

KNM GROUP BERHAD

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

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

1. CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period to date	
	Unaudited 3 months ended 30.06.2014 RM'000	Unaudited 3 months ended 30.06.2013 RM'000	Unaudited 30.06.2014 RM'000	Unaudited 30.06.2013 RM'000
Contract revenue	489,314	434,096	983,213	923,710
Operating profit	33,899	13,585	72,464	27,587
Financing costs	(14,413)	(10,580)	(29,265)	(21,475)
Interest income	666	737	1,318	1,347
Share of profit/ (loss) of equity accounted investees, net of tax	(381)	(950)	(1,495)	(1,720)
Profit before tax	19,771	2,792	43,022	5,739
Tax expense	(9,340)	3,620	(18,954)	2,621
Net profit for the period	10,431	6,412	24,068	8,360
Other comprehensive (loss)/income, net of tax				
Foreign currency translation differences	(43,137)	32,347	(50,429)	10,917
Net investment in subsidiaries	405	41,465	(2,022)	35,626
Cash Flow hedge	48	(238)	(271)	(575)
Share of other comprehensive income of equity accounted investee	(168)	40	(431)	273
Other comprehensive (loss)/income for the period, net of tax	(42,852)	73,614	(53,153)	46,241
Total comprehensive (loss)/income for the period	(32,421)	80,026	(29,085)	54,601
Attributable to:				
Equity holders of the parent	11,118	7,391	25,290	9,615
Minority interest	(687)	(979)	(1,222)	(1,255)
	10,431	6,412	24,068	8,360
Total comprehensive (loss)/income attributable to:				
Equity holders of the parent	(31,687)	81,002	(27,947)	55,853
Minority interest	(734)	(976)	(1,138)	(1,252)
Total comprehensive (loss)/income for the period	(32,421)	80,026	(29,085)	54,601
Earnings per share:				
- Basic / Diluted (sen)	0.74	0.50	1.69	0.66

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 STATEMENTS OF FINANCIAL POSITION

	NOTE	Unaudited As at 30.06.2014 RM'000	Audited As at 31.12.2013 RM'000
Assets			
Non-current assets			
Intangible Assets		556,673	588,901
Goodwill		809,932	830,048
Property, plant and equipment		786,744	834,794
Other investment, including derivative		15,762	12,758
Investments in associates		30	30
Investments in jointly-controlled entities		2,121	4,561
Deferred Tax Assets		356,686	370,248
		<u>2,527,948</u>	<u>2,641,340</u>
Current assets			
Inventories		70,755	77,905
Contracts work in progress		511,571	449,191
Trade and other receivables		681,446	607,148
Cash and cash equivalents		282,469	268,301
		<u>1,546,241</u>	<u>1,402,545</u>
TOTAL ASSETS		<u>4,074,189</u>	<u>4,043,885</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		773,363	1,445,033
Treasury Shares		(53,397)	(53,390)
Reserves		1,412,369	668,112
		<u>2,132,335</u>	<u>2,059,755</u>
Non-controlling interests		<u>(1,294)</u>	<u>(156)</u>
Total Equity		<u>2,131,041</u>	<u>2,059,599</u>
Non-current liabilities			
Long term payable		52,845	52,819
Long service leave liability		2,565	2,324
Loans and borrowings	B9	302,721	454,263
Deferred taxation		227,700	233,050
		<u>585,831</u>	<u>742,456</u>
Current liabilities			
Payables and accruals		539,669	531,710
Deferred income		234,545	216,653
Loans and borrowings	B9	582,008	492,758
Current tax liabilities		1,095	709
		<u>1,357,317</u>	<u>1,241,830</u>
Total liabilities		<u>1,943,148</u>	<u>1,984,286</u>
TOTAL EQUITY AND LIABILITIES		<u>4,074,189</u>	<u>4,043,885</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>1.30</u>	<u>1.38</u>

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KNM GROUP BERHAD

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD
ENDED 30 JUNE 2014**

	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 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	-	-	-	(575)	-	-	46,813	-	46,238	3	46,241
Profit for the year	-	-	-	-	-	-	-	9,615	9,615	(1,255)	8,360
Total comprehensive income for the year	-	-	-	(575)	-	-	46,813	9,615	55,853	(1,252)	54,601
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)
Allocation of fair value of Warrant to "Warrant Reserve"	-	-	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	-	-
As at 30 June 2013 (Unaudited)	1,445,033	(53,388)	16,707	(2,409)	-	44,981	(470,299)	895,515	1,876,140	3,294	1,879,434
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	-	-	-	(271)	-	-	(53,921)	955	(53,237)	84	(53,153)
Profit for the year	-	-	-	-	-	-	-	25,290	25,290	(1,222)	24,068
Total comprehensive income for the year	-	-	-	(271)	-	-	(53,921)	26,245	(27,947)	(1,138)	(29,085)
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
Share issue expenses	-	-	(2,138)	-	-	-	-	-	(2,138)	-	(2,138)
As at 30 June 2014 (Unaudited)	773,363	(53,397)	788,911	52	-	44,981	(361,792)	940,217	2,132,335	(1,294)	2,131,041

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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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE PERIOD ENDED**30 JUNE 2014****(Unaudited)**

	30.06.2014	30.6.2013
	RM	RM
	'000	'000
Cash flows from operating activities		
Profit before tax	43,022	5,739
Adjustments for:		
Amortisation of intangible assets	18,307	16,616
Depreciation	4,695	5,344
Interest expense	28,410	20,199
Interest income	(1,318)	(1,347)
Loss/(Gain) on foreign exchange-unrealised	(8,643)	11,290
(Gain)/Loss on disposal of property, plant and equipment	(3,169)	(868)
Share of loss of in associates and jointly-controlled entities	1,495	1,720
Change in fair value of forward contract	2,091	(1,070)
Property, plant and equipment written off	3	-
Reversal of impairment loss on doubtful debts	-	(1,165)
Reversal of impairment of other investment	(2,122)	-
Gain on disposal of other investment	(2,437)	-
Operating profit before working capital changes	<u>80,334</u>	<u>56,458</u>
(Increase)/Decrease in working capital:		
Inventories	7,150	1,600
Receivables, deposits and prepayments	(108,269)	6,058
Payables and accruals and long service leave liability	28,339	(14,733)
Cash used in operations		
Income taxes paid	(14,417)	(15,684)
Interest paid	(1,904)	(1,241)
Interest received	1,318	1,347
Net cash (used in) / generated from operating activities	<u>(7,449)</u>	<u>33,805</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,473)	(1,048)
Proceed from disposal of other investment	5,761	-
Acquisition of other intangible assets	(133)	(57)
Proceeds from issuance of share to minority interest	-	300
Proceeds from disposal of property, plant and equipment	11,732	1,135
Net cash generated from investing activities	<u>9,887</u>	<u>330</u>
Cash flows from financing activities		
Proceeds from issuance of shares	102,672	-
Share buy back	(7)	(3)
Net repayment of bill payable	(129,018)	(4,182)
Repayment of hire purchase liabilities	(7,319)	(2,260)
Net drawdown/ (repayment) of term loan and revolving credit	74,004	(18,625)
Net repayment of ICP/IMTN	-	(45,000)
Interest expenses	(26,505)	(18,962)
Share issue expenses	(2,138)	-
Net cash generated from / (used in) financing activities	<u>11,689</u>	<u>(89,032)</u>
Net increase / (decrease) in cash and cash equivalents	14,127	(54,897)
Cash and cash equivalents at beginning of period	261,587	185,440
Cash and cash equivalents at end of period	<u>275,714</u>	<u>130,543</u>
Cash and bank balances	226,276	123,572
Deposits with licensed banks	56,193	14,189
	<u>282,469</u>	<u>137,761</u>
Bank overdraft	(6,755)	(7,218)
	<u>275,714</u>	<u>130,543</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 June 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 periods 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 (4).

B. During the financial period ended 30 June 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 6 months ended 30.6.2014 RM'000	Gross Profit 6 months ended 30.6.2014 RM'000	EBITDA 6 months ended 30.6.2014 RM'000
Asia & Oceania	275,459	46,131	22,258
Europe	675,662	145,948	96,627
Americas	32,092	6,908	5,167
Continuing operations	983,213	198,987	124,052
Discontinued operations	-	-	-
	983,213	198,987	124,052

	Revenue 6 months ended 30.6.2013 RM'000	Gross Profit 6 months ended 30.6.2013 RM'000	EBITDA 6 months ended 30.6.2013 RM'000
Asia & Oceania	299,723	51,981	13,542
Europe	599,353	110,960	64,448
Americas	22,178	4,129	1,396
Continuing operations	921,254	167,070	79,386
Discontinued operations	2,456	276	(2,072)
	923,710	167,346	77,314

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 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).

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	70	23,125

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	816
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	196

(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 RM983.21 million, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of RM124.05 million and profit after tax and minority interest of RM25.29 million for the period ended 30 June 2014. Compared to the previous year corresponding period, the Group recorded a higher profit after tax and minority interest in this year was mainly due to better project contribution margin.

Asia & Oceanic Segment

This segment registered lower job progress recognition but with better project contribution margin.

Europe Segment

Europe's contribution remains positive with improved order book.

Americas Segment

Americas' contribution to the Group improved.

B2. Variation of results against preceding quarter

The Group's revenue of RM489.31 million for the quarter under review was lower by RM4.59 million against the immediate preceding quarter's revenue of RM493.90 million. Profit before taxation reported at RM19.77 million as compared to immediate preceding quarter's profit before taxation of RM23.25 million mainly due to higher other operating income was recognised in preceding quarter.

B3. Prospects

With the participation in Pengerang Integrated Complex ("PIC") (Formerly referred as "RAPID") project the Board is optimistic of the Group's financial performance for the remaining financial year.

- 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 Americas segment is expected to continue to improve.

B4. Profit forecast

Not applicable as no profit forecast was given.

B5. Tax expense

	3 months Ended 30.6.2014 RM'000	3 months Ended 30.6.2013 RM'000	6 months Ended 30.6.2014 RM'000	6 months Ended 30.6.2013 RM'000
Income Tax expense :-				
Current	8,708	7,186	14,682	8,874
Prior period	(43)	(7,425)	(707)	(9,306)
Deferred tax	675	(3,381)	4,979	(2,189)
	<u>9,340</u>	<u>(3,620)</u>	<u>18,954</u>	<u>(2,621)</u>

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”). TKS B 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 is currently ongoing.

- 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 (“Project”) in Malaysia and South East Asia (“Territory”) (hereinafter collectively referred to as “Business”). KNMI and CNI23 intends to invest in KNM-CIW Sdn Bhd [to be renamed “CNI Engineering & Construction Malaysia Sdn Bhd” assuming that Companies Commission of Malaysia’s approval is obtained] (“JVCO”) in cash on 70% (KNMI) : 30% (CNI23) basis and upon completion of the JVSHA, the paid up capital of JVCO shall be RM1,000,000.00 (“the Investment”).

The investment is still pending fulfillment of the conditions precedent as stated in the JVSHA.

- On 6 May 2014, the Company announced its intention to implement a private placement of up to 146,674,100 new ordinary shares of RM0.50 each in KNM (“KNM Shares”) to independent third party investor(s) to be identified at a later date. The additional listing application in connection with the Proposed Private Placement has been submitted to Bursa Malaysia Securities Berhad on 7 May 2014.

The approval from Bursa Malaysia Securities Berhad has been obtained on 14 May 2014 and the Company has fixed the issue price at RM0.70 per Placement Share to be issued pursuant to the Private Placement.

The aforementioned issue price of RM0.70 per Placement Share represents a discount of approximately 9.46% or RM0.0731 from the five (5)-day weighted average market price of KNM from 12 May 2014 to 19 May 2014 of approximately RM0.7731 per share.

The Proposed Private Placement exercise was completed following the listing of and quotation for 146,674,100 Placement Shares on the Main Market of Bursa Malaysia Securities Berhad with effect from 30 May 2014.

- 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	(34,120)	Within 6 months	11,106	24.6	-
Repayment of borrowings	55,000	(54,097)	Within 3 months	903	1.6	-
Estimated expenses relating to the Exercise	2,446	(1,968)	Within 1 month	478	19.5	To be reallocated to working capital
	102,672	(90,185)		12,487		

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)	387,370
Borrowings (unsecured)	59,575
Bank Overdraft	6,755
Bill Payable	67,302
Hire Purchase	11,006
Revolving credit	50,000
	<u>582,008</u>
Long term :	
Borrowings (secured)	276,536
Borrowings (unsecured)	7,624
Hire Purchase	18,561
	<u>302,721</u>
	<u>884,729</u>

Included in borrowings are certain borrowings denominated in foreign currency of RMB 20.00 million, EURO 89.38 million, CAD 6.10 million and USD 27.45 million.

The exchange rates used are 1 RMB = RM 0.5176, 1 EURO = RM 4.396, 1 CAD = RM 3.0092 and 1 USD = RM3.211.

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 June 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	278,544	(56)
-1 year to 3 years	-	-
- More than 3 years	-	-
	<hr/>	<hr/>
	278,544	(56)

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 30.6.2014 RM'000	3 Months ended 30.6.2013 RM'000	6 Months ended 30.6.2014 RM'000	6 Months ended 30.6.2013 Rm'000
(a)				
Profit for the period is arrived at after charging and crediting:				
Allowance / (Reversal) for impairment loss on doubtful debt	-	(1,320)	-	(1,165)
Bad debts written off	1,337	-	1,425	-
Net Loss / (Gain) on foreign exchange	(4,268)	5,146	(627)	7,180
Net Loss / (Gain) on derivative	2,410	(2,441)	2,091	(1,070)
Amortisation of intangible asset	9,055	8,236	18,307	16,616
Provision / (Reversal) for warranty	(361)	(72)	75	(107)
Provision / (Reversal) of late delivery charges	(765)	2,237	(518)	2,218
And crediting:				
Interest income	666	737	1,318	1,347
Gain on disposal of other investment	-	-	2,437	-
(b)				
Finance costs	14,413	10,580	29,265	21,475
(c)				
Depreciation charge for the period:				
Income statement	1,186	2,502	4,695	5,344
Construction work in progress	15,425	14,430	28,586	27,767
	<u>16,611</u>	<u>16,932</u>	<u>33,281</u>	<u>33,111</u>

B12. Realised and Unrealised Profit/Losses Disclosure

	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Total retained profit of KNM Group and its subsidiaries		
- Realised	645,156	621,697
- Unrealised	(149,504)	(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	(6,190)	(3,446)
- Unrealised	83	(1,358)
Add: Consolidation adjustments	450,676	445,093
Total Group retained profits as per consolidated accounts	<u>940,217</u>	<u>913,972</u>

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

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 is fixed for hearing on 24 September 2014.

2. 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 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 9 October 2014.

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 arbitration is ongoing.

B14. Dividend payable

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

B15. Earnings per share

	Individual Quarter		Cumulative Quarter	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Basic earnings per share				
Net Profit attributable to shareholders (RM'000)	11,118	7,391	25,290	9,615
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	26,742	-	26,742	-
Effect of Share Buy Back	(23,266)	(23,262)	(23,266)	(23,262)
Weighted average number of shares (‘000)	1,493,489	1,466,751	1,493,489	1,466,751
Basic earnings per share (sen)	0.74	0.50	1.69	0.66

B16. Authorisation for issue

The interim financial report was authorised for issue by the Board of Directors on 27 August 2014.