

KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative year to date	
	Unaudited 3 months ended 31.12.2018 RM'000	(Restated) Unaudited 3 months ended 31.12.2017 RM'000	Unaudited 31.12.2018 RM'000	(Restated) Unaudited 31.12.2017 RM'000
Revenue	<u>369,120</u>	<u>343,592</u>	<u>1,434,370</u>	<u>1,362,082</u>
Operating (loss)/ profit	(324,906)	(31,903)	(347,688)	8,429
Finance costs	(21,581)	(16,424)	(60,503)	(47,847)
Interest income	253	(377)	1,368	517
Share of (loss)/profit of equity-accounted associates and joint ventures, net of tax	(7,995)	(290)	(5,590)	2,301
Loss before tax	<u>(354,229)</u>	<u>(48,994)</u>	<u>(412,413)</u>	<u>(36,600)</u>
Tax expense	(358,256)	(2,658)	(372,324)	(14,261)
Net loss for the period/year	<u>(712,485)</u>	<u>(51,652)</u>	<u>(784,737)</u>	<u>(50,861)</u>
Other comprehensive (expense)/income, net of tax				
Foreign currency translation differences for foreign operations	(50,423)	(69,893)	(58,792)	(63,023)
Hedge of net investment in subsidiaries	(10,434)	4,254	(27,512)	62,680
Cash flow hedge	427	(2,379)	(669)	435
Realisation of revaluation reserve on property, plant and equipment written off	-	-	-	-
Share of gain of equity-accounted associates and joint ventures	-	11	101	1,362
Other comprehensive income/(expense) for the period/year, net of tax	<u>(60,430)</u>	<u>(68,007)</u>	<u>(86,872)</u>	<u>1,454</u>
Total comprehensive expense for the period/year	<u>(772,915)</u>	<u>(119,659)</u>	<u>(871,609)</u>	<u>(49,407)</u>
Attributable to:				
Owners of the Company	(705,755)	(48,198)	(774,877)	(48,664)
Non-controlling interests	(6,730)	(3,454)	(9,860)	(2,197)
	<u>(712,485)</u>	<u>(51,652)</u>	<u>(784,737)</u>	<u>(50,861)</u>
Total comprehensive expense attributable to:				
Owners of the Company	(765,834)	(116,424)	(855,641)	(45,541)
Non-controlling interests	(7,081)	(3,235)	(15,968)	(3,866)
Total comprehensive expense for the period/year	<u>(772,915)</u>	<u>(119,659)</u>	<u>(871,609)</u>	<u>(49,407)</u>
Loss per share:				
- Basic / Diluted (sen)	(30.08)	(2.24)	(33.03)	(2.26)

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

KNM GROUP BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 31.12.2018 RM'000	Restated As at 31.12.2017 RM'000	Restated As at 1.1.2017 RM'000
Assets				
Non-current assets				
Other intangible assets		456,049	496,502	512,071
Goodwill		895,461	918,308	894,502
Property, plant and equipment		1,323,754	1,393,757	1,404,817
Other investments, including derivatives		254	5,467	525
Investments in associates		-	21	22
Investments in joint ventures		-	5,479	3,098
Deferred tax assets		10,922	344,243	347,858
		<u>2,686,440</u>	<u>3,163,777</u>	<u>3,162,893</u>
Current assets				
Inventories		200,910	161,966	128,268
Contract assets		158,910	356,504	360,032
Trade and other receivables		392,082	479,304	581,638
Cash and bank balances		411,149	235,638	419,183
		<u>1,163,051</u>	<u>1,233,412</u>	<u>1,489,121</u>
Assets classified as held for sale		58,956	-	-
		<u>1,222,007</u>	<u>1,233,412</u>	<u>1,489,121</u>
TOTAL ASSETS		<u>3,908,447</u>	<u>4,397,189</u>	<u>4,652,014</u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital		1,883,498	1,883,513	1,005,617
Treasury shares		(53,425)	(53,425)	(53,422)
Reserves		(320,473)	535,122	1,408,537
		<u>1,509,600</u>	<u>2,365,210</u>	<u>2,360,732</u>
Non-controlling interests		(2,454)	13,514	3,455
Total Equity		<u>1,507,146</u>	<u>2,378,724</u>	<u>2,364,187</u>
Non-current liabilities				
Long term payables		8,051	8,976	10,589
Long service leave liability		7,851	7,574	7,097
Loans and borrowings	B9	1,084,282	701,911	839,695
Deferred tax liabilities		264,130	262,565	228,410
		<u>1,364,314</u>	<u>981,026</u>	<u>1,085,791</u>
Current liabilities				
Trade and other payables		504,187	431,731	597,881
Contract liabilities		130,076	114,571	120,383
Loans and borrowings	B9	386,324	487,055	481,704
Current tax liabilities		16,400	4,082	2,069
		<u>1,036,987</u>	<u>1,037,439</u>	<u>1,202,037</u>
Total liabilities		<u>2,401,301</u>	<u>2,018,464</u>	<u>2,287,827</u>
TOTAL EQUITY AND LIABILITIES		<u>3,908,447</u>	<u>4,397,189</u>	<u>4,652,014</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.64</u>	<u>1.01</u>	<u>1.09</u>

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KNM GROUP BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2018**

	Attributable to equity holders of the parent						Total RM'000	Non-controlling Interests RM'000	Total equity RM'000	
	Non-Distributable			Distributable						
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Hedging Reserve RM'000	Warrant Reserve RM'000	Revaluation and Other Reserves RM'000	Retained Earnings/ (Accumulated Losses) RM'000			
As at 1 January 2017	1,005,617	(53,422)	782,971	(2,337)	72,449	(101,112)	681,252	2,385,418	3,455	2,388,873
- as previously reported										
Effect of adopting Companies Act 2016	782,971	-	(782,971)	-	-	669	-	669	-	669
Effect of adopting MFRSs	-	-	-	-	-	-	(25,355)	(25,355)	-	(25,355)
As at 1 January 2017 (Restated)	1,788,588	(53,422)	-	(2,337)	72,449	(100,443)	655,897	2,360,732	3,455	2,364,187
Other comprehensive income for the year	-	-	-	435	-	2,688	-	3,123	(1,669)	1,454
Loss for the year	-	-	-	-	-	-	(48,664)	(48,664)	(2,197)	(50,861)
Total comprehensive income/(expense) for the year	-	-	-	435	-	2,688	(48,664)	(45,541)	(3,866)	(49,407)
Transactions with owners of the Company										
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	-	13,925	13,925
Share buy-back	-	(3)	-	-	-	-	-	(3)	-	(3)
Share-based payment	-	-	-	-	-	78	-	78	-	78
Issuance arising from private placement	49,921	-	-	-	-	-	-	49,921	-	49,921
Issuance arising from exercise of warrants	23	-	-	-	-	-	-	23	-	23
Transfer of warrant reserve upon expiry of Warrant A	44,981	-	-	-	(44,981)	-	-	-	-	-
As at 31 December 2017, restated (Unaudited)	1,883,513	(53,425)	-	(1,902)	27,468	(97,677)	607,233	2,365,210	13,514	2,378,724
As at 1 January 2018	1,883,513	(53,425)	-	(1,902)	27,468	(97,677)	638,245	2,396,222	13,514	2,409,736
- as previously reported										
Effect of adopting MFRSs	-	-	-	-	-	-	(31,012)	(31,012)	-	(31,012)
As at 1 January 2018 (Restated)	1,883,513	(53,425)	-	(1,902)	27,468	(97,677)	607,233	2,365,210	13,514	2,378,724
Other comprehensive expense for the year	-	-	-	(669)	-	(80,095)	-	(80,764)	(6,108)	(86,872)
Loss for the year	-	-	-	-	-	-	(774,877)	(774,877)	(9,860)	(784,737)
Total comprehensive expense for the year	-	-	-	(669)	-	(80,095)	(774,877)	(855,641)	(15,968)	(871,609)
Transactions with owners of the Company										
Share-based payment	-	-	-	-	-	46	-	46	-	46
Share issue expenses	(15)	-	-	-	-	-	-	(15)	-	(15)
As at 31 December 2018 (Unaudited)	1,883,498	(53,425)	-	(2,571)	27,468	(177,726)	(167,644)	1,509,600	(2,454)	1,507,146

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KNM GROUP BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED**31 December 2018**

(Unaudited)

	31.12.2018 (Unaudited) RM '000	(Restated) 31.12.2017 (Unaudited) RM '000
Cash flows from operating activities		
Loss before tax	(412,413)	(36,600)
Adjustments for:		
Amortisation of intangible assets	29,584	30,167
Share-based payment	46	78
Depreciation	25,060	7,883
Interest expense	57,324	44,290
Interest income	(1,368)	(517)
Unrealised loss/(gain) on foreign exchange	12,172	(24,899)
Impairment loss on property, plant and equipment	22,388	1,065
Share of profit in associates and joint ventures, net of tax	5,590	(2,301)
Change in fair value of forward contracts	109	(5,621)
Impairment loss on receivables	43,892	-
Provision for foreseeable losses	37,541	-
Bad debts written off	5,811	1,338
Property, plant and equipment written off	1,424	-
(Reversal)/Impairment of provision for warranty	(9,240)	2,410
Provision for late delivery charges	55,010	104
Loss/ (Gain) on disposal of property, plant and equipment	292	(68)
Provision of other operating loss for non-performing business units	41,269	-
Impairment loss on other receivables	29,308	-
Impairment loss on other investments	5,208	-
Impairment loss on investment in associates	262	-
Impairment loss on inventories	9,174	-
Impairment loss on contract assets	28,769	-
	<u>(12,788)</u>	<u>17,329</u>
Operating (loss)/profit before working capital changes		
Changes in working capital:		
Inventories	(39,232)	(29,624)
Trade and other receivables	58,986	124,840
Trade and other payables	55,752	(177,980)
Cash generated from/(used in) operations	<u>62,718</u>	<u>(65,434)</u>
Income taxes paid	(17,760)	(16,486)
Interest paid	(355)	(369)
Interest received	1,368	517
Net cash generated from/(used in) operating activities	<u>45,971</u>	<u>(81,772)</u>
Cash flows from investing activities		
Change in pledged deposits	15,938	(18,976)
Acquisition of property, plant and equipment	(4,024)	(29,511)
Acquisition of other intangible assets	(1,726)	(491)
Proceeds from disposal of property, plant and equipment	2,301	7,217
Net cash generated from/(used in) investing activities	<u>12,489</u>	<u>(41,761)</u>
Cash flows from financing activities		
Share buy-back	-	(3)
Net repayment of bills payable	(109,902)	(6,129)
Repayment of finance lease liabilities	(7,478)	(9,799)
Drawdown/(Repayment) of term loans and revolving credit	407,826	(68,105)
Interest paid	(56,969)	(43,921)
Issuance of ordinary shares to non-controlling interest	-	13,925
Proceeds from issuance of shares	-	49,944
Share issue expenses	(15)	-
Net cash generated from/(used in) financing activities	<u>233,462</u>	<u>(64,088)</u>
Net increased/(decrease) in cash and cash equivalents	291,922	(187,621)
Cash and cash equivalents at beginning of year	195,587	411,719
Effect of foreign currency translation	(86,045)	(28,513)
Cash and cash equivalents at end of year	<u>401,464</u>	<u>195,585</u>
Cash and bank balances	403,376	214,108
Deposits with licensed banks	7,773	21,530
Less: Pledged deposits	(5,592)	(21,530)
	<u>405,557</u>	<u>214,108</u>
Bank overdrafts	(4,093)	(18,523)
	<u>401,464</u>	<u>195,585</u>

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Notes to the Quarterly Interim Financial Report – 31 December 2018

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 2017. 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 2017.

A2. Significant Accounting Policies

The audited financial statements of the Group for the financial year ended 31 December 2017 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 2017 except for the adoption of new MFRSs and amendments that are mandatory for the Group for the financial year with effect from 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

The initial application of the abovementioned accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) *MFRS 15, Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The Group has established a team to manage the implementation of MFRS 15. For respective group entities, the team reviewed contracts with customers to account for the financial impact of the adoption of the new standard. The team is also responsible to set up

a group policy on implementation and to design approaches to account into the Group's financial reporting process.

Based on the assessment, the key concepts that may give rise to material impact upon adoption are as included below:

(i) Separate performance obligations (“PO”)

Components in a project are accounted for as separate performance obligations unless these components are highly dependent, inter-related and integrated to be incorporated into a single output. The Group has assessed that there are separate performance obligations arising from a single contract, which are required to be accounted for separately and will depart from current practice. The impact is as disclosed below.

(ii) Timing of revenue recognition

For construction contracts, currently the Group recognises revenue in proportion to the stages of completion of a contract, which are assessed by reference to surveys of work performed/completion of a physical proportion of contract work. Upon adoption of MFRS 15, the timing of revenue recognition remains as “over-time” recognition for most performance obligations, except for certain performance obligations, the timing of revenue recognition would change from the current “over-time” recognition to “in-time” recognition. The impact upon adoption, which is as disclosed below.

The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements for year ended 31 December 2017 and the beginning of the earliest period presented 1 January 2017 as below.

Group	Statement of financial position as at 31 December 2017		Statement of financial position as at 1 January 2017	
	As currently reported	Restatement	As currently reported	Restatement
	RM'000	RM'000	RM'000	RM'000
Inventories	100,870	161,966	73,732	128,268
Amount due from contract customers	387,122	356,504	404,013	360,032
Payables and accruals	(400,519)	(431,731)	(599,995)	(597,881)
Deferred tax liabilities	(192,287)	(262,565)	(191,054)	(228,410)
Retained earnings	(638,245)	(607,233)	(681,252)	(656,566)

(ii) *MFRS 9, Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: (i) measured at amortised cost; (ii) fair value through other comprehensive income (FVOCI); and (iii) fair value through profit or loss (FVTPL), and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group has established a team to manage the implementation of MFRS 9. For respective group entities, the team reviewed each category of financial assets to assess the impact of the adoption. Based on the assessment performed, the Group does not expect that the application of the new classification requirement will have a material impact on accounting for its financial assets.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

The Group does not expect that the application of the forward-looking expected credit loss (ECL) model will have a material impact on accounting for its financial assets on its consolidated financial statements.

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 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 119, Employee benefits – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, Insurance Contracts

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 Associate 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.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments.

There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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 2017.

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 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 period to date.
- b. As at the date of this report, the Company has 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:

	Revenue	Gross (Loss)/Profit	(LBITDA)/ EBITDA
	12 months ended	12 months ended	12 months ended
	31.12.2018	31.12.2018	31.12.2018
	RM'000	RM'000	RM'000
Asia & Oceania	206,210	(117,201)	(344,670)
Europe	1,228,160	238,069	115,598
Americas	-	(9,959)	(20,626)
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	1,434,370	110,909	(249,698)
	<hr/>	<hr/>	<hr/>
	(Restated) Revenue	(Restated) Gross Profit/(Loss)	(Restated) (LBITDA)/ EBITDA
	12 months ended	12 months ended	12 months ended
	31.12.2017	31.12.2017	31.12.2017
	RM'000	RM'000	RM'000
Asia & Oceania	201,472	13,013	8,332
Europe	1,152,145	207,767	109,813
Americas	8,465	(7,363)	(8,840)
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	1,362,082	213,417	109,305
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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 2017.

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. The Company had on 16 May 2018 received a confirmation from the Registrar of Corporations, Government of Alberta, Canada that 1840355 Alberta Ltd., an indirect wholly-owned subsidiary of the Company had been voluntarily dissolved on 15 May 2018.
- B. The Company had on 6 August 2018 received confirmation that a joint venture entity known as KNM HMS Energy Sdn. Bhd., had been officially struck-off from the register of companies upon publication in the Gazette by the Companies Commission of Malaysia on 2 July 2018.

- C. The Company had on 6 September 2018 received confirmation from the Accounting and Corporate Regulatory Authority, Singapore that its wholly-owned subsidiary, KNM Global (S) Pte. Ltd. had been officially struck-off from the register on 4 September 2018.
- D. On 30 November 2018, a wholly-owned subsidiary of KNM Group Berhad in Germany, Borsig ZM Compression had disposed its entire equity interest of 100% (comprising 25,000 shares) in Borsig Compressor Parts GmbH to another wholly-owned subsidiary of KNM Group Berhad, Borsig GmbH, for a total cash consideration of EUR1.00 (approximately RM4.77) only.
- E. On 14 January 2019, the Company entered into a share purchase agreement with Petrosab Sdn. Bhd. (“PSB”) to acquire the remaining balance of 6,048,884 ordinary shares or 99.34% equity interest in Petrosab Petroluem Sdn. Bhd. (“PPSB”) from PSB for a consideration of RM1.00 only (“the Acquisition”). Upon the completion of the Acquisition, PPSB will become a wholly-owned subsidiary of the Company.

A13. Contingent liabilities and Assets

The contingent liabilities for the Group as at the date of this announcement were :-

	31.12.2018	31.12.2017
	RM'000	RM'000
Guarantees and contingencies relating to borrowings and performance obligation of subsidiaries	799,136	707,010
Share of joint ventures' contingent liabilities incurred jointly with other investors		
- Secured guaranteed bank facilities and unsecured performance obligation of joint ventures	62,115	62,115

There were no other material changes in the contingent liabilities.

There were no material contingent assets for the Group.

A14. Capital commitments

	Approved and contracted for RM'000	Approved but not contracted for RM'000
Property, plant and equipment	1,476,132	122,246

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 and other support services	1,095
I.M.Bina Sdn. Bhd. (b)	
- General construction, civil mechanical works, provision of equipment and other services	8,855

(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 2018 against 31 December 2017

The Group recorded a higher revenue of approximately RM1.43 billion in the current financial year as compared with RM1.36 billion achieved in previous financial year. The higher revenue in the current financial year was mainly contributed by the new bio-ethanol plant in Thailand which had commenced commercial operations since September 2017 and improved performance in Europe Segment.

The Group registered a lower gross profit of RM110.91 million in current financial year as compared with RM213.42 million in the previous financial year due to weak performance reported in Asia and Oceania Segment as a result of lower project gross profit margins, high unabsorbed overheads and slow order intake in the first three quarters of the current financial year. However, the improved performance in Europe Segment has partially mitigated the losses of the Asia and Oceania Segment in the current financial year.

The Group recorded a Losses Before Interest, Tax, Depreciation and Amortisation (“LBITDA”) of approximately RM249.70 million in the current year as compared with a Earnings Before Interest, Tax, Depreciation and Amortisation (“EBITDA”) of approximately RM109.31 million in the previous financial year mainly due to one-off impairment loss made to write down the assets held including property, plant and equipment and receivables as a result of down-sizing of non-performing business units and other impairment loss made due to slow recoverability of receivables. The LBITDA has further deteriorated due to unrealized loss on foreign exchange recorded in the current financial year as a result of a weaker Ringgit in 2018 against other major currencies including US Dollar and Euro as compared with an unrealised gain on foreign exchange of previous financial year.

The loss after tax of the Group of RM784.74 million in the current financial year was higher than a loss after tax of RM50.86 million in the previous financial year mainly due to an one-off reversal of a non-cash deferred tax asset (“DTA”) of RM346.64 million in relation to an investment tax allowance previously granted to a Malaysian subsidiary in 2012. For accounting purpose, the subsidiary has taken prudent step to reverse the DTA entirely due to excess of tax benefits which may not be able to utilize in the near future.

Asia & Oceania Segment

Asia & Oceania Segment recorded a lower revenue contribution mainly attributable to the lower project-based revenue recorded despite additional revenue contributed from Bio-ethanol plant in Thailand of approximately RM82.21 million in the current financial year.

This Segment recorded a LBITDA of approximately RM344.67 million in the current financial year as compared with an EBITDA of RM8.33 million in the previous financial year due to one-off impairment loss made on assets held by non-performing business units, other impairment loss due to slow recovery of receivables, high unabsorbed fixed overheads and unrealized loss on foreign exchange.

Europe Segment

The Europe Segment recorded a higher revenue of approximately RM1.23 billion in current financial year as compared with RM1.15 billion in previous financial year due to higher new orders secured particularly in second half of 2018 on the back of the improvement in the petrochemical industries.

Consequently, this Segment recorded an improved gross profit margin at 19% and a higher EBITDA of approximately RM115.60 million in current financial year as compared to 18% and RM109.81 million respectively in the previous financial year.

Americas Segment

The business activities in this segment is still low. The Americas Segment registered a loss mainly due to unabsorbed fixed overhead and impairment loss made on trade receivables.

B2. Performance of the current quarter against the preceding quarter (4th Quarter 2018 versus 3rd Quarter 2018)

The Group registered a gross loss of RM47.62 million in the current quarter as compared to a gross profit of RM52.02 million in the preceding quarter.

The Group reported a higher loss before tax of RM354.23 million as compared to a loss before tax of RM11.57 million in preceding quarter, mainly due to one-off impairment loss made to write down the assets held by the Group.

B3. Prospects

The Board anticipates the outlook for financial year ending 31 December 2019 will remain challenging.

The Group's strategy to diversify its sources of income from project-based contracts to recurring-income businesses in renewable energy industry is still on going.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 Months ended 31.12.2018 RM'000	3 Months ended 31.12.2017 RM'000	12 Months ended 31.12.2018 RM'000	12 Months ended 31.12.2017 RM'000
Current	12,118	3,616	29,938	14,023
Prior period	55	1,413	(159)	315
Deferred tax	346,083	(2,371)	342,545	(77)
	<u>358,256</u>	<u>2,658</u>	<u>372,324</u>	<u>14,261</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 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 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 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.

B9. Group borrowings and debt securities

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

	As at 31.12.2018 RM'000
Short term:	
Borrowings (secured)	66,030
Borrowings (unsecured)	46,672
Bank Overdrafts	4,093
Bills Payable	51,175
Hire Purchase	4,351
Revolving credits	214,003
	<u>386,324</u>
Long term :	
Borrowings (secured)	80,302
Borrowings (unsecured)	866,856
Hire Purchase	14,199
Revolving credits	122,925
	<u>1,084,282</u>
	<u>1,470,606</u>

The above are also inclusive of other borrowings in foreign currency of RMB40.00 million, EURO 115.19 million, CAD6.33 million, USD76.96 million, THB2.91 billion, and AED3.80 million.

The exchange rates used are 1 RMB = RM0.6013, 1 EURO = RM4.7306, 1 CAD = RM3.0374, 1 USD = RM4.1360, 1 THB = RM0.1275, 1 and AED = RM1.1260.

B10. Financial Instruments

The outstanding forward foreign currency exchange contracts as at 31 December 2018 were as follows:-

Type of Derivative	Contract/Notional value RM'000	Gain on Fair value changes RM'000
Foreign Exchange Contracts		
-Less than 1 year	123,355	2,203
	<u>123,355</u>	<u>2,203</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. LOSS FOR THE PERIOD/YEAR

	3 Months ended 31.12.2018 RM'000	3 Months ended 31.12.2017 RM'000	12 Months ended 31.12.2018 RM'000	12 Months ended 31.12.2017 RM'000
(a)				
(Loss)/Profit for the period/year is arrived at after charging:				
Impairment loss on receivables	68,221	9,824	43,892	-
Bad debts written off	1,769	991	5,811	1,338
Change in fair value of forward contracts	498	3,539	109	(5,621)
Amortisation of intangible assets	7,534	7,633	29,584	30,167
(Reversal)/provision for warranty	(5,851)	2,410	(9,240)	2,410
Loss/(gain) on disposal of property, plant and equipment	577	-	292	(68)
Impairment loss on property, plant and equipment	22,388	-	22,388	1,065
Property, plant and equipment written off	1,424	-	1,424	-
Provision for late delivery charges	55,010	5	55,010	104
Provision of other operating loss for non-performing business units	41,269	-	41,269	-
Impairment loss of other receivables	29,308	-	29,308	-
Impairment loss on other investments	5,208	-	5,208	-
Impairment loss on investment in associates	262	-	262	-
Impairment loss on inventories	9,174	-	9,174	-
Impairment loss on contract assets	28,769	-	28,769	-
Provision for foreseeable loss	37,541	-	37,541	-
Share-based payment	11	(237)	46	78
And crediting:				
Interest income	253	(377)	1,368	517
(b)				
Interest expense	20,700	16,294	57,324	44,290

(c)
Depreciation charge for the year is allocated as follow:

Income statement	6,774	2,432	25,060	7,883
Construction work in progress	10,042	16,474	43,346	62,640
	<u>16,816</u>	<u>18,906</u>	<u>68,406</u>	<u>70,523</u>

B12. Material litigation

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

B13. Dividend payable

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

B14. Loss per share

	Individual Quarter		Cumulative Quarter	
	31.12.2018	(Restated) 31.12.2017	31.12.2018	(Restated) 31.12.2017
Basic loss per share				
Net loss attributable to shareholders (RM'000)	(705,755)	(48,198)	(774,877)	(48,664)
Number of shares at the beginning of the year ('000)	2,175,420	2,156,133	2,175,420	2,156,133
Issuance of share-Private Placement ('000)	194,017	19,287	194,017	19,287
Effect of Share buy-back ('000)	(23,341)	(23,337)	(23,341)	(23,337)
Weighted average number of shares ('000)	<u>2,346,096</u>	<u>2,152,083</u>	<u>2,346,096</u>	<u>2,152,083</u>
Basic loss per share (sen)	(30.08)	(2.24)	(33.03)	(2.26)

B15. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 27 February 2019.