KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE PERIOD ENDED 31 MARCH 2012 (Unaudited)

1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Year to date	
	Unaudited 3 months ended 31.3.2012 RM'000	Unaudited 3 months ended 31.3.2011 RM'000	Unaudited 31.3.2012 RM'000	Unaudited 31.3.2011 RM'000
Contract revenue	585,829	413,000	585,829	413,000
Operating profit	28,283	16,817	28,283	16,817
Financing costs	(12,892)	(11,510)	(12,892)	(11,510)
Interest income	972	760	972	760
Share of (loss)/profit of equity accounted investees, net of tax	(398)	200	(398)	200
Profit before tax	15,965	6,267	15,965	6,267
Tax expense	19,364	12,750	19,364	12,750
Net profit for the period	35,329	19,017	35,329	19,017
Other comprehensive (loss)/ income, net of tax				
Foreign currency translation differences	1,006	49,164	1,006	49,164
Net investment in subsidiaries	(29,950)	15,363	(29,950)	15,363
Impairment of property,plant and equipment through Revaluation Reserve	-	-	-	-
Cash Flow hedge	7,185	2,423	7,185	2,423
Share of other comprehensive income of equity accounted investee	85	-	85	-
Other comprehensive (loss)/ income for the period, net of tax	(21,674)	66,950	(21,674)	66,950
Total comprehensive income for the period	13,655	85,967	13,655	85,967
Attributable to:				
Equity holders of the parent	35,052	19,017	35,052	19,017
Minority interest	277	-	277	-
	35,329	19,017	35,329	19,017
Total comprehensive income attributable to:				
Equity holders of the parent	13,448	85,758	13,448	85,758
Minority interest	207	209	207	209
Total comprehensive income for the period	13,655	85,967	13,655	85,967
Earnings per share:				
- Basic (sen)	3.58	1.94	3.58	1.94

KNM GROUP BERHAD

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2. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 31.3.2012	Audited As at 31.12.2011
		RM'000	RM'000
Assets			
Non-current assets			
Intangible Assets		584,907	594,641
Goodwill		794,899	798,507
Property, plant and equipment		730,450	744,824
Other investment, including derivative		14,070	14,088
Investments in associates		35	45
Investments in jointly-controlled entities		5,254	5,882
Deferred Tax Asset		295,897	279,922
		2,425,512	2,437,909
Current assets			
Inventories		74,384	72,120
Contracts work in progress		529,255	450,390
Trade and other receivables		570,733	555,021
Cash and cash equivalents		223,468	416,429
		1,397,840	1,493,960
TOTAL ASSETS		3,823,352	3,931,869
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		1,001,093	1,001,093
Treasury Shares		(53,380)	(53,371)
Reserves		670,781	657,333
		1,618,494	1,605,055
Non-controlling interests		7,228	7,021
Total Equity		1,625,722	1,612,076
Non-current liabilities			
Long term payable		22,575	20,702
Long service leave liability		1,678	2,366
Loans and borrowings	B9	312,820	366,390
Deferred taxation		241,126	238,042
		578,199	627,500
Current liabilities			
Payables and accruals		459,559	518,164
Customers advance for contract work in progress		405,508	390,160
Loans and borrowings	B9	748,264	777,894
Current tax liabilities		6,100	6,075
		1,619,431	1,692,293
Total liabilities		2,197,630	2,319,793
TOTAL EQUITY AND LIABILITIES		3,823,352	3,931,869
Net assets per share attributable to equity holders of the parent (RM)		1.62	1.60

The notes set out on pages 5 to 17 form an integral part of and should be read in conjunction with this interim financial report

KNM GROUP BERHAD
(Company No:521348-H)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2012

	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	AFS Reserve RM'000	Revaluation and Other Reserve RM'000	(Accumulated Loss) / Retained Profit RM'000	Total RM'000	Minority Interest RM'000	Total equity RM'000
As at 1 January 2011	1,001,093	(44,588)	319,426	(1,513)	30	(486,835)	930,828	1,718,441	12,328	1,730,769
Total comprehensive income for the period	-	-	-	2,423	-	64,318	19,017	85,758	209	85,967
Transaction with owners in their capacity as owner										
Increase in share capital in subsidiaries	-	-	-	-	-	-	-	-	-	-
Issue of shares pursuant to: - ESOS	-	-	-	-	-	-	-	-	-	-
Share Buy Back	-	(8,426)	-	-	-	-	-	(8,426)	-	(8,426)
Transfer to share premium for share options exercised	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
As at 31 MARCH 2011 (Unaudited)	1,001,093	(53,014)	319,426	910	30	(422,517)	949,845	1,795,773	12,537	1,808,310
As at 1 January 2012	1,001,093	(53,371)	319,426	(5,172)	30	(466,670)	809,719	1,605,055	7,021	1,612,076
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										
Acquisition of equity interest in subsidiary										0
Increase in share capital of subsidiaries	-	-	-	-	-	-	-	-	-	-
Share Buy Back	-	(9)	-	-	-	-	-	(9)	-	(9)
Dividend	-	-	-	-	-	-	-	-	-	-
As at 31 MARCH 2012 (Unaudited)	1,001,093	(53,380)	319,426	2,013	30	(495,459)	844,771	1,618,494	7,228	1,625,722

The notes set out on pages 5 to 17 form an integral part of and should be read in conjunction with this interim financial report

KNM GROUP BERHAD

(Company No. 521348-H)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2012

(Unaudited)

	31.3.2012 RM '000	31.3.2011 RM '000
Cash flows from operating activities		
Profit before tax	15,965	6,267
Adjustments for:		
Amortisation of intangible assets	8,074	8,150
Depreciation	1,637	1,923
Interest expense	12,529	11,171
Interest income	(972)	(760)
Gain on foreign exchange-unrealised	(3,618)	(6,591)
Loss/(Gain) on disposal of property, plant and equipment	19	(26)
Share of (profit)/ loss of in associates and jointly-controlled entities	398	(200)
Change in fair value of forward contract	4,363	(8,858)
Provision for foreseeable losses	-	-
Goodwill written off	-	-
Operating profit before working capital changes	38,395	11,076
(Increase)/Decrease in working capital:		
Inventories	(2,264)	(1,824)
Receivables, deposits and prepayments	(79,599)	188,144
Payables and accruals and long service leave liability	(30,587)	65,982
Cash used in operations		
Income taxes paid	(9,003)	(14,911)
Interest paid	(514)	(1)
Interest received	972	760
Net cash used / generated from operating activities	(82,600)	249,226
Cash flows from investing activities		
Purchase of property,plant and equipment	(14,219)	(15,717)
Acquisition of other intangible assets	(915)	-
Proceeds from disposal of property,plant and equipment	-	329
Net cash used in investing activities	(15,134)	(15,388)
Cash flows from financing activities		
Proceeds from issuance of shares	-	-
Share buy back	(10)	(8,426)
Net (repayment)/proceeds from bill payable	(33,206)	14,094
Repayment of hire purchase liabilities	(1,115)	4,438
Net proceeds/(repayment) from term loan	(48,742)	2,120
Net proceeds/(repayment) to ICP/IMTN	-	(50,000)
Interest expenses	(12,016)	(11,170)
Dividend paid	-	-
Dividind paid to minority interest	-	-
Net cash used in financing activities	(95,089)	(48,944)
Net decrease in cash and cash equivalents	(192,823)	184,894
Cash and cash equivalents at beginning of period	399,167	286,532
Cash and cash equivalents at end of period	206,344	471,426

Cash & bank balances	199,712	311,697
Deposits with financial institutions	-	45
Deposits with licensed banks	23,756	167,730
	223,468	479,472
Bank overdraft	(17,124)	(8,046)
	206,344	471,426

The notes set out on pages 5 to 17 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 2012

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 2011. 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 2011.

The Group has adopted the Malaysian Financial Reporting Standard (MFRS) framework and MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards for the first time in these condensed interim financial statements. The transition to MFRS framework does not have any material financial impact to the financial statements of the Group.

A2. Significant Accounting Policies

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS 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 2011.

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

		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosures of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (as amended in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investment in Associates and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 7	Disclosures- Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

A3. Qualification of annual financial statements

There were no audit qualification on the annual financial statements of the Group for the year ended 31 December 2011.

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 2012	190,000
ICP/IMTN Drawdown/(Repayment)	-
Balance of ICP/IMTN outstanding as at 31 March 2012	190,000

As at 31 March 2012, the amount outstanding for Islamic Commercial Papers ("ICP")/Islamic Medium Term Notes ("IMTN") is RM190.0 million out of the limit of RM190.0 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 23,251,275 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 31.3.2012	Gross Profit/(loss) 3 months ended 31.3.2012	EBITDA 3 months ended 31.3.2012
	RM'000	RM'000	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

	Revenue 3 months ended 31.3.2011	Gross Profit/(loss) 3 months ended 31.3.2011	EBITDA 3 months ended 31.3.2011
	RM'000	RM'000	RM'000
Asia & Oceania	171,183	30,018	18,559
Europe	222,406	44,405	24,898
Americas	19,411	694	(3,567)
Total	413,000	75,117	39,890

A10. Valuation of property, plant and equipment

Property, plant and equipment of the Group are stated at cost/valuation less accumulated depreciation and accumulated impairment losses where applicable.

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) On 26 January 2012, KNM Project Services Limited ("KPSL"), an effective wholly-owned subsidiary of the Company had completed the transfer of 310 shares of GBP1.00 each (representing 31% equity interest) in Energy Park Investments Limited ("EPIL") for a total cash consideration of GBP310.00 (approximately RM1,488.00) from Peterborough Renewable Energy Limited ("PREL") (the "Investment"). Pursuant to the completion of this transfer, EPIL has now become a new 80% subsidiary of KPSL. The total cost of investment is GBP800.00 (approximately RM3,840.00).

(2) On 14 March 2012, KNM Europa BV, a wholly-owned subsidiary of the Company had incorporated KNM Technical Services ("KNMTS"), representing 100% equity interest in KNMTS for a total investment sum of USD1,500.00 (approximately RM4,662.25).

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	44,040	57,224
Investment	108,018	10,047
	152,058	67,271

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	503
I.M.Bina Sdn Bhd (b)	
-General construction and civil works	280
IMT O&G Solutions Sdn Bhd (c)	
-Supply of production materials and fixed assets	-
Tofield Realty Development Corporation (d)	
- General and civil contractor and provider of staff accommodation	136
Nassir Hazza (e)	
- General construction, civil and related mechanical and engineering work	-
KPS Technology & Engineering LLC(f)	
-Provision/Receipt of mechanical and engineering, general administrative and other support services	49
-Provision/Receipt of qualifying services under the overseas head quarters (OHQ) status and other support services	

(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*
(c) *a company in which Inter Merger Sdn Bhd is the holding company*
(d) *a wholly-owned subsidiary of Asiavertek, of which Mr. Lee Swee Eng and Madam Gan Siew Liat are directors and shareholders*
(e) *Nassir Hazza is an entity controlled by Mohammed Nassir Hazza Al Fehaid Al Subaei, a director of KNM Saudi Limited Co*
(f) *a company in which Mr. Lee Swee Eng is a substantial shareholder*

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

B1. Review of performance

The Group achieved revenue of RM585.83 million, profit after tax and minority interest of RM35.05 million and EBITDA (Earning Before Interest, Tax, Depreciation and Amortisation) of RM51.46 million for the period ended 31 March 2012. Compared to the previous year, the higher revenue, profit after tax and minority interest and EBITDA in this year was due to higher job recognition on stronger order book.

<u>Asia & Oceanic Segment</u>
This segment saw significant improvement on contribution from projects' progress. Competition on conventional low end process equipment in 2012 has lessen.

<u>Europe Segment</u>
Borsig & FBM are both operating at strong order book from last year. Profitability improved on higher project revenue recognition and better contribution margin.

<u>Americas Segment</u>
Brazil operations continue to suffer loss due to difficult local business environment. Meanwhile, North America operations have improved significantly on the back of positive earnings contribution from Canadian oil sands projects.

B2. Variation of results against preceding quarter

The Group's revenue of RM585.83 million was higher by RM24.54 million as compared to last year fourth quarter's revenue of RM561.29 million. The Profit before taxation and minority interest of RM15.97 million is substantially improved by RM34.99 million as compared to preceding quarter loss before taxation and minority interest of RM19.02 million. The higher revenue and improved results for this quarter is mainly due to higher project progress recognition and better contribution margin.

B3. Current year prospects

Despite the volatility of commodities in tandem with the Euro crisis, oil & gas prices are expected to hovering around current level throughout the year providing industry economic sustainability for on-going and new capital investment which augurs well for our business.

Our Asia & Oceanic segment has recorded slightly better order intake coupled with improved contribution margin in 1st quarter 2012 which is expected to trend positively into remaining quarters.

Our European segment new order intake remains robust in the 1st quarter 2012 which resulted in higher order book than the preceding quarter. Current year profitability is expected to continue to ride on strong order book from 2011.

Our North America operations has gained momentum in new order intake in 1st quarter 2012 which would contribute positively to 2012. Outlook on our Canadian operation is favourable on the back of rising capital investment in the Oil & Gas sector, whilst our Brazilian operations is undergoing transformation to better position itself in the domestic market.

Overall, the prospect for the remaining 2012 expected to remain positive.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months Ended 31.3.2012 RM'000	**3 months Ended 31.3.2011 RM'000**
Income Tax expense :-		
Current	1,927	5,013
Prior period	17	(2)
Deferred tax	(21,308)	(17,761)
	(19,364)	(12,750)

The Group's effective tax rate is lower than the statutory tax rate mainly due to the availability of certain tax incentives.

B6. Unquoted investments and properties

The Group has not made or disposed any investments in any 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 22 October 2010, the Company announced that Securities Commission ("SC") vide their letter dated 21 October 2010 has approved the Company's proposed issue of Sukuk Programmes of up to RM1,500 million comprising of Islamic Commercial Paper Programme of up to RM400 million ("ICP Programme") and Islamic Medium Term Note Programme of up to RM1,100 million ("IMTN Programmes).

The ICP Programme shall have a tenure of up to 7 (seven) years and the IMTN Programme shall have a tenure of up to 15 (fifteen) years from the date of the first issuance under the Sukuk Programmes. No commercial papers or medium term notes have been issued as at to-date.

(2) On 25 July 2011, KNM and Zecon Berhad ("Zecon") had entered into the following Heads of Agreements ("HOAs") with Gulf Asian Petroleum Sdn Bhd ("GAP") towards inter alia the following:-

a. to undertake the Engineering, Procurement, Construction and Commissioning ("EPC") Contract for the 150,000/200,000 bpd Petroleum Refinery and 400,000/525,000 mtpa Polypropylene Unit for GAP ("the Refinery/Polypropylene Project") with a total Project Value of USD5.0 billion (equivalent to about RM15.0 billion based on the exchange rate of USD1.00 : RM3.00); and

b. to undertake the Engineering, Procurement, Construction and Commissioning ("EPC") Contract for the Petroleum Product Storage Terminal Facility comprising 4 Terminals with a total storage capacity of 2.328 million cubic meters, complete with supporting infrastructure and auxiliaries including the jetty ("the Storage Project") with a total Contract Value of RM2.0 billion.

Both the Refinery/ Polypropylene Project and Storage Project are located at Teluk Ramunia, Johor.

As at to-date, the Parties to the Heads of Agreements have yet to achieve financial close for the Refinery/Polypropylene Project and the Storage Project and the completion of the HOA is subject to conditions as stipulated in the company's announcements dated 25 July and 26 July 2011.

(3) KNM's wholly-owned subsidiary, KMK Power Sdn Bhd ("KMK") had on 25 January 2012 entered into an Exclusivity Agreement ("Agreement") with Poplar Holdings Limited for the grant of exclusivity by PHL to KMK to conclude the proposed purchase of the entire issued share capital of Poplar Investments Limited ("Sale Shares") for GBP25 million (approximately RM120 million) ("Proposed Transaction").

The exclusivity period shall commence from 25 January 2012 until and including 25 April 2012 unless extended by mutual agreement of KMK and PHL in order to complete the Proposed Transaction ("Exclusivity Period"). In consideration of PHL granting the Exclusivity Period, KMK has paid the sum of GBP500,000 (approximately RM2.4 million) upon signing of the Agreement. The Exclusivity Fee shall form part of the purchase price in respect of the Proposed Transaction, if parties are able to come to terms in respect of the same.

Pursuant to the Exclusivity Agreement dated 25 January 2012, KNM Group Berhad's wholly owned subsidiary, KMK Power Sdn Bhd ("KMK"), had entered into an Agreement for Sale and Purchase of Shares ("SPA") with Poplar Holdings Limited ("PHL") on 8 February 2012 for the acquisition of one (1) ordinary share of GBP1.00 ("Sale Shares") representing 100% equity interest in Poplar Investments Limited ("PIL") for a total cash consideration of GBP25 million only [which amount is adjustable pending determination of the Net Assets Value of PIL at Completion].

On 10 April 2012, KNM's wholly-owned subsidiary, KMK Power Sdn Bhd ("KMK"), has entered into a Deed of Variation (the "Deed") with Poplar Holdings Limited ("PHL") to *inter alia,*extend the time for completion of the Proposed Acquisition. In consideration of the extension granted by PHL, KMK has paid PHL the sum of GBP65,000.00 (approximately RM316,900.00) on the date of the Deed ("Extension Consideration").

(4) On 28 April 2012, the Board of Directors approved the Company to undertake a proposed fund raising exercise involving a Rights Issuance of RM200million ("Proposed Rights Issue"). Full details of the Proposed Rights Issue will be determined and announced in due course.

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)	104,630
Borrowings (unsecured)	31,518
ICP/IMTN	145,000
Bank Overdraft	17,124
Bill Payable	201,320
Hire Purchase	5,318
Revolving credit	243,354
	748,264
Long term :	
Borrowings (secured)	217,747
Borrowings (unsecured)	37,404
IMTN	45,000
Hire Purchase	12,669
	312,820
	1,061,084

The above are also inclusive of other borrowings in foreign currency of RMB21.00 million, EURO43.93million, CAD9.23 million, and BRL11.26 million.

The exchange rates used are 1 RMB = RM 0.4862, 1 EURO = RM 4.0856, 1 CAD = RM 3.0682, and 1 BRL = RM 1.6763

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 2012 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	590,512	(216)
-1 year to 3 years	82,280	(425)
- More than 3 years	-	-
	672,792	(641)

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 31.3.2012 RM'000	3 Months ended 31.3.2011 RM'000
(a)		
Profit for the period is arrived at after charging and crediting:		
Allowance for impairment loss on doubtful debt	(8,360)	924
Net Gain on foreign exchange	(4,789)	(9,918)
Net Loss/(Gain) on derivative	4,363	(1,429)
Provision /(Reversal) for foreseeable losses	(9,555)	2,773
Impairment of asset	-	-
Amortisation of intangible Asset	8,074	8,150
Provision for/(Reversal) warranty	2	(102)
Interest income	972	760
Late delivery charges	-	-
(b)		
Interest Expenses	12,892	11,510
Income statement	-	-
	12,892	11,510
(c)		
Depreciation charge for the period:		
Income statement	1,637	1,923
Construction work in progress	13,468	13,001
	15,105	14,924

B12. Realised and Unrealised Profit/Losses Disclosure

	As at 31 March 2012	As at 31 December 2011
	RM'000	RM'000
Total retained profit of KNM Group and its subsidiaries		
- Realised	360,411	323,759
- Unrealised	31,368	52,679
Total share of retained profit / (accumulated losses) from associated companies:		
- Realised	871	(293)
- Unrealised	(184)	(110)
Total share of retained profit/(accumulated losses) from jointly controlled entities:		
- Realised	(2,099)	(1,126)
- Unrealised	287	573
Less: Consolidation adjustments	454,117	434,237
Total Group retained profits as per consolidated accounts	844,771	809,719

B13. Material litigation

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

B14. Dividend payable

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

B15. Earnings per share

	Individual Quarter		Cumulative Quarter	
	31 March 2012	**31 March 2011**	**31 March 2012**	**31 March 2011**
Basic earnings per share				
Net Profit attributable to shareholders (RM'000)	35,052	19,017	35,052	19,017
Number of shares at the beginning of the period ('000)	1,001,093	1,001,093	1,001,093	1,001,093
Effect of share consolidation	-		-	
Effect of ESOS ('000)	-	-	-	-
Effect of Share Buy Back	(23,245)	(20,694)	(23,245)	(20,694)
Weighted average number of shares ('000)	977,848	980,399	977,848	980,399
Basic earnings per share (sen)	3.58	1.94	3.58	1.94

B16. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 22 May 2012.