

KNM GROUP BERHAD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2013 (Unaudited)

1. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 30.9.2013 RM'000	Unaudited 3 months ended 30.9.2012 RM'000	Unaudited 30.9.2013 RM'000	Unaudited 30.9.2012 RM'000
Contract revenue	486,113	609,497	1,405,278	1,782,024
Operating profit	32,794	34,835	64,406	97,860
Financing costs	(13,118)	(13,080)	(34,590)	(39,102)
Interest income	723	320	2,070	1,434
Share of profit/ (loss) of equity accounted investees, net of tax	1,258	804	(462)	396
Profit before tax	21,657	22,879	31,424	60,588
Tax expense	(15,313)	18,859	(12,692)	50,621
Net profit for the period	6,344	41,738	18,732	111,209
Other comprehensive income / (loss), net of tax				
Foreign currency translation differences	74,513	(20,497)	87,623	(32,235)
Net investment in subsidiaries	66,684	(39,651)	102,310	(64,667)
Cash Flow hedge	387	1,320	(169)	4,403
Share of other comprehensive income of equity accounted investee	245	(393)	518	(110)
Other comprehensive income/ (loss) for the period, net of tax	141,829	(59,221)	190,282	(92,609)
Total comprehensive income/ (loss) for the period	148,173	(17,483)	209,014	18,600
Attributable to:				
Equity holders of the parent	7,136	44,117	20,779	113,011
Minority interest	(792)	(2,379)	(2,047)	(1,802)
	6,344	41,738	18,732	111,209
Total comprehensive income attributable to:				
Equity holders of the parent	150,212	(14,156)	212,305	21,423
Minority interest	(2,039)	(3,327)	(3,291)	(2,823)
Total comprehensive income/ (loss) for the period	148,173	(17,483)	209,014	18,600
Earnings per share:				
- Basic / Diluted (sen)	0.49	4.51	1.42	11.56

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2. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	Unaudited As at 30.9.2013 RM'000	Audited As at 31.12.2012 RM'000
Assets			
Non-current assets			
Intangible Assets		584,153	559,670
Goodwill		811,896	743,975
Property, plant and equipment		826,117	866,346
Other investment, including derivative		15,576	14,183
Investments in associates		41	41
Investments in jointly-controlled entities		7,247	7,394
Deferred Tax Assets		376,667	364,634
		<u>2,621,697</u>	<u>2,556,243</u>
Current assets			
Inventories		77,073	76,811
Contracts work in progress		389,907	486,839
Trade and other receivables		622,644	542,461
Cash and cash equivalents		133,919	191,801
		<u>1,223,543</u>	<u>1,297,912</u>
TOTAL ASSETS		<u>3,845,240</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		(53,388)	(53,385)
Reserves		653,366	441,061
		<u>2,045,011</u>	<u>1,832,709</u>
Non-controlling interests		<u>1,247</u>	<u>4,237</u>
Total Equity		<u>2,046,258</u>	<u>1,836,946</u>
Non-current liabilities			
Long term payable		52,650	21,418
Long service leave liability		2,231	2,841
Loans and borrowings	B9	162,209	104,838
Deferred taxation		232,096	229,288
		<u>449,186</u>	<u>358,385</u>
Current liabilities			
Payables and accruals		468,729	583,182
Deferred income		180,479	237,762
Loans and borrowings	B9	700,091	831,597
Current tax liabilities		497	6,283
		<u>1,349,796</u>	<u>1,658,824</u>
Total liabilities		<u>1,798,982</u>	<u>2,017,209</u>
TOTAL EQUITY AND LIABILITIES		<u>3,845,240</u>	<u>3,854,155</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.37</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 30 SEPTEMBER 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	Non-Distributable 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)	809,719	1,605,055	7,021	1,612,076
Total comprehensive (loss)/ income for the period	-	-	-	4,403	-	-	(95,991)	113,011	21,423	(2,823)	18,600
Transaction with owners in their capacity as owner											
Increase in share capital in subsidiaries	-	-	-	-	-	-	-	-	-	1	1
Issue of shares pursuant to: - ESOS	-	-	-	-	-	-	-	-	-	-	-
Share Buy Back	-	(9)	-	-	-	-	-	-	(9)	-	(9)
Transfer to share premium for share options exercised	-	-	(376)	-	-	-	-	-	(376)	-	(376)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-
As at 30 September 2012 (Unaudited)	1,001,093	(53,380)	319,050	(769)	30	-	(562,661)	922,730	1,626,093	4,199	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	-	-	-	(169)	-	-	191,695	20,779	212,305	(3,291)	209,014
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	-	-	-	-	-	-	(4,622)	4,622	-	-	-
Transfer from revaluation reserve on disposal of property, plant and equipment	-	-	-	-	-	-	(955)	955	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	-	-
As at 30 September 2013 (Unaudited)	1,445,033	(53,388)	16,707	(113)	-	44,981	(330,880)	922,671	2,045,011	1,247	2,046,258

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

KNM GROUP BERHAD

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED
 30 SEPTEMBER 2013**

(Unaudited)

	30.9.2013 RM '000	30.9.2012 RM '000
Cash flows from operating activities		
Profit before tax	31,424	60,588
Adjustments for:		
Amortisation of intangible assets	25,396	24,325
Depreciation	7,229	4,934
Interest expense	31,710	37,171
Interest income	(2,070)	(1,434)
Loss/(Gain) on foreign exchange-unrealised	9,118	(10,684)
(Gain)/Loss on disposal of property, plant and equipment	(1,277)	33
Share of loss of in associates and jointly-controlled entities	462	(396)
Change in fair value of forward contract	1,118	7,214
Gain on disposal of subsidiaries	(11,810)	-
Operating profit before working capital changes	<u>91,300</u>	<u>121,751</u>
Decrease / (Increase) in working capital:		
Inventories	(676)	(730)
Receivables, deposits and prepayments	59,898	(155,287)
Payables and accruals and long service leave liability	(95,479)	53,000
Cash used in operations		
Income taxes paid	(14,041)	(33,006)
Interest paid	(1,806)	(2,572)
Interest received	2,070	1,434
Net cash generated from/ (used in) operating activities	<u>41,266</u>	<u>(15,410)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,280)	(42,590)
Disposal of subsidiaries, net of cash outflow	(591)	-
Acquisition of minority interest	-	1
Acquisition of investment in Joint-controlled entity and associates	-	(2,100)
Acquisition of other intangible assets	(59)	(2,546)
Proceeds from issuance of share to minority interest	301	-
Proceeds from disposal of property, plant and equipment	16,915	1,374
Net cash from / (used in) investing activities	<u>13,286</u>	<u>(45,861)</u>
Cash flows from financing activities		
Share buy back	(3)	(9)
Net repayment of bill payable	(32,381)	(85,820)
Repayment of hire purchase liabilities	(2,916)	(2,788)
Net drawdown/ (repayment) of term loan and revolving credit	2,117	(53,076)
Net repayment of ICP/IMTN	(45,000)	(40,000)
Interest expenses	(29,906)	(34,599)
Share issue expenses	-	(376)
Net cash used in financing activities	<u>(108,089)</u>	<u>(216,668)</u>
Net decrease in cash and cash equivalents	(53,537)	(277,939)
Cash and cash equivalents at beginning of period	185,331	399,167
Cash and cash equivalents at end of period	<u>131,794</u>	<u>121,228</u>
Cash & bank balances	114,895	104,969
Deposits with licensed banks	<u>19,024</u>	<u>22,476</u>
	133,919	127,445
Bank overdraft	<u>(2,125)</u>	<u>(6,217)</u>
	<u>131,794</u>	<u>121,228</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 – 30 September 2013

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 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)	<u>(45,000)</u>
Balance of ICP/IMTN outstanding as at 30 September 2013	<u>50,000</u>

As at 30 September 2013, the amount outstanding for Islamic Commercial Papers ("ICP")/Islamic Medium Term Notes ("IMTN") is RM50.0 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 23,266,275 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 30.9.2013 RM'000	Gross Profit 9 months ended 30.9.2013 RM'000	EBITDA 9 months ended 30.9.2013 RM'000
Asia & Oceania	437,334	80,671	44,332
Europe	931,444	167,021	99,778
Americas	34,079	5,326	3,003
Continuing operations	1,402,857	253,018	147,113
Discontinued operations	2,421	(662)	(7,067)
	1,405,278	252,356	140,046

	Revenue 9 months ended 30.9.2012 RM'000	Gross Profit 9 months ended 30.9.2012 RM'000	EBITDA 9 months ended 30.9.2012 RM'000
Asia & Oceania	675,646	108,984	56,630
Europe	1,045,916	194,383	131,634
Americas	53,497	5,951	3,810
Continuing operations	1,775,059	309,318	192,074
Discontinued operations	6,965	(4,353)	(24,003)
	1,782,024	304,965	168,071

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%.

- (3) On 4 June 2013, the Company's wholly owned subsidiary, KNM Project Services Limited ("KPSL"), had disposed of its entire 800 ordinary shares (representing 80% equity interest) in Energy Park Investments Limited ("EPIL") to Green Energy Worldwide Corporation ("GEWC") for a total cash consideration of GBP800.00 (equivalent to RM3,786.80 based on GBP1 : RM4.7335) only ("Consideration").
- (4) On 25 September 2013, KNM Process Systems Sdn Bhd ("KNMPS") and KNM International Sdn Bhd ("KNMI") (hereinafter collectively referred to as the "Vendors") have completed disposal of its entire shareholding in the following subsidiaries for a total cash consideration of BRL8 (equivalent to RM11.94) only (the "Consideration") to Telcon Telecomunicações E Informatica, LTDA.

KNM's Brazilian Group of Companies		Consideration (R\$)
i.	KNM Sistemas De Processamento Do Brasil Ltda	2.00
ii.	KNM Equipamentos SA	2.00
iii.	KNM Industrial Ltda	2.00
iv.	KNM Servicos Ltda	2.00

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	6,628	27,277
Investment	-	5,013
	<u>6,628</u>	<u>32,290</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	1,468
I.M.Bina Sdn Bhd (b)	
-General construction and civil works	1,607
Tofield Realty Development Corporation (c)	
- General and civil contractor and provider of staff accommodation	395

(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 RM1.40 billion, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of RM140.05 million and profit after tax and minority interest of RM20.78 million for the period ended 30 September 2013. Compared to the previous year, the lower revenue, EBITDA and profit after tax and minority interest in this year was due to lower progress recognition and less deferred tax effect.

Asia & Oceanic Segment

This segment registered lower job progress recognition.

Europe Segment

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

Americas Segment

Contribution to the Group reduced but with better operating performance.

B2. Variation of results against preceding quarter

The Group's revenue of RM486.11 million for the quarter under review was higher by RM56.56 million against the immediate preceding quarter's revenue of RM429.55 million. Profit before taxation and minority interest improved to RM21.66 million from immediate preceding quarter's profit before taxation and minority interest of RM6.82 million primarily due to lower operating overheads and one-off gain from disposal of certain subsidiaries.

B3. Prospects

The Board is reasonably optimistic of the Group's financial performance for the remaining financial year.

- The Asia & Oceanic segment will focus on efforts to improve efficiency and productivity.
- The European segment profitability is expected to remain stable.
- The Americas segment is expected to remain challenging with positive outlook in absent of further performance weigh down from the discontinued Brazil operating units.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months Ended 30.9.2013 RM'000	3 months Ended 30.9.2012 RM'000	9 months Ended 30.9.2013 RM'000	9 months Ended 30.9.2012 RM'000
Income Tax expense :-				
Current	8,394	12,984	17,268	23,702
Prior period	(2,125)	365	(11,431)	376
Deferred tax	9,044	(32,208)	6,855	(74,699)
	<u>15,313</u>	<u>(18,859)</u>	<u>12,692</u>	<u>(50,621)</u>

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

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)	265,063
Borrowings (unsecured)	104,212
ICP/IMTN	50,000
Bank Overdraft	2,125
Bill Payable	187,965
Hire Purchase	13,726
Revolving credit	77,000
	<u>700,091</u>
Long term :	
Borrowings (secured)	114,580
Borrowings (unsecured)	24,832
Hire Purchase	22,797
	<u>162,209</u>
	<u>862,300</u>

The above are also inclusive of other borrowings in foreign currency of RMB16.5 million, EURO32.44 million and CAD8.83 million.

The exchange rates used are 1 RMB = RM 0.5322, 1 EURO = RM 4.4073 and 1 CAD = RM 3.1602.

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 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	336,544	(975)
-1 year to 3 years	3,680	(25)
- More than 3 years	-	-
	<u>340,224</u>	<u>(1,000)</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 30.9.2013 RM'000	3 Months ended 30.9.2012 RM'000	9 Months ended 30.9.2013 RM'000	9 Months ended 30.9.2012 Rm'000
(a)				
Profit for the period is arrived at after charging and crediting:				
(Reversal)/Allowance for impairment loss on doubtful debt	(558)	231	(1,723)	(4,588)
Bad debts written off	276	-	276	-
Net Loss /(Gain) on foreign exchange	(5,618)	(4,970)	1,562	(8,888)
Net Loss on derivative	2,188	5,343	1,118	7,214
Amortisation of intangible asset	8,780	7,891	25,396	24,325
Provision for warranty	940	2,298	833	2,048
(Reversal) / Provision of late delivery charges	(2,218)	245	-	133
And crediting:				
Interest income	723	320	2,070	1,434
Gain on disposal of subsidiaries	11,810	-	11,810	-
(b)				
Interest expenses	13,118	13,080	34,590	39,102
(c)				
Depreciation charge for the period:				
Income statement	1,907	1,669	7,229	4,934
Construction work in progress	15,266	13,785	43,015	40,952
	<u>17,173</u>	<u>15,454</u>	<u>50,244</u>	<u>45,886</u>

B12. Realised and Unrealised Profit/Losses Disclosure

	As at 30 September 2013 RM'000	As at 31 December 2012 RM'000
Total retained profit of KNM Group and its subsidiaries		
- Realised	517,280	500,999
- Unrealised	(150,449)	(97,544)
Total share of retained profit / (accumulated losses) from associated companies:		
- Realised	(1,222)	671
- Unrealised	(130)	(123)
Total share of accumulated losses from jointly controlled entities:		
- Realised	(4,124)	(2,989)
- Unrealised	(205)	(10)
Add: Consolidation adjustments	561,521	495,311
Total Group retained profits as per consolidated accounts	922,671	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 pursuant to an EPCC Contract dated 25 July 2007 for the development of a Biodiesel Plant located in Kuantan Port.

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.

The Court of Appeal has yet to fix a hearing date for the appeal.

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

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 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 Court of Appeal has yet to fix a hearing date for the appeal.

B14. Dividend payable

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

B15. Earnings per share

	Individual Quarter		Cumulative Quarter	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
Basic earnings per share				
Net Profit attributable to shareholders (RM'000)	7,136	44,117	20,779	113,011
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	(23,264)	(23,249)	(23,264)	(23,249)
Weighted average number of shares ('000)	1,466,749	977,844	1,466,749	977,844
Basic earnings per share (sen)	0.49	4.51	1.42	11.56

B16. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 28 November 2013.