

Financial Results

Reference No **KG-031119-49628**

Company Name : **KNM GROUP BERHAD**
Stock Name : **KNM**
Date Announced : **19/11/2003**
Quarterly report for the financial period ended : **30/09/2003**
Quarter : **3**
Financial Year End : **31/12/2003**
The figures : **have not been audited**

Converted attachment :

Please attach the full Quarterly Report here:



KLSE Announcement_QE30.9.03_Notes-4(KLSE).rtf InterimFinancialReport30.9.03_5(KLSE).xls

Remark:

SUMMARY OF KEY FINANCIAL INFORMATION 30/09/2003

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/09/2003	30/09/2002	30/09/2003	30/09/2002
	RM'000	RM'000	RM'000	RM'000
1 Revenue	22,503	0	83,001	0
2 Profit/(loss) before tax	875	0	28,760	0
3 Profit/(loss) after tax and minority interest	906	0	27,026	
4 Net profit/(loss) for the period	906	0	27,026	0

5	Basic earnings/(loss) per share (sen)	4.65	0.00	118.18	0.00
6	Dividend per share (sen)	0.00	0.00	0.00	0.00

		AS AT END OF CURRENT QUARTER	AS AT PRECEDING FINANCIAL YEAR END
7	Net tangible assets per share (RM)	1.7400	0.0000

Note: For full text of the above announcement, please access KLSE Web site at www.klse.com.my

Remarks :

Notes to the quarterly Interim Financial Report – 30th September 2003

PART A: EXPLANATORY NOTES AS PER MASB 26

A1. Basis of preparation

The interim financial report is unaudited and prepared in compliance with the Malaysian Accounting Standards Board (MASB) Standard No. 26 “Interim Financial Reporting” and paragraph 9.22 of the Kuala Lumpur Stock Exchange Listing Requirements and should be read in conjunction with the Company’s audited annual financial statements for the year ended 31st December 2002.

The accounting policies and methods of computations adopted for the interim financial report are consistent with those adopted for the last annual audited financial statements except for the following adoption of MASB standards:-

1. MASB No.25 – Income Taxes

A2. Qualification of Annual Financial Statements

There were no audit qualifications on the annual financial statements of the Company for the year ended 31st December 2002.

A3. Seasonal and cyclical factors

The Group’s business operation results were not materially affected by any major seasonal or cyclical factors.

A4. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the period under review.

A5. Material changes in estimates

There were no material changes in estimates of amount reported in the current period under review except the following:

	<u>Pre-Acquisition Profit RM'000</u>		<u>Negative Goodwill RM'000</u>	
As previously reported	4,579		(22,009)	
Adjustment	(570)	*	1,318	**
As restated	<u>4,009</u>		<u>(20,691)</u>	

* *The pre-acquisition profit was overstated by RM0.57 million in previous announcement*

** *The effect arising from the correcting adjustments on pre-acquisition profit of RM0.57 million and on consolidated reserve of RM0.75 million.*

A6. Issuances and repayment of debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the period under review.

A7. Dividend Paid

No dividend was declared or paid during the period under review.

A8. Segment information

Segmental analysis of the revenue and result :-

Business Segment:	Revenue 9 months ended 30.09.2003 RM'000	Operating Profit 9 months ended 30.09.2003 RM'000
Process equipment	66,924	7,912
Terminals, refineries and process plant	14,485	1,821
Plant maintenance	1,592	200
	<u>83,001</u>	<u>9,933</u>

A9. Valuation of property, plant and equipment

Valuations for property, plant and equipment of the Group have been brought forward without amendment.

A10. Material events subsequent to the end of the interim period

There were no material events subsequent to the period under review.

A11. Changes in the composition of the Group

There were no material changes in the composition of the Group other than those already announced in previous quarter.

A12. Changes in contingent liabilities

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

A13. Capital commitments

	Approved and contracted for RM'000	Approved but not contracted for RM'000
Property, plant and equipment	222	4,000

A14. Related party transactions

Significant related party transactions for the period under review are as follows:

	RM '000
Inter Merger Sdn Bhd, holding company	
- Rental expense payable	677
- Administrative cost payable	258
Inter Merger Trading Sdn Bhd, a related company	
- Purchase of materials	698
I. M. Bina Sdn Bhd, a related company	
- Contracts billings payable	3,936
KNM-DP Fabricators Sdn Bhd, an associated company	
- Contracts billings payable	3,238
- Rental income receivable	360

A15. Comparison with preceding year's comparable results

As the financial statements of the Group are drawn up for the first time this year, no preceding year's quarter results are available for comparison purposes.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE KUALA LUMPUR STOCK EXCHANGE LISTING REQUIREMENTS

B1. Review of performance

The Group achieved revenue of RM 83.0 million and profit before tax of RM 28.8 million for the nine months ended 30 September 2003.

The Group achieved revenue of RM 22.5 million and profit before tax of RM 0.9 million for the current quarter ended 30 September 2003.

B2. Variation of results against preceding quarter

The group's restructuring exercise in conjunction with its listing on the Second Board of the Kuala Lumpur Stock Exchange was completed on 2 June 2003. As the interim financial report of the group for the current quarter ended 30 September 2003 are drawn up for the first time, no preceding quarter's results are available for comparison.

B3. Current year prospects

Barring any unforeseen circumstances and on the assumption that the current situation remains, the Board is cautiously optimistic that the Group's performance for the remaining months of this financial year will be reasonably good.

B4. Variance of actual and forecast profit

This is not applicable or required for the quarter under review under KLSE Listing Requirements Appendix 9B Part A Note 20.

B5. Tax expense

	3 months ended 30.9.2003 RM'000	9 months ended 30.9.2003 RM'000
Tax expense for the period:-		
Income tax	(31)	1,734
	<u>(31)</u>	<u>1,734</u>

The effective tax rate for the period under review was lower than the statutory income tax rate of 28% mainly due to the utilization of reinvestment allowance in certain subsidiaries.

B6. Unquoted investments and properties

The Group has not made or disposed any investments in any unquoted investments and properties during the quarter under review.

B7. Quoted and marketable investments

There were no investments or disposals in quoted and marketable securities made during the quarter under review.

B8. Status of corporate proposal announced

There was no corporate proposal announced but not completed as at the date of this announcement. The utilization of IPO proceeds was made as follows:-

	Total Proceeds RM'000	Utilised RM'000	Unutilised RM'000
Repayment of term loan	11,077	10,874	203
Capital expenditure	8,190	4,209	3,981
Listing expenses	1,500	1,620	(120)
Working capital	298	-	298
Total	<u>21,065</u>	<u>16,703</u>	<u>4,362</u>

B9. Group borrowings

The Group's borrowings as at the end of the quarter under review were as follows:

	RM '000
Short term borrowings: (Secured)	
Bank Overdraft	17,842
Bankers acceptance	32,564
Short term portion of term loan	4,861
Hire purchase liabilities	2,665
	<u>57,932</u>
Long term borrowings: (Secured)	
Term loan	11,819
Hire purchases liabilities	2,330
	<u>14,149</u>

The above inclusive of borrowing in foreign currency of RMB 36.0 million.

The Exchange rates used is 1 RMB = RM 0.459.

B10. Off balance sheet financial instrument

There was no material financial instrument with off balance sheet risk as at the end of the period under review other than the following.

Forward foreign exchange contracts expiring within one(1) year :-

Currency	Contract Amount'000	Equivalent Amount in RM'000
USD	649	2,468
CAD	1,381	3,837
EURO	99	412
		<u>6,717</u>

As forward foreign exchange contracts are entered into to hedge the Group's purchases in foreign currencies, the contracted rates would be used to convert the foreign currency amounts into Ringgit Malaysia. This method of hedging mitigates the Group from currency risks such that the values of the underlying liabilities or assets are preserved.

There are no significant credit and market risks posed by the above off balance sheet financial instruments.

B11. Changes in material litigation

KNM GROUP BERHAD
(Company No: 521348-H)

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

B12. Dividend payable

No interim or final dividend has been declared for the period ended 30 September 2003.

B13. Earnings per share

	3 months ended 30.9.2003 RM'000	9 months ended 30.9.2003 RM'000
(a) Basic		
Consolidated profit after taxation before negative goodwill	906	2,326
Consolidated profit after taxation after negative goodwill	906	23,017
Weighted average number of ordinary shares in issue ('000)	19,477	19,477

The calculation of basic earnings per share for the period is based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the quarter.

Weighted average number of ordinary shares	'000 units
Acquisition of subsidiaries on 2 May 2003	15,696
Effect of rights issue on 20 June 2003	1,729
Effect of public issue on 11 August 2003	1,237
Effect of private placement on 11 August 2003	<u>815</u>
Weighted average number of ordinary shares	19,477 =====

(b) Diluted

Not applicable.

B14. Authorisation for issue

The interim financial report was authorized for issue by the Board of Directors in accordance with a Board of Directors meeting on 19 November 2003

KNM GROUP BHD

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

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2003 (Unaudited)

1. CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

	As at 30.9.2003 RM'000
Property, plant and equipment	78,588
Current assets	
Inventories	6,967
Trade and other receivables	67,097
Cash and cash equivalents	10,116
	<u>84,180</u>
Current liabilities	
Trade and other payables	8,145
Borrowings	57,932
Provision for taxation	1,738
	<u>67,815</u>
Net current Asset	16,365
	<u>94,953</u>
Financed by:	
Capital and reserves	
Share capital	44,000
Share premium	9,631
Reserves	23,009
	<u>76,640</u>
Long term and deferred liabilities	
Borrowings	14,149
Deferred taxation	4,164
	<u>18,313</u>
	<u>94,953</u>
Net tangible assets per share (RM)	<u>1.74</u>

This is the second interim financial report on the consolidated results for the financial period ended 30 September 2003 announced by the Company in compliance with the Kuala Lumpur Stock Exchange ("KLSE") requirements. The accompanying explanatory notes attached should be read in conjunction with this interim financial report.

KNM GROUP BHD

(Company No:521348-H)

(Incorporated in Malaysia)

2. CONDENSED CONSOLIDATED INCOME STATEMENTS

(Unaudited)

	3 months ended 30.9.2003 RM'000	9 months ended 30.9.2003 RM'000
Contract revenue	22,503	83,001
Contract costs recognised as an expense	(17,917)	(63,267)
Gross profit	<u>4,586</u>	<u>19,734</u>
Non-operating expenses	-	-
Administration expenses	(3,618)	(10,026)
Other operating expenses	(477)	(1,502)
Other operating income	1,128	1,727
Operating profit	<u>1,619</u>	<u>9,933</u>
Financing costs	(821)	(2,001)
Interest income	77	137
Negative goodwill recognised	-	20,691
Profit before tax	<u>875</u>	<u>28,760</u>
Tax expense	31	(1,734)
Net profit for the period	<u>906</u>	<u>27,026</u>
Less: Pre-acquisition profit (Note A5)	-	(4,009)
Consolidated profit after tax	<u>906</u>	<u>23,017</u>
Earnings per share: (Note B13)		
- Before negative goodwill (Sen)	4.65	11.94
- After negative goodwill (Sen)	4.65	118.18

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KNM GROUP BHD

(Company No:521348-H)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 September 2003

(Unaudited)

	Capital RM'000	#	Share Premium RM'000	##	Distributable Reserve (Accumulated Loss) / Retained Profit RM'000	Total RM'000
At 1 January 2003	-	#	-		(8)	(8)
Rights issue	4,667		-		-	4,667
Acquisition of subsidiaries	28,253		4,313	##	-	32,566
Public issue	6,680		3,206		-	9,886
Private placement	4,400		2,112		-	6,512
Net profit for the period	-		-		23,017	23,017
At 30 September 2003	44,000		9,631		23,009	76,640

Comprised an issued and paid up capital of RM2.00 comprising 2 ordinary shares of RM1.00 each.

Share Premium is net of listing expenses of RM1,620,204

KNM GROUP BERHAD(Company No. 521348-H)
(Incorporated in Malaysia)**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED
30 September 2003**

(Unaudited)	RM 000
Cash flows from operating activities	
Profit before tax	23,480 **
Adjustments for:	
Depreciation	2,190
Interest expense	956
Interest income	(83)
Negative goodwill	(20,691)
Operating profit before working capital changes	<u>5,852</u>
(Increase)/Decrease in working capital:	
Inventories	(18)
Trade and other receivables	6,926
Trade and other payables	(5,167)
Cash used in operations	
Income taxes paid	(1,880)
Interest paid	(956)
Interest received	83
Net cash used in operating activities	<u>4,840</u>
Cash flows from investing activities	
Acquisition of subsidiary net of cash acquired	(Note A) 1,422
Purchase of property, plant and equipment	(8,163)
Net cash used in investing activities	<u>(6,741)</u>
Cash flows from financing activities	
Dividend paid	(2,880)
Repayment of hire purchase liabilities	(134)
Proceeds from issuance of shares	(Note B) 19,445
Repayment of borrowing	(22,256)
Net cash generated by financing activities	<u>(5,825)</u>
Net decrease in cash and cash equivalents	(7,726)
Cash and cash equivalents at beginning of year	- *
Cash and cash equivalents at end of year	<u>(7,726)</u>
cash & bank balances	5,117
deposits in the licensed bank	4,999
	10,116
bank overdraft	(17,842)
	<u>(7,726)</u>
* Comprise RM2.00 cash in hand	
** Consolidated Profit before taxation (As per income statement)	28,760
Less: Pre-acquisition profit (before taxation)	(5,280)
Post acquisition profit (before taxation)	<u>23,480</u>

Note A*Acquisition of KNM Process Systems Sdn Bhd Group (inclusive of KNM International Sdn Bhd)*

During the period, the group acquired KNMPS Sdn Bhd :-

	RM 000
Property, plant & equipment	72,614
Inventories	6,948
Receivables	74,024
Payables and accruals	(13,461)
Borrowings	(66,860)
Short term loan	(9,611)
Provision for taxation	(3,154)
Dividend payable	(2,880)
Deferred taxation	(2,260)
Cash and Bank	8,684
Bank Overdraft	(7,262)
Net assets acquired	<u>56,782</u>
Deferred taxation	(1,904)
Negative Goodwill on acquisition	(20,691)
Purchase consideration satisfied by issue of shares (Non cash)	<u>34,187</u>
Add : cash of the subsidiary companies acquired	1,422
Cash flow on acquisition net of cash acquired.	<u>1,422</u>

Note B

Proceeds from issuance of shares	21,065
Less: Listing expenses	(1,620)
	<u>19,445</u>