

KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2013 (Unaudited)

1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 31.3.2013 RM'000	Unaudited 3 months ended 31.3.2012 RM'000	Unaudited 31.3.2013 RM'000	Unaudited 31.3.2012 RM'000
Contract revenue	489,614	585,829	489,614	585,829
Operating profit	14,002	28,283	14,002	28,283
Financing costs	(10,895)	(12,892)	(10,895)	(12,892)
Interest income	610	972	610	972
Share of loss of equity accounted investees, net of tax	(770)	(398)	(770)	(398)
Profit before tax	2,947	15,965	2,947	15,965
Tax expense	(999)	19,364	(999)	19,364
Net profit for the period	1,948	35,329	1,948	35,329
Other comprehensive (loss)/ income, net of tax				
Foreign currency translation differences	(21,430)	1,006	(21,430)	1,006
Net investment in subsidiaries	(5,839)	(29,950)	(5,839)	(29,950)
Impairment of property, plant and equipment through Revaluation Reserve	-	-	-	-
Cash Flow hedge	(337)	7,185	(337)	7,185
Share of other comprehensive income of equity accounted investee	233	85	233	85
Other comprehensive loss for the period, net of tax	(27,373)	(21,674)	(27,373)	(21,674)
Total comprehensive (loss)/income for the period	(25,425)	13,655	(25,425)	13,655
Attributable to:				
Equity holders of the parent	2,224	35,052	2,224	35,052
Minority interest	(276)	277	(276)	277
	1,948	35,329	1,948	35,329
Total comprehensive income attributable to:				
Equity holders of the parent	(24,993)	13,448	(24,993)	13,448
Minority interest	(432)	207	(432)	207
Total comprehensive (loss)/income for the period	(25,425)	13,655	(25,425)	13,655
Earnings per share:				
- Basic / Diluted (sen)	0.15	3.58	0.15	3.58

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2. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 31.3.2013 RM'000	Audited As at 31.12.2012 RM'000
Assets			
Non-current assets			
Intangible Assets		541,477	559,670
Goodwill		730,775	743,975
Property, plant and equipment		847,615	866,346
Other investment, including derivative		14,550	14,183
Investments in associates		41	41
Investments in jointly-controlled entities		6,660	7,394
Deferred Tax Asset		368,855	364,634
		<u>2,509,973</u>	<u>2,556,243</u>
Current assets			
Inventories		75,069	76,811
Contracts work in progress		441,072	486,839
Trade and other receivables		462,391	542,461
Cash and cash equivalents		192,194	191,801
		<u>1,170,726</u>	<u>1,297,912</u>
TOTAL ASSETS		<u>3,680,699</u>	<u>3,854,155</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,445,033	1,445,033
Treasury Shares		(53,385)	(53,385)
Reserves		416,068	441,061
		<u>1,807,716</u>	<u>1,832,709</u>
Non-controlling interests		<u>4,106</u>	<u>4,237</u>
Total Equity		<u>1,811,822</u>	<u>1,836,946</u>
Non-current liabilities			
Long term payable		23,657	21,418
Long service leave liability		2,007	2,841
Loans and borrowings	B9	116,100	104,838
Deferred taxation		227,744	229,288
		<u>369,508</u>	<u>358,385</u>
Current liabilities			
Payables and accruals		504,113	583,182
Deferred income		164,464	237,762
Loans and borrowings	B9	824,536	831,597
Current tax liabilities		6,256	6,283
		<u>1,499,369</u>	<u>1,658,824</u>
Total liabilities		<u>1,868,877</u>	<u>2,017,209</u>
TOTAL EQUITY AND LIABILITIES		<u>3,680,699</u>	<u>3,854,155</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.21</u>	<u>1.23</u>

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
ENDED 31 MARCH 2013**

	Attributable to equity holders of the parent							Distributable Reserve		Minority Interest RM'000	Total equity RM'000
	Share Capital RM'000	Treasury Share RM'000	Share Premium RM'000	Hedging Reserve RM'000	AFS Reserve RM'000	Warrant Reserve RM'000	Revaluation and Other Reserve RM'000	Retained Profit RM'000	Total RM'000		
As at 1 January 2012	1,001,093	(53,371)	319,426	(5,172)	30	-	(466,670)	814,289	1,609,625	7,021	1,616,646
Total comprehensive (loss)/ income for the period	-	-	-	7,185	-	-	(28,789)	35,052	13,448	207	13,655
Transaction with owners in their capacity as owner											
Increase in share capital in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Issue of shares pursuant to: - ESOS	-	-	-	-	-	-	-	-	-	-	-
Share Buy Back	-	(9)	-	-	-	-	-	-	(9)	-	(9)
Transfer to share premium for share options exercised	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
As at 31 MARCH 2012 (Unaudited)	1,001,093	(53,380)	319,426	2,013	30	-	(495,459)	849,341	1,623,064	7,228	1,630,292
As at 1 January 2013	1,445,033	(53,385)	16,707	56	-	44,981	(516,998)	896,315	1,832,709	4,237	1,836,946
Total comprehensive (loss)/ income for the period	-	-	-	(337)	-	-	(26,880)	2,224	(24,993)	(432)	(25,425)
Transaction with owners in their capacity as owner											
Acquisition of equity interest in subsidiary	-	-	-	-	-	-	-	-	-	1	1
Increase in share capital of subsidiaries	-	-	-	-	-	-	-	-	-	300	300
Issue of shares pursuant to: - Right issue	-	-	-	-	-	-	-	-	-	-	-
Allocation of fair value of Warrant to "Warrant Reserve"	-	-	-	-	-	-	-	-	-	-	-
Share Buy Back	-	-	-	-	-	-	-	-	-	-	-
Share Issue expenses	-	-	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	-	-
As at 31 MARCH 2013 (Unaudited)	1,445,033	(53,385)	16,707	(281)	-	44,981	(543,878)	898,539	1,807,716	4,106	1,811,822

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED
31 MARCH 2013**

(Unaudited)

	31.3.2013	31.3.2012
	RM	RM
	'000	'000
Cash flows from operating activities		
Profit before tax	2,947	15,965
Adjustments for:		
Amortisation of intangible assets	8,380	8,074
Depreciation	2,842	1,637
Interest expense	10,162	12,529
Interest income	(610)	(972)
Loss/(Gain) on foreign exchange-unrealised	2,896	(3,618)
(Gain)/Loss on disposal of property, plant and equipment	(870)	19
Share of loss of in associates and jointly-controlled entities	770	398
Change in fair value of forward contract	1,371	4,363
Operating profit before working capital changes	<u>27,888</u>	<u>38,395</u>
Changes in working capital:		
Inventories	1,743	(2,264)
Receivables, deposits and prepayments	142,301	(79,599)
Payables and accruals and long service leave liability	(153,039)	(30,587)
Cash used in operations		
Income taxes paid	(8,383)	(9,003)
Interest paid	(746)	(514)
Interest received	610	972
Net cash generated from/(used in) operating activities	<u>10,374</u>	<u>(82,600)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,257)	(14,219)
Acquisition of other intangible assets	-	(915)
Proceeds from issuance of share to minority interest	300	-
Proceeds from disposal of property, plant and equipment	841	-
Net cash used in investing activities	<u>(116)</u>	<u>(15,134)</u>
Cash flows from financing activities		
Share buy back	-	(10)
Net repayment of bill payable	(11,961)	(33,206)
Repayment of hire purchase liabilities	(574)	(1,115)
Net proceeds from/(Repayment) of term loan and revolving credit	2,405	(48,742)
Interest expenses	(9,416)	(12,016)
Net cash used in financing activities	<u>(19,546)</u>	<u>(95,089)</u>
Net decrease in cash and cash equivalents	(9,288)	(192,823)
Cash and cash equivalents at beginning of period	185,331	399,167
Cash and cash equivalents at end of period	<u>176,043</u>	<u>206,344</u>
Cash & bank balances	118,478	199,712
Deposits with financial institutions	-	-
Deposits with licensed banks	<u>73,716</u>	<u>23,756</u>
	192,194	223,468
Bank overdraft	<u>(16,151)</u>	<u>(17,124)</u>
	<u>176,043</u>	<u>206,344</u>

The notes set out on pages 5 to 15 form an integral part of and should be read in conjunction with this interim financial report

Notes to the Quarterly Interim Financial Report – 31 March 2013

PART A: EXPLANATORY NOTES AS PER FRS 134

A1. Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012. These explanatory notes attached to the interim financial statements provide explanation of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

A2. Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2012 were prepared in accordance with MFRS. Except for certain differences, the requirements under IFRS and MFRS are similar. The significant accounting policies adopted in preparing these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2012.

As of 1st January 2013, the Group has adopted the following new and revised MFRS, amendments and IC interpretations (collectively referred to as “pronouncements”) which are effective for annual periods beginning on or after 1st January 2013.

MFRS 10, *Consolidated Financial Statements*

MFRS 11, *Joint Arrangements*

MFRS 12, *Disclosure of Interests in Other Entities*

MFRS 13, *Fair Value Measurement*

MFRS 119, *Employee Benefits* (2011)

MFRS 127, *Separate Financial Statements* (2011)

MFRS 128, *Investments in Associates and Joint Ventures* (2011)

Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*

Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*

Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*

Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*

The adoptions of the above pronouncements do not have any impact on the financial statements of the Group.

The following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

Amendments to MFRS 9, *Mandatory Effective Date of MFRS 9 and Transition Disclosures*

Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*

Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*

Amendments to MFRS 127, *Consolidated and Separate Financial Statements: Investment Entities*

Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

A3. Qualification of annual financial statements

There was no audit qualification in the annual financial statements of the Group for the year ended 31 December 2012.

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 other than those stated below:

	RM'000
Opening Balance of ICP/IMTN outstanding as at 1 January 2013	95,000
ICP/IMTN Drawdown/(Repayment)	-
Balance of ICP/IMTN outstanding as at 31 March 2013	<u>95,000</u>

As at 31 March 2013, the amount outstanding for Islamic Commercial Papers ("ICP")/Islamic Medium Term Notes ("IMTN") is RM95.0 million mainly used for repayment of bank borrowings and working capital. Under the program, up to RM150 million is fully underwritten by Malayan Banking Berhad & AMInvestment Bank Berhad and has a tenure of 7-years from the date of issuance.

B. As at the date of this report, the Company has repurchased a total 23,261,275 of its issued shares capital from the open market. The average price paid for the shares repurchased was RM2.30 per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares and treated in accordance with the requirement of Section 67A of the Companies Act 1965.

A8. Dividend Paid

No dividend was paid during the quarter under review.

A9. Segment information

Segmental analysis of the revenue and result:-

Geographical segments:

	Revenue 3 months ended 31.3.2013 RM'000	Gross Profit 3 months ended 31.3.2013 RM'000	EBITDA 3 months ended 31.3.2013 RM'000
Asia & Oceania	177,869	32,514	8,326
Europe	299,427	53,189	30,781
Americas	12,318	1,966	(546)
Total	489,614	87,669	38,561

	Revenue 3 months ended 31.3.2012 RM'000	Gross Profit/(loss) 3 months ended 31.3.2012 RM'000	EBITDA 3 months ended 31.3.2012 RM'000
Asia & Oceania	240,774	29,101	17,464
Europe	328,267	59,727	41,943
Americas	16,788	(269)	(7,945)
Total	585,829	88,559	51,462

A10. Valuation of property, plant and equipment

Valuation of freehold lands of the Group have been brought forward without amendment from the financial statements for the year ended 31 December 2012.

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

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

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

A12. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period to date except as follows:-

- (1) KPS Inc., a wholly-owned Canadian subsidiary of KNM, had on 2 January 2013 incorporated a new subsidiary, KPS Technology Group LLC in Houston, Texas for a total cash consideration of USD2.00 only.
- (2) Pursuant to KPS Inc's Notice of Conversion on 20 March 2013, the principal sum of up to USD800,000 which was granted as a loan for working capital line of credit by KPS Inc to KPS Technology & Engineering LLC ("KPSLLC") in respect of the Convertible Promissory Note dated 29 May 2009, was capitalized and converted into Membership Interest in KPSLLC.

Hence, effective 20 March, 2013, KNM's effective new membership structure in KPSLLC arising from the conversion of the CPN increased from 60% to 77.78%.

A13. Changes in contingent liabilities

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

A14. Capital commitments

	Approved and contracted for RM'000	Approved but not contracted for RM'000
Property, plant and equipment	297	27,499
Investment	-	5,013
	<u>297</u>	<u>32,512</u>

A15. Related party transactions

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

	RM '000
Inter Merger Sdn Bhd (a)	
- Office rental, related charges and administrative expense	418
I.M.Bina Sdn Bhd (b)	
-General construction and civil works	1,128
Tofield Realty Development Corporation (c)	
- General and civil contractor and provider of staff accommodation	136

(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

(c) a wholly-owned subsidiary of Asiavertek, of which Mr. Lee Swee Eng and Madam Gan Siew Liat are director and shareholder

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

B1. Review of performance

The Group achieved revenue of RM489.61 million, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of RM38.56 million and profit after tax and minority interest of RM2.22 million for the period ended 31 March 2013. Compared to the previous year, the lower revenue, EBITDA and profit after tax and minority interest in this year was due to less job recognition and less deferred tax effect.

Asia & Oceanic Segment

This segment registered less job recognition.

Europe Segment

Europe's contribution remains positive as it continues to operate with stable order book.

Americas Segment

Performance from the America's segment improved but continues to be weighed down by South America.

B2. Variation of results against preceding quarter

The Group's revenue of RM489.61 million for the quarter under review was lower by RM105.90 million against the immediate preceding quarter's revenue of RM595.51 million. Whereas profit before taxation and minority interest improved to RM2.95 million from loss before taxation and minority interest of RM39.55 million on lower operating cost.

B3. Prospects

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

- Cost efficiency and productivity initiatives will be continuous efforts for the coming quarters. Deliverables are expected to be positive.
- The European segment profitability is expected to continue with its order book brought forward from Year 2012.
- The Americas segment is expected to remain challenging, to capitalize on the industries' opportunities in the region require greater commitments.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months Ended 31.3.2013 RM'000	3 months Ended 31.3.2012 RM'000
Income Tax expense :-		
Current	1,688	1,927
Prior period	(1,881)	17
Deferred tax	1,192	(21,308)
	<u>999</u>	<u>(19,364)</u>

The Group's effective tax rate for the current quarter is higher than statutory tax rate mainly due to higher tax rate in certain foreign jurisdictions.

The Group's effective tax rate for previous corresponding quarter was lower than the statutory tax rate mainly due to the availability of certain tax incentives.

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 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) On 6 September 2012, the Company had announced the appointment of UOB Bank Limited ("UOB Bank") as the sole Manager, Underwriter and the Placement Agent for the proposed listing of its wholly owned subsidiary i.e. BORSIG Beteiligungsverwaltungsgesellschaft mbH ("BORSIG") and its related entities on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") BORSIG, on the Main Board of SGX-ST (the "Proposed Listing"). Proposal is in progress.

B9. Group borrowings and debt securities

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

	RM'000
Short term:	
Borrowings (secured)	305,324
Borrowings (unsecured)	100,369
ICP/IMTN	95,000
Bank Overdraft	16,151
Bill Payable	208,385
Hire Purchase	8,807
Revolving credit	90,500
	<u>824,536</u>
Long term :	
Borrowings (secured)	68,683
Borrowings (unsecured)	24,710
IMTN	-
Hire Purchase	22,707
	<u>116,100</u>
	<u>940,636</u>

The above are also inclusive of other borrowings in foreign currency of RMB22.5 million, EURO35.81 million, CAD2.71million, and BRL2.68 million.

The exchange rates used are 1 RMB = RM 0.4981, 1 EURO = RM 3.9633, 1 CAD = RM 3.0388, and 1 BRL = RM 1.5282

B10. Financial Instruments

With the adoption of FRS 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 March 2013 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	523,833	(2,995)
-1 year to 3 years	-	-
- More than 3 years	-	-
	<u>523,833</u>	<u>(2,995)</u>

Exposure to foreign currency fluctuation of underlying commitments is monitored on on-going and timely basis. The Company's objective to incept derivative instrument contract is mainly to hedge against foreign exchange exposure on transactions in currencies other than its own.

Forward foreign exchange contracts are entered into with licensed banks to hedge the Group's exposure to foreign exchange risk in respect of its export sales, import purchases and other obligations by establishing the basis rate at which a foreign currency asset or liability will be settled.

These contracts are executed with credit-worthy/ reputable financial institutions and as such, credit risk and liquidity risk in respect of non-performance by counterparties to these contracts is minimal.

The fair values of the forward foreign currency exchange contracts are subject to market risk and the fair values were derived from marking to available market quoted price as of the reporting period. The fair value of the forward contracts may change in accordance to the fluctuation of the exchange rate of the underlying currency resulting in gain or loss in fair value.

The cash requirement for these derivatives will be fulfilled by future contract and other proceeds on the respective maturity date.

B11. PROFIT FOR THE PERIOD

	3 Months ended 31.3.2013 RM'000	3 Months ended 31.3.2012 RM'000
(a)		
Profit for the period is arrived at after charging and crediting:		
Allowance /(Reversal) for impairment loss on doubtful debt	155	(8,360)
Net Loss /(Gain) on foreign exchange	2,034	(4,789)
Net Loss on derivative	1,371	4,363
Reversal for foreseeable losses	(3,157)	(9,555)
Amortisation of intangible asset	8,380	8,074
(Reversal)/Provision for warranty	(35)	2
Late delivery charges	(19)	-
And crediting:		
Interest income	610	972
(b)		
Interest Expenses	10,895	12,892
(c)		
Depreciation charge for the period:		
Income statement	2,842	1,637
Construction work in progress	13,337	13,468
	<u>16,179</u>	<u>15,105</u>

B12. Realised and Unrealised Profit/Losses Disclosure

	As at 31 March 2013 RM'000	As at 31 December 2012 RM'000
Total retained profit of KNM Group and its subsidiaries		
- Realised	507,624	500,999
- Unrealised	(115,319)	(97,544)
Total share of retained profit / (accumulated losses) from associated companies:		
- Realised	4,496	671
- Unrealised	(124)	(123)
Total share of accumulated losses from jointly controlled entities:		
- Realised	(1,956)	(2,989)
- Unrealised	(155)	(10)
Add: Consolidation adjustments	503,973	495,311
Total Group retained profits as per consolidated accounts	898,539	896,315

B13. Material litigation

As at the date of this announcement, there were no material litigation since the last annual balance sheet date except for the following:-

Shah Alam High Court (Commercial Division)

Suit No.: 28-461-11/2012

KNM Process Systems Sdn Bhd (Petitioner) vs Mission Biofuels Sdn Bhd (Respondent)

KNM Group Berhad's wholly-owned subsidiary, KNM Process Systems Sdn Bhd ("KNMPS") had on, 9 November 2012 served a Winding Up Petition under Section 218(1)(e) & (i) and Section 218(2)(c) of the Companies Act 1965 dated 1 November 2012 (the "KNMPS Petition") against Mission Biofuels Sdn Bhd ("Mission Biofuels").

Mission Biofuels is indebted to KNMPS for, inter alia, a sum of RM50,662,057.80 for goods sold and delivered and works carried out by KNMPS for Mission Biofuels in relation to, inter alia, a project known as "The design, engineering, procurement, manufacture, supply, erection, construction, installation, completion, testing and commissioning of a continuous Acid Conditioning and Silica Pretreatment, FFA pre-treatment and Methyl Ester Transesterification Plant with biodiesel output of 750 tpd (250,000) tpa and 98% pure technical grade glycerine output of 82 tpd (27,308 tpa) along with the associated balance of plant at Kuantan Port, Malaysia" ("Project").

The KNM Petition was heard and dismissed by the Courts with costs on 12 March 2013.

Shah Alam High Court (Commercial Division)

Suit No.: 28-179-04/2013

Mission Biofuels Sdn Bhd (Petitioner) vs KNM Process Systems Sdn Bhd (Respondent)

On 19 April 2013, KNM Group Berhad's wholly-owned subsidiary, KNM Process Systems Sdn Bhd ("KNMPS") was served with a Petition for winding-up under Section 218(1)(e) & (i) and Section 218(2)(c) of the Companies Act 1965 (the "Act") dated 15 April 2013 (the "Mission Petition") by Mission Biofuels Sdn Bhd ("Mission Biofuels") purportedly in respect of works done by KNMPS pursuant to an EPCC-Engineering, Procurement, Construction and Commissioning Contract ("EPCC") dated 25 July 2007 for "The design, engineering, procurement, manufacture, supply, erection, construction, installation, completion, testing and commissioning of a continuous Acid Conditioning and Silica Pretreatment, FFA pre-treatment and Methyl Ester Transesterification Plant with biodiesel output of 750 tpd (250,000) tpa and 98% pure technical grade glycerine output of 82 tpd (27,308 tpa) along with the associated balance of plant at Kuantan Port, Malaysia" ("Project").

The Mission Petition contends that KNMPS is allegedly indebted to Mission Biofuels for the sum of RM12.2 million together with interest and cost being the alleged Liquidated Ascertained Damages claimed by Mission Biofuels as a result of KNMPS's purported failure to achieve Final Performance Acceptance under the EPCC.

The Mission Petition was heard and struck out by the Courts with costs on 9 May 2013.

B14. Dividend payable

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

B15. Earnings per share

	Individual Quarter		Cumulative Quarter	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Basic earnings per share				
Net Profit attributable to shareholders (RM'000)	2,224	35,052	2,224	35,052
Number of shares at the beginning of the year ('000)	1,490,013	1,001,093	1,490,013	1,001,093
Effect of share consolidation	-	-	-	-
Effect of Right Issue ('000)	-	-	-	-
Effect of Share Buy Back	(23,261)	(23,245)	(23,261)	(23,245)
Weighted average number of shares ('000)	<u>1,466,752</u>	<u>977,848</u>	<u>1,466,752</u>	<u>977,848</u>
Basic earnings per share (sen)	0.15	3.58	0.15	3.58

B16. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 30 May 2013.