foreign currency of RMB 40.00 million, EURO 32.41 million, CAD 6.83 million, USD 86.76 million, THB 2.75 billion and AED 21.15 million.

The exchange rates used are 1 RMB = RM 0.6220, 1 EURO = RM 4.8556, 1 CAD = RM 3.2173, 1 USD = RM4.0470, 1 THB = RM0.1243 and 1 AED = 1.1019.

## B10. Financial Instruments

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

There are no off-balance sheet financial instruments.

The outstanding forward foreign currency exchange contracts as at 31 December 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	118,896	(3,038)
	<u>118,896</u>	<u>(3,038)</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 year. 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 FOR THE PERIOD/YEAR

	3 Months ended 31.12.2017 RM'000	3 Months ended 31.12.2016 RM'000	12 Months ended 31.12.2017 RM'000	12 Months ended 31.12.2016 RM'000
(a) Loss for the period/year is arrived at after charging:				
Impairment loss on trade receivable	9,050	27,606	180	27,060
Bad debts written off	991	7,382	1,338	7,431
Property, plant and equipment written off	-	-	-	1,185
Impairment loss of property, plant and equipment	1,065	-	1,065	11,347
Net (gain)/loss on foreign exchange	(5,996)	16,075	(26,265)	9,776
Net loss/(gain) on derivative	3,540	(7,348)	(5,621)	(9,608)
Amortisation of intangible asset	7,632	7,331	30,167	32,491
Provision for warranty	4,190	18,227	2,410	18,273
Provision for foreseeable losses	-	200	-	279
Provision for late delivery charges	5	447	104	447

Gain on disposal of property, plant and equipment	(96)	(199)	(28)	(199)
Share-based payment	(237)	(2,943)	78	695
And crediting:				
Interest income	168	771	1,062	2,132
(b)				
Interest expenses	16,294	14,010	44,282	36,670
(c)				
Depreciation charge for the period/year:				
Income statement	2,432	423	7,120	6,857
Construction work in progress	16,474	15,208	63,403	54,895
	<u>18,906</u>	<u>15,631</u>	<u>70,523</u>	<u>61,752</u>

#### B12. Realised and Unrealised Profit/Accumulated Losses Disclosure

	<b>As at 31.12.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
Total retained profit/(accumulated losses) of KNM Group and its subsidiaries		
- Realised	74,245	71,438
- Unrealised	(160,481)	(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	(8,508)	(6,341)
- Unrealised	65	(720)
Add: Consolidation adjustments	733,493	779,299
Total Group retained profits as per consolidated accounts	<u>638,805</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. Loss per share**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>Basic loss per share</b>				
Net loss attributable to shareholders (RM'000)	(46,224)	(351,678)	(42,447)	(332,981)
Number of shares at the beginning of the year ('000)	2,156,133	2,156,133	2,156,133	2,156,133
Issuance of share-Private Placement ('000)	19,283	-	19,283	-
Share option exercised ('000)	4	-	4	-
Effect of Share Buy Back ('000)	(23,337)	(23,318)	(23,337)	(23,318)
Weighted average number of shares ('000)	<u>2,152,083</u>	<u>2,132,815</u>	<u>2,152,083</u>	<u>2,132,815</u>
Basic loss per share (sen)	(2.15)	(16.49)	(1.97)	(15.61)

**B16. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 26 February 2018.