

Financial Results

Reference No **KG-030806-64030**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **06/08/2003**
Quarterly report for the financial period ended : **30/06/2003**
Quarter : **2**
Financial Year End : **31/12/2003**
The figures : **have not been audited**

Converted attachment :

Please attach the full Quarterly Report here:

The Condensed Profit and Loss Account
The Group Condensed Balance Sheet
The Group Condensed Cash Flow Statement
Notes to the Accounts

Remark:

The acquisition of the entire issued and paid-up share capital of KNM Group Berhad was not completed on 30th June 2003.

SUMMARY OF KEY FINANCIAL INFORMATION

30/06/2003

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/06/2003	30/06/2002	30/06/2003	30/06/2002
	RM'000	RM'000	RM'000	RM'000
1 Revenue	60,498	0	60,498	0
2 Profit/(loss) before tax	7,218	0	7,218	0
3 Profit/(loss) after tax and minority interest	5,453	0	5,453	0
4 Net profit/(loss)	874	0	874	0

for the period				
5 Basic earnings/(loss) per share (sen)	3.35	0.00	3.35	0.00
6 Dividend per share (sen)	0.00	0.00	0.00	0.00

		AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
7 Net tangible assets per share (RM)		1.1800	0.0000

Note: For full text of the above announcement, please access KLSE Web site at www.klse.com.my

Remarks :

There was no preceding quarter's results as this is the first quarterly results announced by the Group in compliance with the Kuala Lumpur Stock Exchange Listing Requirements.

The Group's restructuring exercise in conjunction with its listing on the Second Board of the Kuala Lumpur Stock Exchange is not completed.

The results included in the Announcement have been prepared for illustration purposes



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Notes on the quarterly report – 30th June 2003

PART A: EXPLANATORY NOTES AS PER MASB 26

A1. Basis of preparation of interim financial reports

These interim financial statements are prepared in compliance with the Malaysian Accounting Standards Board (MASB) Standard No. 26 “Interim Financial Reporting” and paragraph 9.22 of the Kuala Lumpur Stock Exchange Listing Requirements and should be read in conjunction with the Company’s annual financial statements for the year ended 31st December 2002.

As part of the restructuring exercise in conjunction with the listing of KNM Group Berhad on the Second Board of the Kuala Lumpur Stock Exchange, KNM Group Berhad entered into a sale and purchase agreement to acquire the entire issued and paid-up share capital of KNM Process System Sdn Bhd and KNM International Sdn. Bhd which was completed on 2nd May 2003 and 2nd June 2003 respectively by using the acquisition method of accounting.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the last annual audited financial statements except for the adoption of MASB 25, Income Taxes.

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual financial statements of the Company for the year ended 31st December 2002.

A3. Seasonal and cyclical factors

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

A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review other than negative goodwill recognized in the income statement.

A5. Material changes in estimates

There were no material changes in estimates of amount reported in the current period under review.

A6. Issuances and repayment of debt and equity securities

There is no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current period under review.

Notes on the quarterly report – 30th June 2003

A7. Dividend Paid

No dividend was declared or paid during the period under review.

A8. Segment information

Segmental analysis of the results and assets employed for 6 month period 30th June 2003.

Business Segments	Process equipment RM '000	Terminals, Refineries and process plants RM '000	Plant maintenance RM '000	Consolidated RM '000
Revenue from external customer	47,295	11,611	1,592	60,498
	<u>47,295</u>	<u>11,611</u>	<u>1,592</u>	<u>60,498</u>
Segment results	6518	1600	219	8,337
Financing costs				(1,179)
Interest income				60
Profit before tax				<u>7,218</u>

A9. Valuation of property, plant and equipment

Valuation for property, plant and equipment of the Group have been brought forward without any amendment.

A10. Material events subsequent to the end of the interim period

Subsequent to the period under review, KNM Group Berhad will undertake the issuance of 11,080,000 new ordinary shares of RM1.00 each at an issue price of RM1.48 per new ordinary share payable in full upon application comprising:

- 2,280,000 new ordinary shares of RM1.48 each made available for application by directors, eligible employees, suppliers and persons who have contributed to the success of KNM Group Berhad and its subsidiaries;
- 4,400,000 new ordinary shares of RM1.48 each by way of private placement; and
- 4,400,000 new ordinary shares of RM1.48 each made available for application by the Malaysian Public,

in conjunction with its listing on the Second Board of the Kuala Lumpur Stock Exchange.

Notes on the quarterly report – 30th June 2003

A11. Changes in the composition of the Group

On 18 December 2000, KNM Group Berhad entered into a conditional sale and purchase agreement with the shareholders of KNM Process System Sdn. Bhd. for the acquisition of 3,100,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of KNM Process System Sdn. Bhd. purchase consideration of RM 34,186,350.

The said purchase consideration was satisfied through the issuance of 28,253,182 new shares of KNM Group Berhad to the shareholders of KNM Process System Sdn. Bhd. at an issue price of approximately RM1.21 per share.

The purchase consideration of RM 34,186,350 for the acquisition was arrived at based on the audited consolidated net tangible assets of KNM Process System as at 31 December 1999.

The above acquisition was undertaken as part of the restructuring exercise in conjunction with the listing of KNM Group Berhad on the Second Board of the Kuala Lumpur Stock Exchange. The acquisition was completed on 2 May 2003.

On 2 June 2003, KNM entered into a Conditional Sale and Purchase Agreement with the shareholders of KNMI namely KNMPS, for the acquisition of the entire issued and paid-up capital of KNMI comprising 500,002 ordinary shares of RM1.00, at par. The purchase consideration of RM500,002 for the acquisition of KNMI was satisfied by cash.

The Acquisition of KNMI was completed on 2 June 2003.

A12. Changes in contingent liabilities

There were no material contingent liabilities for the Group as at the date of this announcement.

A13. Capital commitments

	Approved and contracted for RM'000	Approved but not contracted for RM'000
Plant and Machinery	0	2,000
Office Equipment, Furniture and Fittings	0	2,000
Motor Vehicles	0	500
Total	<u>0</u>	<u>4,500</u>

A14. Related party transactions

Significant related party transactions for the period under review are as follows:

	RM '000
Inter Merger Sdn Bhd, holding company	
- Rental expense payable	451
- Administrative cost payable	172
Inter Merger Trading Sdn Bhd, a related company	
- Purchase of materials	465
I. M. Bina Sdn Bhd, a related company	
- Contracts billings payable	2,368
KNM-DP Fabricators Sdn Bhd, an associated company	
- Contracts billings payable	3,419
- Rental income receivable	240

A15. Comparison with preceding quarter's results

The Group's restructuring exercise in conjunction with its listing on the Second Board of the Kuala Lumpur Stock Exchange was completed on 2nd June 2003. As the financial statements of the Group for the current quarter ended 30th June 2003 are drawn up for the first time, no preceding quarter's results are available for comparison.

Notes on the quarterly report – 30th June 2003

PART B: ADDITIONAL INFORMATION REQUIRED BY THE KUALA LUMPUR STOCK EXCHANGE LISTING REQUIREMENTS

B1. Review of performance

The Group achieved revenue of RM 60.50 million and profit before tax of RM 7.22 million for the quarter under review.

B2. Variation of results against preceding quarter

As the financial statements of the Group for the current quarter ended 30th June 2003 are drawn up for the first time, no comparative figures are available to be presented.

B3. Current year prospects

Barring any unforeseen circumstances and on the assumption that the current situation remain, the Board is cautiously optimistic that the Group's performance for the remaining quarters of this financial year will be reasonably good.

B4. Variance of actual and forecast profit

Not applicable for this reporting.

B5. Tax expense

	Period ended 30th June 2003 RM' 000
In respect of the current period:	
Income Tax	1,765
Deferred Tax	-
Total	<u>1,765</u>

The effective tax rate for the period under review was lower than the statutory income tax rate of 28% due to the utilization of reinvestment allowance in the subsidiaries.

B6. Unquoted investments and/or properties

The Group has not made any investments in any unquoted investments and/or properties during the quarter under review.

Notes on the quarterly report – 30th June 2003

B7. Quoted and marketable investments

There were no investments in quoted and marketable securities made during the quarter under review.

B8. Status of corporate proposal announced

B8.1 In connection with and on integral part of the listing and quotation of KNM Group Berhad on the Second Board of the Kuala Lumpur Stock Exchange, the Company undertake the following exercise:-

i) Acquisition as disclosed in note A11.

ii) Special Dividend

Payment of special dividend amounting to RM 2,880,000 net of tax by KNMPS to existing shareholders of KNMPS prior to acquisition of KNMPS by KNM.

iii) Rights issue to the existing shareholders of KNM

Payment issue of 4,666,816 new ordinary shares of RM1.00 each in KNM at an issue price of RM1.00 per rights share to all existing shareholders of KNM on the basis of approximately 165 new ordinary shares of RM1.00 each for every existing 1,000 ordinary shares held in KNM.

iv) Placement of shares

Placement of 4,400,000 new ordinary shares of RM1.00 each in KNM at an issue price of RM1.48 per ordinary share

v) Public issue

Public issue of 6,680,000 new ordinary shares of RM1.00 each in KNM to the Malaysian public at an issue price of RM1.48 per ordinary share.

B8.2 Status Utilisation Of Proceeds

The gross proceeds arising from the Rights Issue, Placement and Public Issue which are estimated to amount approximately RM21.065 million would be utilised by KNM in the following manner:-

	<i>Time frame for utilization</i>		<i>TOTAL</i>
	<i>Financial year</i>	<i>Financial year</i>	
	<i>2003</i>	<i>2004</i>	
	<i>RM '000</i>	<i>RM '000</i>	<i>RM'000</i>
Repayment of term loans	11,077	-	11,077
Capital expenditure	5,090	3,100	8,190
Working Capital	298	-	298
Listing Expenses	1,500	-	1,500
Total	17,965	3,100	21,065

Notes on the quarterly report – 30th June 2003

B9. Group borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:

	RM '000
Short term borrowings:	
Bank Overdraft	10,986
Bankers acceptance	41,832
Short term portion of term loan	17,682
Hire purchase liabilities	<u>2,392</u>
Total	<u><u>72,892</u></u>
Long term borrowings:	
Term loan	6,578
Hire purchases liabilities	<u>2,506</u>
Total	<u><u>9,084</u></u>

The above inclusive of borrowing in foreign currency in USD 500,000 and RMB 24,800

The Exchange rate RMB = RM 0.459
US = RM 3.8

The trade finance facilities are secured by way of charge against Land and building, and corporate guarantees of subsidiary companies. The term loan is secured by way of a first party loan agreement and deed of assignment over the property and a guarantee by a subsidiary company.

B10. Off balance sheet financial instrument

There is no material financial instrument with off balance sheet risk as at the date of this report..

B11. Changes in material litigation

Neither KNM Group Berhad nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect the financial position of Company or any of its subsidiaries and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of Company or any of its subsidiaries.

Notes on the quarterly report – 30th June 2003

B12. Basis earnings per share

	Jun-03
	RM' 000
Consolidated profit before taxation	7,218
less Taxation	(1,765)
Consolidated profit after taxation before pre-acquisition profit	<u>5,453</u>
less pre-acquisition profit	(4,579)
Consolidated profit after taxation before negative goodwill	<u>874</u>
Add: Negative goodwill	22,009
Consolidated profit after taxation and negative goodwill	<u>22,883</u>
Weighted average number of shares issue	26,102
Enlarged number of shares in issue	44,000
Based on consolidated profit after taxation and preacquisition profit	
Net EPS (sen)	
- before negative goodwill	3.35
- after negative goodwill	87.67
Fully diluted net EPS (sen)	
- before negative goodwill	1.99
- after negative goodwill	52.01

KNM GROUP BERHAD

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

Condensed Consolidated Cash Flow Statement for the six months ended 30th June 2003 (Unaudited)

	RM 000
Cash flows from operating activities	
Profit before tax	7,218
Adjustments for:	
Depreciation	2,320
Amortization	185
Interest expense	1,067
Interest income	(67)
Operating profit before working capital changes	<u>10,724</u>
(Increase)/Decrease in working capital:	
Inventories	(142)
Trade and other receivables	8,851
Trade and other payables	219
Income taxes paid	(619)
Interest paid	(1,067)
Interest received	67
Net cash generated from operating activities	<u><u>18,034</u></u>
Cash flows from investing activities	
Advances to related companies/associated	(2,298)
Repayment from subsidiary	
Purchase of intangible assets	
Purchase of property, plant and equipment	(27,137)
Net cash used in investing activities	<u><u>(29,436)</u></u>
Cash flows from financing activities	
Repayment from/(Advances to) holding company	(35)
Proceed from bank borrowing	15,285
Net Proceeds from bills payable	13,310
Repayment of hire purchase liabilities	(615)
Proceeds from term loan	1,947
Proceeds from issuance of shares	14,555
Repayment of term loan	(8,629)
Net cash generated from financing activities	<u><u>35,817</u></u>
Net increase in cash and cash equivalents	24,416
Cash and cash equivalents at beginning of year	(21,843)
Cash and cash equivalents at end of year	<u><u>2,573</u></u>
cash & bank balances	5,936
deposits in the licensed bank	7,623
bank overdraft	(10,986)
	<u><u>2,572</u></u>

KNM GROUP BHD

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

Condensed Consolidated Balance sheet as at 30 June 2003

(Unaudited)

	Group RM'000
Property, plant and equipment	77,494
Current assets	
Inventories	7,071
Trade and other receivables	66,622
Cash and cash equivalents	13,559
	<u>87,251</u>
Current liabilities	
Trade and other payables	13,476
Borrowings	72,893
Provision for taxation	3,400
	<u>89,769</u>
Net current liabilities	<u>(2,518)</u>
	<u>74,976</u>
Financed by:	
Capital and reserves	
Share capital	32,920
Share premium	5,933
Reserves	22,875
	<u>61,728</u>
Long term and deferred liabilities	
Borrowings	9,084
Deferred taxation	4,164
	<u>13,248</u>
	<u>74,976</u>
 Net tangible assets per share (RM)	 <u>1.18</u>

KNM GROUP BHD

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

Condensed Consolidated Income Statements for the six months ended 30 June 2003

(Unaudited)

	Group
	RM'000
Contract revenue	60,498
Contract costs recognised as an expense	(45,350)
Gross profit	<u>15,148</u>
Non-operating expenses	(455)
Administration expenses	(5,916)
Other operating expenses	(1,025)
Other operating income	585
Operating profit	<u>8,337</u>
Financing costs	(1,179)
Interest income	60
Profit before tax	<u>7,218</u>
Tax expense	(1,765)
Net profit after taxation	<u>5,453</u>
Minority interest	-
Net profit for the period	<u>5,453</u>
Less: Pre-acquisition profit	<u>(4,579)</u>
Consolidated profit after tax before negative goodwill	874
Add: Negative goodwill	22,009
Consolidated profit after tax and negative goodwill	<u><u>22,883</u></u>

This is the first interim financial statements on the consolidated results for the financial period ended 30 June 2003 announced by the Company in compliance with the Kuala Lumpur Stock Exchange ("KLSE") requirement in conjunction with the admission of the Company to the Second Board of the KLSE.

KNM GROUP BHD

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

Condensed Consolidated Statement of changes in equity for the six months ended 30 June 2003 (Unaudited)

	Non-distributable Share Capital RM'000	Share Premium RM'000	(Accumulated Loss) / Retained Profit RM'000	Total RM'000
At 1 January 2003	- *	-	(8)	(8)
Rights issue	4,667	-	-	4,667
Acquisition of subsidiaries	28,253	5,933	-	34,186
Net profit for the period	-	-	22,883	22,883
				-
At 30 June 2003	<u>32,920</u>	<u>5,933</u>	<u>22,875</u>	<u>61,728</u>

* Comprise an issued and paid up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.