

# KNM GROUP BERHAD

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

## INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 MARCH 2009 (Unaudited)

### 1. CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)

	Individual Quarter		Cumulative Year to date	
	3 months ended 31.3.2009 RM'000	3 months ended 31.3.2008 RM'000	31.3.2009 RM'000	31.3.2008 RM'000
<b>Contract revenue</b>	<u>525,453</u>	<u>331,215</u>	<u>525,453</u>	<u>331,215</u>
<b>Operating profit</b>	151,124	64,433	151,124	64,433
Financing costs	(31,677)	(4,619)	(31,677)	(4,619)
Interest income	5,513	1,629	5,513	1,629
Goodwill written off	-	-	-	-
Share of profit/(loss) of jointly controlled entities	(14)	-	(14)	-
<b>Profit before tax</b>	<u>124,946</u>	<u>61,443</u>	<u>124,946</u>	<u>61,443</u>
Tax expense	(27,655)	(7,318)	(27,655)	(7,318)
<b>Net profit for the period</b>	<u>97,291</u>	<u>54,125</u>	<u>97,291</u>	<u>54,125</u>
Attributable to:				
Equity holders of the parent	98,449	54,125	98,449	54,125
Minority interest	<u>(1,158)</u>	<u>-</u>	<u>(1,158)</u>	<u>-</u>
	<u>97,291</u>	<u>54,125</u>	<u>97,291</u>	<u>54,125</u>
Earnings per share:				
- Basic (sen)	2.51	1.47	2.51	1.47
- Diluted (sen)	2.50	1.46	2.50	1.46

The notes set out on pages 5 to 14 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 )

**2. CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	NOTE	As at 31.3.2009	As at 31.12.2008
		RM'000	RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible Assets		815,315	845,806
Goodwill		914,055	928,168
Property, plant and equipment		750,319	734,655
Other investment		5,348	4,932
Prepaid lease payments		18,566	18,022
Deferred Tax Asset		34,467	36,351
		<u>2,538,070</u>	<u>2,567,934</u>
<b>Current assets</b>			
Inventories		80,774	97,166
Contracts work in progress		583,487	616,548
Trade and other receivables		679,588	634,620
Cash and cash equivalents		525,537	516,303
		<u>1,869,386</u>	<u>1,864,637</u>
<b>TOTAL ASSETS</b>		<u>4,407,456</u>	<u>4,432,571</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		994,475	989,610
Treasury Shares		(23,989)	(21,006)
Reserves		833,248	845,289
		<u>1,803,734</u>	<u>1,813,893</u>
<b>Minority interest</b>		5,933	6,224
<b>Total Equity</b>		<u>1,809,667</u>	<u>1,820,117</u>
<b>Non-current liabilities</b>			
Long term payable		30,378	30,672
Long service leave liability		2,686	2,514
Loans and borrowings	B9	772,567	296,722
Deferred taxation		394,397	429,361
		<u>1,200,028</u>	<u>759,269</u>
<b>Current liabilities</b>			
Payables and accruals		520,182	540,509
Customers advance for contract work in progress		155,983	162,102
Loans and borrowings	B9	684,254	1,133,667
Current tax liabilities		37,342	16,907
		<u>1,397,761</u>	<u>1,853,185</u>
<b>Total liabilities</b>		<u>2,597,789</u>	<u>2,612,454</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,407,456</u>	<u>4,432,571</u>
Net assets per share attributable to equity holders of the parent (RM)		<u>0.45</u>	<u>0.46</u>

The notes set out on pages 5 to 14 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 2009**

(Unaudited)

	← 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	Revaluation and Other Reserve RM'000	(Accumulated Loss) / Retained Profit RM'000	Total RM'000		
<b>As at 1 January 2008</b>	261,646	-	571	(8,112)	301,365	555,470	199	555,669
Acquisition of equity interest in subsidiary	-	-	-	-	-	-	6,327	6,327
Acquisition of minority interest	-	-	-	-	-	-	(199)	(199)
Issue of shares pursuant to:								
- ESOS	2,682	-	1,558	-	-	4,240	-	4,240
- Bonus issue	659,348	-	(659,348)	-	-	-	-	-
Rights Issue	65,934	-	989,010	-	-	1,054,944	-	1,054,944
Share Buy Back	-	(21,006)	-	-	-	(21,006)	-	(21,006)
Expenses not recognised in income statement								
-Share issue expenses	-	-	(13,221)	-	-	(13,221)	-	(13,221)
Share-based payments	-	-	-	565	-	565	-	565
Transfer to share premium for share options exercised	-	-	569	(569)	-	-	-	-
Reduction of deferred tax liabilities arising from changes in deferred tax rate used	-	-	-	470	-	470	-	470
Currency translation differences arising in the period	-	-	-	(72,887)	-	(72,887)	48	(72,839)
Net Profit for the period	-	-	-	-	336,383	336,383	(151)	336,232
Dividend paid	-	-	-	-	(31,065)	(31,065)	-	(31,065)
<b>As at 31 December 2008</b>	<b>989,610</b>	<b>(21,006)</b>	<b>319,139</b>	<b>(80,533)</b>	<b>606,683</b>	<b>1,813,893</b>	<b>6,224</b>	<b>1,820,117</b>
Issue of shares pursuant to:								
- ESOS	4,865	-	-	-	-	4,865	-	4,865
Share Buy Back	-	(2,983)	-	-	-	(2,983)	-	(2,983)
Transfer to share premium for share options exercised	-	-	34	(34)	-	-	-	-
Currency translation differences arising in the period	-	-	-	(57,894)	-	(57,894)	867	(57,027)
Net Profit for the period	-	-	-	-	98,449	98,449	(1,158)	97,291
Dividend paid	-	-	-	-	(52,596)	(52,596)	-	(52,596)
<b>As at 31 March 2009</b>	<b>994,475</b>	<b>(23,989)</b>	<b>319,173</b>	<b>(138,461)</b>	<b>652,536</b>	<b>1,803,734</b>	<b>5,933</b>	<b>1,809,667</b>

# KNM GROUP BERHAD

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 March 2009

(Unaudited)

	31.3.2009	31.12.2008
	RM	RM
	'000	'000
Net cash (used in)/generated from operating activities	71,739	174,336
Net cash used in investing activities	(16,731)	(1,766,465)
Net cash generated from financing activities	(45,730)	2,010,049
Net increase in cash and cash equivalents	9,278	417,920
Cash and cash equivalents at beginning of year	516,153	98,233
Cash and cash equivalents at end of year	<u>525,431</u>	<u>516,153</u>
Cash & bank balances	321,921	361,024
Deposits with financial institutions	14,875	26,078
Deposits with licensed banks	188,741	129,201
	<u>525,537</u>	<u>516,303</u>
Bank overdraft	(106)	(150)
	<u>525,431</u>	<u>516,153</u>

The notes set out on pages 5 to 14 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 2009**

**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 FRS 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 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2008.

**A2. Significant Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

At the date of authorisation of these interim financial statements, the following FRSs and interpretations were issued but not yet effective and have not been applied by the Group:

FRSs and Interpretations		Effective for financial periods beginning on or after
FRS 4	Insurance Contract	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The adoption of the above FRSs and Interpretations upon their effective dates are not expected to have any significant impact on the interim financial statements of the Group. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon its initial application of FRS 139.

**A3. Qualification of annual financial statements**

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 December 2008.

**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 2009	300,000
ICP/IMTN drawdown	-
Balance of ICP/IMTN outstanding as at 31 March 2009	<u>300,000</u>

As at 31 March 2009, the amount outstanding for Islamic Commercial Papers ("ICP")/Islamic Medium Term Notes ("IMTN") is RM300.0 million out of the limit of RM300.0 million, mainly used for repayment of bank borrowings and working capital. 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. Options relating to 15,127,200 and 5,034,080 ordinary shares of RM0.50 each were granted to eligible employees on 25 August 2004 and 7 December 2005 at an option price of RM1.63 and RM2.88 per share respectively with expiry date on 24 August 2009 pursuant to the Company's Employees' Share Option Scheme (ESOS). On 27 March 2008, an option of 300,000 ordinary shares of RM0.25 each was granted to a Non-Executive Director at an option price of RM4.58 pursuant to the Company's Employees' Share Option Scheme (ESOS). At the date of this report, 32,780,400 shares were exercised and total number of unexercised share options is 13,446,260. After taking into account these new shares allotted, the issued and paid up shares of the Company increased to 3,991,220,375.

C. As at the date of this report, the Company has repurchased a total 44,579,500 of its issued shares capital from the open market. The average price paid for the shares repurchased was RM0.54 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**

An interim ordinary dividend of 1 sen per share less tax at 25% totaling RM29,524,538 (0.75 sen net per share) and 0.5 sen per share tax exempt totaling RM19,683,029 in respect of the year ended 31 December 2008 was paid on 18 March 2009.

**A9. Segment information**

Segmental analysis of the revenue and result:-

Business Segment:	<b>Revenue</b>	<b>Operating Profit</b>
	3 months ended 31.3.2009 RM'000	3 months ended 31.3.2009 RM'000
Process equipment	525,137	151,051
Others	316	73
	<u>525,453</u>	<u>151,124</u>

Geographical segments:	<b>Revenue</b>	<b>Operating Profit</b>
	3 months ended 31.3.2009 RM'000	3 months ended 31.3.2009 RM'000
Asia & Oceania	158,015	92,149
Europe & America	367,438	58,975
Total	<u>525,453</u>	<u>151,124</u>

**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 other than those disclosed under item no. B8.

**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.

**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	13,480	73,126
Investment	-	-
	<u>13,480</u>	<u>73,126</u>

**A15. Related party transactions**

Significant related party transactions for the financial period to date are as follows:

	RM '000
Inter Merger Sdn Bhd *	
- Office rental, related charges and administrative expense	450

\* a company in which,  
*Mr. Lee Swee Eng and Madam Gan Siew Liat are directors*

I.M.Bina Sdn Bhd **	
-General construction and civil works	1,422

Inter Merger Trading Sdn Bhd **	
-Supply of production materials and fixed assets	-

\*\* a company in which *Inter Merger Sdn Bhd is the holding company*

Tofield Realty Development Corporation ***	
- General and civil contractor and provider of staff accomodation	321

\*\*\* a wholly-owned subsidiary of *Asiavertek, of which Mr. Lee Swee Eng and Madam Gan Siew Liat are directors and shareholders*

Nassir Hazza ****	
- General construction, civil and related mechanical and engineering work	1,107

\*\*\*\* Nassir Hazza is an entity controlled by Mohammed Nassir Hazza Al Fehaid Al Subaei, a director of KNM Saudi Limited Co



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

**B1. Review of performance**

The Group achieved revenue of RM525.45 million, profit before tax and minority interest of RM124.95 million and EBITDA (Earning Before Interest, Tax, Depreciation and Amortisation) of RM178.69 million for the current period ended 31 March 2009. The increase is due to contribution from the newly acquired Borsig in June 2008.

**B2. Variation of results against preceding quarter**

The Group's revenue of RM525.45 million and net profit before taxation and minority interest of RM124.95 million for the first quarter ended 31 March 2009 were lower by 38.32% and 19.36% to fourth quarter's revenue of RM851.93 million and net profit before taxation and minority interest of RM154.95 million respectively. The lower revenue is due to the global slowdown and lower order intake. The decrease in net profit before taxation and minority interest was mainly due to lower revenue being recognized.

**B3. Current year prospects**

The Board is confident that the Group's results for the year 2009 will continue to be profitable.

**B4. Profit forecast**

Not applicable as no profit forecast was given.

**B5. Tax expense**

	<b>3 months ended 31.3.2009 RM'000</b>	<b>3 months ended 31.3.2008 RM'000</b>
Income Tax expense :-		
Current	55,664	4,188
Deferred tax	(28,009)	3,130
	<u>27,655</u>	<u>7,318</u>

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) KNM Group Berhad had on 4 February 2008 announced its proposal to *inter alia* undertake the following exercise:-

- (a) Proposed issuance of up to United States of America Dollar (“USD”)350 million (or its Euro Dollar or Malaysia Ringgit equivalent) Bonds, exchangeable into new KNM Shares (“exchangeable bonds”) (“Proposed Exchangeable Bonds Issue”).

The Proposed Exchangeable Bonds Issue which was duly approved by Company’s shareholders and Securities Commission (SC) in April 2008 and May 2008 respectively and now further extended by SC to 29 November 2009. However, the Board has deferred its implementation in lieu of taking the long term loan from Maybank.

- (2) KNM had on 30 May 2006 entered into a Memorandum of Agreement (MOA) with Sofinter to set out the commercial terms by which the parties propose to enter into joint ventures in respect of the Boiler Business which will involve the incorporation of a joint venture company in Malaysia (MJVCO) and a joint venture company in China (CJVCO).

No Joint Venture Agreement have been finalized due to the restructuring of Sofinter.

**KNM GROUP BERHAD**  
**( Company No: 521348-H)**

(3) The utilisation of rights issue proceeds are as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Intended Time Frame	Explanation
Potential strategic acquisition and/or working capital purposes	1,024,944	(1,024,944)	-	12 months	N/A
Defray estimated expenses for the Right Issue, Bonus Issue and Exchangeable Bond Issue	30,000	(30,000)	-	Immediately	N/A
Total	<u>1,054,944</u>	<u>(1,054,944)</u>	-		

The proceeds have been fully utilised.

**B9. Group borrowings and debt securities**

The Group's borrowings as at the end of the reporting period were as follows:

	<b>RM'000</b>
<b>Short term:</b>	
Borrowings (secured)	242,021
Borrowings (unsecured)	124,896
ICP/IMTN	150,000
Bank Overdraft	106
Bill Payable	166,245
Hire Purchase	986
	<u>684,254</u>
<b>Long term :</b>	
Borrowings (secured)	515,863
Borrowings (unsecured)	96,420
IMTN	150,000
Hire Purchase	10,284
	<u>772,567</u>
	<u>1,456,821</u>

The above are also inclusive of other borrowings in foreign currency of RMB43.25 million, EURO43.26 million ,CND15.26 million and BRL7.27 million.

The Exchange rates used are 1 RMB = RM 0.5349, 1 EURO = RM4.8225, 1CND=RM2.9238 and 1BRL=RM1.5817

**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.

As at the end of the reporting period, followings are the available foreign exchange contracts :-

Currency	Contracted Amount '000	Equivalent Amount in RM'000
USD	84,980	276,966
GBP	275	1,552
EURO	49,674	252,898
SGD	1,403	3,401
AUD	461	1,092
JPY	44,070	1,691
RM	1,582	1,643
CAD	21,725	74,514
		<u>613,757</u>

Operation foreign exchange exposure on asset and liabilities are hedged accordingly on timely basis to protect its underlying values.

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

**B11. Material litigation**

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

**B12. Dividend payable**

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

**KNM GROUP BERHAD**  
**( Company No: 521348-H)**

**B13. Earnings per share**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31 March 2009</b>	<b>31 March 2008</b>	<b>31 March 2009</b>	<b>31 March 2008</b>
<b>(a) Basic earnings per share</b>				
Net Profit attributable to shareholders (RM'000)	98,449	54,125	98,449	54,125
Number of shares at the beginning of the period ('000)	3,921,805	1,046,583	3,921,805	1,046,583
Effect of ESOS ('000)	5,195	1,399	5,195	1,399
Effect of Bonus issue ('000)	-	2,637,394	-	2,637,394
Effect of Share Buy Back	(2,970)		(2,970)	
Weighted average number of shares ('000)	<u>3,924,030</u>	<u>3,685,376</u>	<u>3,924,030</u>	<u>3,685,376</u>
Basic earnings per share (sen)	2.51	1.47	2.51	1.47

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31 March 2009</b>	<b>31 March 2008</b>	<b>31 March 2009</b>	<b>31 March 2008</b>
<b>(b) Diluted earnings per share</b>				
Net Profit attributable to shareholders (RM'000)	98,449	54,125	98,449	54,125
Weighted average number of shares as per above ('000)	3,924,030	3,685,376	3,924,030	3,685,376
Number of shares under ESOS ('000)	26,786	21,672	26,786	21,672
Number of shares would have been issued at fair value('000)	(16,122)	(2,516)	(16,122)	(2,516)
Weighted average number of shares - diluted ('000)	<u>3,934,694</u>	<u>3,704,532</u>	<u>3,934,694</u>	<u>3,704,532</u>
Fully diluted earnings per share (sen)	2.50	1.46	2.50	1.46

The comparative basic and diluted earnings per share have been restated to take into account the effects of bonus issue.

**B14. Authorisation for issue**

The interim financial report was authorised for issue by the Board of Directors on 28 May 2009.