

KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (Unaudited)

1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter Unaudited 3 months ended 30.09.2014 RM'000	Unaudited 3 months ended 30.09.2013 RM'000	Cumulative Period to date Unaudited 30.09.2014 RM'000	Restated Unaudited 30.09.2013 RM'000
Contract revenue	430,682	487,586	1,413,895	1,411,296
Operating profit	38,431	31,983	110,895	59,570
Financing costs	(11,576)	(13,120)	(40,841)	(34,595)
Interest income	720	723	2,038	2,070
Share of profit/ (loss) of equity accounted investees, net of tax	2,920	1,258	1,425	(462)
Profit before tax	30,495	20,844	73,517	26,583
Tax expense	(14,749)	(15,313)	(33,703)	(12,692)
Net profit for the period	15,746	5,531	39,814	13,891
Other comprehensive (loss)/income, net of tax				
Foreign currency translation differences	(45,015)	74,035	(95,444)	84,952
Net investment in subsidiaries	(54,863)	66,684	(56,885)	102,310
Cash Flow hedge	(2,764)	387	(3,035)	(188)
Share of other comprehensive income of equity accounted investee	118	245	(313)	518
Other comprehensive (loss)/income for the period, net of tax	(102,524)	141,351	(155,677)	187,592
Total comprehensive (loss)/income for the period	(86,778)	146,882	(115,863)	201,483
Attributable to:				
Equity holders of the parent	16,435	6,323	41,725	15,938
Minority interest	(689)	(792)	(1,911)	(2,047)
	15,746	5,531	39,814	13,891
Total comprehensive (loss)/income attributable to:				
Equity holders of the parent	(84,480)	148,921	(112,427)	204,774
Minority interest	(2,298)	(2,039)	(3,436)	(3,291)
Total comprehensive (loss)/income for the period	(86,778)	146,882	(115,863)	201,483
Earnings per share:				
- Basic / Diluted (sen)	1.07	0.43	2.72	1.09

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

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2. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 30.09.2014 RM'000	Audited As at 31.12.2013 RM'000
Assets			
Non-current assets			
Intangible Assets		516,172	588,901
Goodwill		763,671	830,048
Property, plant and equipment		758,731	834,794
Other investment, including derivative		16,126	12,758
Investments in associates		30	30
Investments in jointly-controlled entities		5,606	4,561
Deferred Tax Assets		359,288	370,248
		<u>2,419,624</u>	<u>2,641,340</u>
Current assets			
Inventories		76,195	77,905
Contracts work in progress		515,784	449,191
Trade and other receivables		680,284	607,148
Cash and cash equivalents		163,492	268,301
		<u>1,435,755</u>	<u>1,402,545</u>
TOTAL ASSETS		<u>3,855,379</u>	<u>4,043,885</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		774,338	1,445,033
Treasury Shares		(53,397)	(53,390)
Reserves		1,333,703	668,112
		<u>2,054,644</u>	<u>2,059,755</u>
Non-controlling interests		<u>(3,592)</u>	<u>(156)</u>
Total Equity		<u>2,051,052</u>	<u>2,059,599</u>
Non-current liabilities			
Long term payable		52,021	52,819
Long service leave liability		2,579	2,324
Loans and borrowings	B9	286,459	454,263
Deferred taxation		216,199	233,050
		<u>557,258</u>	<u>742,456</u>
Current liabilities			
Payables and accruals		560,677	531,710
Deferred income		196,557	216,653
Loans and borrowings	B9	488,967	492,758
Current tax liabilities		868	709
		<u>1,247,069</u>	<u>1,241,830</u>
Total liabilities		<u>1,804,327</u>	<u>1,984,286</u>
TOTAL EQUITY AND LIABILITIES		<u>3,855,379</u>	<u>4,043,885</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.25</u>	<u>1.38</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
ENDED 30 SEPTEMBER 2014**

	← Attributable to equity holders of the parent →									
	← Non-Distributable →			Distributable Reserve						
	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	Retained Profit RM'000	Total RM'000	Minority Interest RM'000	Total equity RM'000
As at 1 January 2013	1,445,033	(53,385)	16,707	(1,834)	44,981	(517,112)	885,900	1,820,290	4,245	1,824,535
Other comprehensive income for the year	-	-	-	(188)	-	189,024	-	188,836	(1,244)	187,592
Profit for the year	-	-	-	-	-	-	15,938	15,938	(2,047)	13,891
Total comprehensive income for the year	-	-	-	(188)	-	189,024	15,938	204,774	(3,291)	201,483
Transaction with owners in their capacity as owner										
Acquisition of equity interest in subsidiary	-	-	-	-	-	-	-	-	1	1
Increase in share capital of subsidiaries	-	-	-	-	-	-	-	-	300	300
Share buy back	-	(3)	-	-	-	-	-	(3)	-	(3)
Transfer from revaluation reserve on disposal of subsidiaries	-	#	-	-	-	-	-	-	-	-
Transfer from revaluation reserve on disposal of property, plant and equipment	-	#	-	-	-	-	-	-	-	-
As at 30 September 2013 (Unaudited)	1,445,033	(53,388)	16,707	(2,022)	44,981	(328,088)	901,838	2,025,061	1,255	2,026,316
As at 1 January 2014	1,445,033	(53,390)	16,707	323	44,981	(307,871)	913,972	2,059,755	(156)	2,059,599
Other comprehensive income for the year	-	-	-	(3,035)	-	(152,072)	955	(154,152)	(1,525)	(155,677)
Profit for the year	-	-	-	-	-	-	41,725	41,725	(1,911)	39,814
Total comprehensive income for the year	-	-	-	(3,035)	-	(152,072)	42,680	(112,427)	(3,436)	(115,863)
Transaction with owners in their capacity as owner										
Share Buy Back	-	(7)	-	-	-	-	-	(7)	-	(7)
Par value reduction	(745,007)	-	745,007	-	-	-	-	-	-	-
Issuance of ordinary share - Private Placement	73,337	-	29,335	-	-	-	-	102,672	-	102,672
- ESOS	975	-	312	-	-	-	-	1,287	-	1,287
Share based payments	-	-	-	-	-	5,535	-	5,535	-	5,535
Transfer to share premium for share option exercised	-	-	722	-	-	(722)	-	-	-	-
Share issue expenses	-	-	(2,171)	-	-	-	-	(2,171)	-	(2,171)
As at 30 September 2014 (Unaudited)	774,338	(53,397)	789,912	(2,712)	44,981	(455,130)	956,652	2,054,644	(3,592)	2,051,052

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED
 30 SEPTEMBER 2014**

(Unaudited)

	30.09.2014 RM '000	30.9.2013 RM '000
Cash flows from operating activities		
Profit before tax	73,517	26,583
Adjustments for:		
Amortisation of intangible assets	26,915	25,396
Share based payment	5,535	-
Depreciation	6,095	7,255
Interest expense	37,697	31,712
Interest income	(2,038)	(2,070)
Loss/(Gain) on foreign exchange-unrealised	(26,021)	9,118
(Gain)/Loss on disposal of property, plant and equipment	(3,147)	(1,277)
Share of loss of in associates and jointly-controlled entities	(1,425)	462
Change in fair value of forward contract	7,483	1,063
Property, plant and equipment written off	3	-
Reversal of impairment of other investment	(2,122)	-
Impairment of goodwill	-	(11,810)
Gain on disposal of other investment	(2,437)	-
Operating profit before working capital changes	<u>120,055</u>	<u>86,432</u>
Decrease / (Increase) in working capital:		
Inventories	1,710	(676)
Receivables, deposits and prepayments	(99,776)	47,146
Payables and accruals and long service leave liability	(324)	(78,013)
Cash used in operations		
Income taxes paid	(25,877)	(14,041)
Interest paid	(1,000)	(1,806)
Interest received	2,038	2,070
Net cash (used in) / generated from operating activities	<u>(3,174)</u>	<u>41,112</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,668)	(3,307)
Proceed from disposal of other investment	5,761	-
Proceed from disposal of subsidiaries	-	(591)
Acquisition of other intangible assets	(126)	(59)
Proceeds from issuance of share to minority interest	-	300
Proceeds from disposal of property, plant and equipment	11,909	16,916
Net cash from investing activities	<u>4,876</u>	<u>13,259</u>
Cash flows from financing activities		
Proceeds from issuance of shares	103,959	-
Share buy back	(8)	(3)
Net repayment of bill payable	(116,509)	(32,381)
Repayment of hire purchase liabilities	(10,386)	(2,916)
Net drawdown/ (repayment) of term loan and revolving credit	(39,795)	2,117
Net repayment of ICP/IMTN	-	(45,000)
Interest expenses	(36,696)	(29,910)
Share issue expenses	(2,171)	-
Net cash used in financing activities	<u>(101,606)</u>	<u>(108,093)</u>
Net decrease in cash and cash equivalents	(99,904)	(53,722)
Cash and cash equivalents at beginning of period	261,587	185,440
Cash and cash equivalents at end of period	<u>161,683</u>	<u>131,718</u>
Cash & bank balances	135,298	114,819
Deposits with licensed banks	28,194	19,024
	163,492	133,843
Bank overdraft	(1,809)	(2,125)
	<u>161,683</u>	<u>131,718</u>

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

Notes to the Quarterly Interim Financial Report – 30 September 2014

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 year ended 31 December 2013. 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 2013.

A2. Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2013 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 2013.

As of 1st January 2014, the Group has adopted the following new and revised MFRS, amendments and IC interpretations (collectively referred to as “pronouncements”) which are effective for annual period beginning on or after 1st January 2014.

Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Investment Entities</i>
Amendments to MFRS 127	<i>Separate Financial Statements (2011): Investment Entities</i>
Amendments to MFRS 132	<i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 136	<i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
IC Interpretation 21	<i>Levies</i>

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

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 2013.

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 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 save as disclosed in B8 (2).

B. During the financial period ended 30 September 2014, the Company has repurchased a total 23,281,275 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 9 months ended 30.9.2014 RM'000	Gross Profit 9 months ended 30.9.2014 RM'000	EBITDA 9 months ended 30.9.2014 RM'000
Asia & Oceania	370,168	57,572	34,014
Europe	976,428	220,825	141,375
Americas	67,299	16,256	11,935
Continuing operations	1,413,895	294,653	187,324
Discontinued operations	-	-	-
	1,413,895	294,653	187,324

	Revenue 9 months ended 30.9.2013 RM'000	Gross Profit 9 months ended 30.9.2013 RM'000	EBITDA 9 months ended 30.9.2013 RM'000
Asia & Oceania	443,352	78,011	39,555
Europe	931,444	167,021	99,778
Americas	34,079	5,326	3,003
Continuing operations	1,408,875	250,358	142,336
Discontinued operations	2,421	(662)	(7,067)
	1,411,296	249,696	135,269

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 2013.

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. The de-registration/striking-off the Affected Subsidiaries as per item B8(1) is currently ongoing.
2. On 30 May 2014, KNM's wholly-owned subsidiary, KNM Process Systems Sdn Bhd had executed an Agreement of Mutual Termination to *inter alia*, mutually terminate its Shareholders' Agreement dated 8 October 2008 with Prosernat SA in respect of the management and operations of their joint venture entity, KPN Gas Technology Sdn Bhd (now known as Prosernat (M) Sdn Bhd).
3. On 24 February 2014, KNM Group Berhad's wholly-owned subsidiary, KNM International Sdn Bhd ("KNMI") had entered into a Joint Venture & Shareholders Agreement ("JVSHA") with China Nuclear Industry 23 Construction Co Ltd ("CNI23") to collaborate in pursuing and securing construction works for mechanical, electrical and erection related to oil and gas, power, petrochemical and renewable energy projects in Malaysia and South East Asia.

KNMI and CNI23 have duly invested in CNI Engineering & Construction Malaysia Sdn Bhd (formerly known as KNM-CIW Sdn Bhd) ("JVCO") in cash on 70% (KNMI) : 30% (CNI23) basis based on the issued and paid up capital of RM1,000,000.00 ("the Investment"). All conditions precedent of the JVSHA have been duly met as announced on 13 October 2014.

4. On 10 November 2014, the Company had incorporated a wholly-owned subsidiary, Splendid Investments Limited ("Splendid") in Labuan, and had subscribed for 1 ordinary share for cash SGD\$1 (about RM2.58) only.

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	579	21,559

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	1,239
I.M.Bina Sdn Bhd (b)	
-General construction and civil works	2,625
Tofield Realty Development Corporation (c)	
- General and civil contractor and provider of staff accommodation	289

(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 RM1.41 billion, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of RM187.32 million and profit after tax and minority interest of RM41.73 million for the period ended 30 September 2014. Compared to the previous year, the Group recorded a higher profit after tax and minority interest was mainly due to better margin contribution and lower operating cost.

Asia & Oceanic Segment

This segment registered lower job progress recognition.

Europe Segment

Europe's contribution remains positive with its stable order book and higher margin contribution.

Americas Segment

Americas' contribution to the Group improved due to improved order book.

B2. Variation of results against preceding quarter

The Group's revenue of RM430.68 million for the quarter under review was lower by RM58.63 million against the immediate preceding quarter's revenue of RM489.31 million. The Group registered higher profit before taxation of RM30.50 million as compared to immediate preceding quarter's profit before taxation of RM19.77 million on better margin contribution despite after including share based payment arising from the implementation of Employees' Share Option Scheme.

B3. Prospects

- The Asia & Oceanic segment is expected to improve its order book with the contribution from PIC project.
- The European segment profitability is expected to continue with its stable order book.
- The profitability of the Americas segment will continue to grow with improved order book which has been secured.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months Ended 30.9.2014 RM'000	3 months Ended 30.9.2013 RM'000	9 months Ended 30.9.2014 RM'000	9 months Ended 30.9.2013 RM'000
Income Tax expense :-				
Current	8,479	8,394	23,161	17,268
Prior period	(204)	(2,125)	(911)	(11,431)
Deferred tax	6,474	9,044	11,453	6,855
	14,749	15,313	33,703	12,692

The Group's effective tax rate for the financial period is higher than statutory tax rate mainly due to deferred tax effects.

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 28 November 2013, the Company had announced the proposed dissolution of the following inactive and/or dormant subsidiaries ("Affected Subsidiaries") either by way of voluntary winding up or de-registering/striking-off the Affected Subsidiaries from the respective register of companies with the relevant authorities ("Proposed Dissolution"):-

Subsidiaries	Date of Incorporation	Paid Up Capital	% Shareholding
KNM Eurasia Sdn Bhd	28 February 1992/ Malaysia	RM100,000	100
KNM Process Systems (Kazakhstan) Sdn Bhd	16 February 2005/ Malaysia	RM2	100
KNM Process Systems (Turkmenistan) Sdn Bhd	10 March 2005/ Malaysia	RM2	100
KNM Process Systems (Uzbekistan) Sdn Bhd	10 July 1995/ Malaysia	RM2	100
KNM-DP Harta Bina Sdn Bhd*	24 September 1994/ Malaysia	RM200,000	93
KNM China Pte Limited	22 January 2010/ Hong Kong	HKD100	100
Borsig Compression (China) Pte Limited	29 January 2010/ Hong Kong	HKD100	100

Borsig Valves (China) Pte Limited	29 January 2010/ Hong Kong	HKD100	100
KNM Engineering Services Private Limited	4 October 2006/ India	INR100,000	100
KNM Oil & Gas (B) Sdn Bhd	10 May 2005/ Brunei	BND100,000	100
KNM Services (Singapore) Pte Ltd	25 November 2009/ Singapore	USD1	100

**Note 1 – Both Ir Lee Swee Eng and Mr Chew Fook Sin has a collective interest of 63.15% in Tegas Klasik Sdn Bhd (“TKSB”). TKSB has an indirect interest of 7.14% in KNM-DP Harta Bina Sdn. Bhd as well as a 1.70% direct interest in KNM Group Bhd.*

The Proposed Dissolution has partially completed.

- Pursuant to the Private Placement Exercise which was duly completed upon the subscription and listing of the 146,674,100 Placement Shares at RM0.70 each on the Main Market of Bursa Malaysia Securities Berhad with effect from 30 May 2014, the gross proceeds raised from the Private Placement Exercise was RM102,671,870 and the current utilisation status is as set out below:-

Purpose	Proposed utilisation	Actual utilisation	Timeframe for utilisation	Deviation		Explanations
				RM'000	%	
Working capital	45,226	(45,704)	Completed	(478)	(1.1)	-
Repayment of borrowings	55,000	(55,000)	Completed	-	-	-
Estimated expenses relating to the Exercise	2,446	(1,968)	Completed	478	19.5	Reallocated to working capital
	102,672	(102,672)		-		

- Pursuant to the Company’s announcements on 17 October 2014, KNM had proposed to undertake the following:-
 - Proposed renounceable rights issue of up to 430,490,762 new ordinary shares of RM0.50 each in KNM (“KNM Share(s) or “Share(s)” (“Rights Share(s)”) on the basis of 1 Rights Share for every 5 existing KNM Shares held on an Entitlement Date to be determined later together with up to 215,245,381 new free detachable warrants (“Warrant(s) B”) on the basis of 1 WARRANT B for every 2 Rights Shares subscribed (“Proposed Rights Issue With Warrants”);
 - Proposed increase in the Authorised Share Capital of KNM from RM1,125,000,000 comprising 2,250,000,000 KNM Shares to RM2,500,000,000 comprising of 5,000,000,000 KNM Shares (“Proposed Increase in Authorised Share Capital”); and
 - Proposed Amendments to the Memorandum of Association of KNM (“Proposed Amendment”).

The Proposed Rights Issue With Warrants, Proposed Increase in Authorised Share Capital and Proposed Amendment are collectively referred to as the “Proposals”.

The listing application in relation to the Proposals have been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”) on 12 November 2014. The approval has been obtained on 21 November 2014.

- On 6 November 2014, KNM Group Berhad has signed an Agreement of Mutual Termination to *inter alia*, mutually terminate the Shareholders’ cum Joint Venture Agreement dated 13 December 2012 (the “Shareholders’ Agreement”) with HMS Oil & Gas Sdn Bhd (“HMS”) in respect of the management and operations of the joint venture entity known as KNM HMS Energy Sdn Bhd (“JVCO”).

The parties have agreed to voluntarily wind-up the JVCO and the voluntary winding up process is currently ongoing.

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)	289,749
Borrowings (unsecured)	57,085
Bank Overdraft	1,809
Bill Payable	79,810
Hire Purchase	10,514
Revolving credit	50,000
	<u>488,967</u>
Long term :	
Borrowings (secured)	270,072
Borrowings (unsecured)	401
Hire Purchase	15,986
	<u>286,459</u>
	<u>775,426</u>

Included in borrowings are certain borrowings denominated in foreign currency of RMB 20.00 million, EURO 77.84 million, CAD 6.10 million and USD 21.05 million.

The exchange rates used are 1 RMB = RM 0.5343, 1 EURO = RM 4.1433, 1 CAD = RM 2.9289 and 1 USD = RM3.2800.

B10. Financial Instruments

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

There are no off-balance sheet financial instruments.

The outstanding forward foreign currency exchange contracts as at 30 September 2014 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	285,481	5,624
-1 year to 3 years	19,680	1,051
- More than 3 years	-	-
	<u>305,161</u>	<u>6,675</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 30.9.2014 RM'000	3 Months ended 30.9.2013 RM'000	9 Months ended 30.9.2014 RM'000	9 Months ended 30.9.2013 Rm'000
(a)				
Profit for the period is arrived at after charging and crediting:				
Allowance / (Reversal) for impairment loss on doubtful debt	-	(558)	-	(1,723)
Bad debts written off	(27)	276	1,398	276
Net Loss / (Gain) on foreign exchange	(11,576)	(5,010)	(18,839)	2,170
Net Loss / (Gain) on derivative	5,392	2,133	7,483	1,063
Amortisation of intangible asset	8,608	8,780	26,915	25,396
Provision / (Reversal) for warranty	678	940	753	833
Provision / (Reversal) of late delivery charges	(1,288)	(2,218)	(1,806)	-
Share based payment	5,535	-	5,535	-
And crediting:				
Interest income	720	723	2,038	2,070
Gain on disposal of other investment	-	-	2,437	-
Gain on disposal of subsidiaries	-	11,810	-	11,810
(b)				
Finance costs	11,576	13,120	40,841	34,595
(c)				
Depreciation charge for the period:				
Income statement	1,400	1,933	6,095	7,255
Construction work in progress	14,833	15,299	43,419	43,048
	<u>16,233</u>	<u>17,232</u>	<u>49,514</u>	<u>50,303</u>

B12. Realised and Unrealised Profit/Losses Disclosure

	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
Total retained profit of KNM Group and its subsidiaries		
- Realised	615,507	621,697
- Unrealised	(162,054)	(148,004)
Total share of accumulated losses from associated companies:		
- Realised	(4)	(10)
- Unrealised	-	-
Total share of retained profit / (accumulated losses) from joint venture entities:		
- Realised	(2,633)	(3,446)
- Unrealised	(19)	(1,358)
Add: Consolidation adjustments	505,855	445,093
Total Group retained profits as per consolidated accounts	956,652	913,972

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:-

1. Shah Alam High Court (Commercial Division)

Suit No.: 28-461-11/2012

Court of Appeal Civil Appeal No.: B-02-713-03/2013

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").

The KNM Petition was heard and dismissed by the Courts with costs on 12 March 2013 on the ground that the Court was not satisfied that, taking into account Mission Biofuels' contingent and prospective liabilities, Mission Biofuels was unable to pay its debts.

On 15 March 2013 KNMPS filed an appeal against the dismissal.

On 20th November 2013 KNMPS sent a letter to the Court of Appeal requesting the court to fix a date for case management or hearing of the appeal.

The appeal was dismissed on 17 November 2014.

2. Shah Alam High Court (Commercial Division)

Suit No.: 28-179-04/2013

Court of Appeal No.: B-02-1164-05/2013

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 Contract dated 25 July 2007 for the development of a Biodiesel Plant located in Kuantan Port.

The Mission Petition was heard and struck out by the Courts with costs on 9 May 2013 on the ground that the petition was not only without basis and therefore frivolous and vexatious, but also a clear abuse of process of court.

On 14 May 2013 Mission filed an appeal against the order of the court striking out the petition.

The appeal is fixed for hearing on 5 January 2015.

3. In The Matter Of Arbitration Between KNM Process Systems Sdn Bhd (Claimant) and Mission Biofuels Sdn Bhd (Respondent)

KNM Group Berhad ("KNM") wholly-owned subsidiary, KNM Process Systems Sdn Bhd ("KNMPS") has on 30 April 2014, filed its Points of Claim in the Arbitration proceedings as aforesaid between KNMPS and Mission Biofuels Sdn Bhd ("MBSB"), a wholly-owned subsidiary of MISSION NEWENERGY LIMITED (MNEL), a company listed both on the Australian Stock Exchange (under "MBT:ASX") and in the US OTC (under "MNELF:OTCBB"), in connection with the Engineering, Procurement, Construction and Commissioning Contract dated 25 July 2007 ("EPCC"). This Arbitration is part of KNM Group's on-going litigation actions to protect and preserve KNMPS' rights and monetary claims for various works and services provided in respect of the EPCC. KNMPS is claiming in Arbitration for approximately RM120 million.

The hearing of arbitration proceedings shall commence on 4 February 2015 and scheduled to be completed on 16 April 2015.

4. Shah Alam High Court (Commercial Division)

Suit No.: 24NCVC-688-04/2013

Court of Appeal Civil Appeal No.: W-02(NCVC)(A)-808-05/2013

KNM Process Systems Sdn Bhd (Plaintiff) vs Mission Biofuels Sdn Bhd (Defendant)

On 5 April 2013, KNM Process Systems Sdn Bhd (KNMPS) filed an application for a declaration of a valid lien in favor of KNMPS in respect of the Biodiesel Plant in Kuantan.

On 31 March 2014, the High Court judge dismissed KNMPS application and an appeal was filed in the Court of Appeal, Putrajaya. On 29 October 2014, the Court of Appeal unanimously reaffirmed KNMPS's right to an equitable Lien over the biodiesel plant owned Mission Biofuels Sdn Bhd ("MBSB"), a wholly-owned subsidiary of Mission NewEnergy Limited (MNEL), a company listed both on the Australian Stock Exchange (under "MBT:ASX") and in the US OTC (under "MNELF:OTCBB"), in connection with the Engineering, Procurement, Construction and Commissioning Contract dated 25 July 2007 ("EPCC"). Our lawyers are of the view that the said Judgment would enhance KNMPS's chances of recovering the amounts due to KNMPS under the EPCC.

B14. Dividend payable

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

B15. Earnings per share

	Individual Quarter		Cumulative Quarter	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
Basic earnings per share				
Net Profit attributable to shareholders (RM'000)	16,435	6,323	41,725	15,938
Number of shares at the beginning of the year ('000)	1,490,013	1,490,013	1,490,013	1,490,013
Issuance of share – Private Placement	67,158	-	67,158	-
Effect of Share Buy Back	(23,276)	(23,262)	(23,276)	(23,262)
Share option exercised	197	-	197	-
Weighted average number of shares (‘000)	<u>1,534,092</u>	<u>1,466,751</u>	<u>1,534,092</u>	<u>1,466,751</u>
Basic earnings per share (sen)	1.07	0.43	2.72	1.09

B16. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 26 November 2014.