

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of financial position

As At 31 March 2013

	At 31 March 2013 RM'000	At 31 December 2012 (audited) RM'000	At 31 December 2011 (audited) RM'000
Assets			
Property, plant and equipment	27,222	27,762	17,758
Investment properties	77,389	77,559	63,580
Investment in associate	2,000	2,000	2,000
Deferred tax assets	2,477	2,810	3,189
Total non-current assets	109,088	110,131	86,527
Inventories	31,825	28,720	36,979
Trade and other receivables	165,225	155,419	109,711
Current tax assets	1,513	707	10
Cash and cash equivalents	51,513	61,977	105,142
Total current assets	250,076	246,823	251,842
Total assets	359,164	356,954	338,369
Equity			
Share capital	99,645	99,645	99,645
Share premium	22,693	22,693	22,693
Retained earnings	131,652	130,492	119,141
Total equity attributable to equity holders of the Company	253,990	252,830	241,479
Liabilities			
Borrowings	1,849	1,481	549
Deferred tax liabilities	2,876	2,876	2,279
Total non-current liabilities	4,725	4,357	2,828
Trade and other payables	81,160	84,950	81,466
Borrowings	17,458	13,348	779
Current tax payable	1,831	1,469	11,817
Total current liabilities	100,449	99,767	94,062
Total Liabilities	105,174	104,124	96,890
Total equity and liabilities	359,164	356,954	338,369
Net assets per share (RM)	2.5489	2.5373	2.4234

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of comprehensive income

For the financial period ended 31 March 2013

	Current 3 months ended 31 March		Cumulative 3 months ended 31 March	
	2013 RM'000	2012 (restated) RM'000	2013 RM'000	2012 (restated) RM'000
Continuing operations				
Revenue	53,523	19,848	53,523	19,848
Cost of sales	(47,727)	(15,015)	(47,727)	(15,015)
Gross profit	5,796	4,833	5,796	4,833
Other income	126	4,908	126	4,908
Administrative expenses	(3,362)	(2,335)	(3,362)	(2,335)
Results from operating activities	2,560	7,406	2,560	7,406
Interest income	243	368	243	368
Interest expense	(251)	(42)	(251)	(42)
Profit before tax	2,552	7,732	2,552	7,732
Taxation	(1,392)	(1,153)	(1,392)	(1,153)
Profit after taxation / Total comprehensive income for the period	<u>1,160</u>	<u>6,579</u>	<u>1,160</u>	<u>6,579</u>
Total comprehensive income attributable to:				
Owners of the Company	1,160	6,579	1,160	6,579
Minority interest	-	-	-	-
Total comprehensive income for the period	<u>1,160</u>	<u>6,579</u>	<u>1,160</u>	<u>6,579</u>
Earnings per share attributable to equity holders of the parent				
EPS - Basic (sen)	<u>1.16</u>	<u>6.60</u>	<u>1.16</u>	<u>6.60</u>
EPS - Diluted (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)**Condensed consolidated statement of changes in equity
For the financial period ended 31 March 2013**

	Attributable to the Equity Holders of the Parent				Minority interest RM'000	Total Equity RM'000
	Non-distributable Share capital RM'000	Share premium RM'000	Distributable Retained profits RM'000	Total RM'000		
At 1 January 2013 (Restated)	99,645	22,693	130,492	252,830	-	252,830
Total comprehensive income for the period	-	-	1,160	1,160	-	1,160
At 31 March 2013 (Restated)	<u>99,645</u>	<u>22,693</u>	<u>131,652</u>	<u>253,990</u>	<u>-</u>	<u>253,990</u>
At 1 January 2012 (Restated)	99,645	22,693	119,141	241,479	-	241,479
Total comprehensive income for the period	-	-	6,579	6,579	-	6,579
At 31 March 2012 (Restated)	<u>99,645</u>	<u>22,693</u>	<u>125,720</u>	<u>248,058</u>	<u>-</u>	<u>248,058</u>

(The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of cash flows

For the financial period ended 31 March 2013

	31 March 2013	31 March 2012 (restated)
	RM'000	RM'000
<i>Cash flows from operating activities</i>		
Profit before tax	2,552	7,732
Adjustments for:		
Depreciation of property, plant and equipment	1,254	1,297
Depreciation of investment property	176	162
Gain on disposal of plant and equipment	-21	-4,817
Interest expense	251	42
Interest income	-243	-368
Operating profit before changes in working capital	<u>3,969</u>	<u>4,048</u>
Changes in working capital:		
Inventories	-3,104	1,069
Receivables, deposits and prepayments	-9,805	929
Payables and accruals	-3,788	-7,928
Cash used in operations	<u>-12,728</u>	<u>-1,882</u>
Income taxes paid	-1,505	-7,977
Net cash used in operating activities	<u><u>-14,233</u></u>	<u><u>-9,859</u></u>
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment	-206	-12,969
Acquisition of investment property	-7	0
Interest received	243	368
Deposits released from /(pledged to) licensed banks	-53	7,712
Proceeds from disposal of plant and equipment	131	7,739
Net cash generated from investing activities	<u>108</u>	<u>2,850</u>
<i>Cash flows from financing activities</i>		
Interest paid	-251	-42
Proceeds from/(repayment of) borrowings	4,000	0
Repayment of finance lease liabilities	-150	-299
Net cash generated from / (used in) financing activities	<u>3,599</u>	<u>-341</u>
Net decrease in cash and cash equivalents	-10,526	-7,350
Cash and cash equivalents at beginning of period	54,773	90,363
Cash and cash equivalents at end of period	<u>44,247</u>	<u>83,013</u>
Cash & bank balance	18,269	11,878
Deposits with licensed banks (excluding deposits pledged)	25,986	71,161
Bank Overdraft	-8	-26
	<u>44,247</u>	<u>83,013</u>

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)

Notes to the interim financial report – 31 March 2013

A MFRS 134 – Interim Financial Reporting

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements are to be read in conjunction with the audited financial statements for the year ended 31 December 2012. The 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 financial year ended 31 December 2012.

The accounting policies, method of computation and basis of consolidation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2012 except for the following :-

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, *Presentation of Financial Statements – Presentations of Items of Other Comprehensive Income*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interest 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)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- 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*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- 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, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures*

The initial application the new MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012 and 1 January 2013 is not expected to have any material financial impacts to the Group's consolidated financial statements of the current and prior periods financial statements upon their first adoption.

Significant Accounting Policies

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards.

The MFRS is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein referred to as ‘Transitioning Entities’).

Transitioning Entities will be allowed to defer adoption of the new MFRS for an additional one year, i.e. to annual periods beginning on or after 1 January 2014 after which the MFRS will become mandatory.

The Group falls within the definition of Transitioning Entities. However the Group has not opted for defer adoption of the New MFRS to 1 July 2014 and instead choose for earlier adoption on the financial year ended 31 December 2012. The earlier adoption will not have material impact on the Group’s except for:-

- i) IC Interpretation 15 Agreements for Construction of Real Estate (IC15).

IC Interpretation 15 supersedes the existing FRS 201₂₀₀₄, Property Development Activities and provides guidance on how to account for revenue from construction of real estate. The adoption of IC Interpretation 15 will result in change of accounting policy which recognition of revenue from the property development activities of the Group will be changed from the percentage of completion method to the completed method.

The financial statements for financial year end 31 December 2012 are the Group first financial statements prepared in accordance with MFRS. MFRS 1- First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS”) has been applied. As a result of the adoption of IC Interpretation 15, the development revenue and development cost recognised based on the percentage of completion method previously have now been recognised based on the completed method in financial year ended 31 December 2012.

There was a deviation of 29.8% between the Group’s audited profit after tax for the financial year ended 31 December 2012 and the Group’s unaudited profit after tax for the fourth quarter results ended 31 December 2012 which was announced on 28 February 2012. The deviation is mainly attributable to mis-interpretation of the revenue recognition rule as per IC Interpretation 15. As of 31 December 2012, one of the Group’s property development projects had been physically completed and letters from the authorities had given support for the application of the Certificate of Completion and Compliance (“CCC”). However, the control of these completed property units have not been transferred to the purchaser. The Group had subsequently obtained the CCC dated 29 March 2013 and vacant possession has been delivered to purchaser. Accordingly, the profits from this project will be recognised in the following financial year ending 31 December 2013. The corresponding tax adjustment in respect of taxation effect on the said deviation in profits amounts RM2.711 million. The impact of this deviation and other audit adjustments are as follow:

- a) Reconciliation of Comprehensive Income for the quarter and period ended 31 March 2012

	As previously reported 31 March 2012 RM’000	Effects of transition to MFRSs RM’000	As restated 31 March 2012 RM’000
Revenue	20,256	(408)	19,848
Profit before tax	7,916	(184)	7,732
Tax expense	(1,199)	46	(1,153)

b) Reconciliation of Comprehensive Income for the quarter ended 31 December 2012

	As previously reported 31 December 2012 RM'000	Audit Adjustments RM'000	Effects of transition to MFRSs RM'000	As restated 31 December 2012 RM'000
Revenue	105,095	-	(15,824)	89,271
Profit before tax	16,857	1,119	(7,501)	10,475
Tax expense	(8,387)	256	1,924	(6,207)

c) Reconciliation of Statement of Financial Position as at 31 December 2012

	As previously reported 31 December 2012 RM'000	Audit Adjustments RM'000	Effects of transition to MFRSs RM'000	As audited RM'000
Property, plant and development	26,149	1,613	-	27,762
Investment property	41,473	-	36,086	77,559
Land held for property development	41,945	-	(41,945)	-
Deferred tax assets	35	113	2,662	2,810
Property development cost	11,409	-	(11,409)	-
Inventories	2,273	-	26,447	28,720
Trade and other receivables	154,809	611	-	155,420
Current tax assets	443	264	-	707
Retained profit	137,057	1,917	(8,482)	130,492
Deferred tax liabilities	(2,788)	(88)	-	(2,876)
Current tax payable	(1,485)	16	-	(1,469)
Payable and accruals	(64,016)	(611)	(20,323)	(84,950)

A2 Auditors' report

There was no qualification on the audited report of the Group's preceding annual financial statements.

A3 Seasonal or cyclical factors

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A4 Unusual items due to their nature, size or incidence

There were no unusual items for the period ended 31 March 2013.

A5 Changes in estimates

Not applicable.

A6 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and 3 months ended 31 March 2013.

A7 Dividends paid

No dividend was paid for the current quarter and 3 months ended 31 March 2013.

A8 Segmental information

Segmental information is presented in respect of the Group's business segment. Inter-segment pricing is determined based on negotiated terms.

	3 months ended 31 March 2013 Revenue RM '000	3 months ended 31 March 2012 Revenue (restated) RM '000	3 months ended 31 March 2013 Profit before tax RM '000	3 months ended 31 March 2012 Profit before tax (restated) RM '000
Trading and services	48,206	14,793	2,858	3,716
Property development	3,586	1,522	1,662	(155)
Construction	4,225	5,975	(1,336)	4,159
Investment Property	206	193	(125)	(56)
	<hr/>	<hr/>	<hr/>	<hr/>
	56,223	22,483	3,059	7,664
Inter-segment eliminations	(2,700)	(2,635)	-	(116)
Unallocated income	-	-	243	368
Unallocated expenses	-	-	(750)	(184)
	<hr/>	<hr/>	<hr/>	<hr/>
	53,523	19,848	2,552	7,732
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

A9 Valuation of property, plant and equipment

Valuation of property, plant and equipment has been brought forward, without amendment from the preceding annual financial statements.

A10 Event subsequent to the balance sheet date

On 5 March 2013, the Group entered into a sale and purchase agreement to dispose a land measuring approximately 43,560sf for a cash consideration of RM4,268,880.

A11 Changes in composition of the Group

There were no changes in the composition of the Group for the quarter and 3 months ended 31 March 2013.

A12 Changes in contingent liabilities

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	As at 31 March 2013 RM'000
Guarantees and contingencies relating to Borrowings of subsidiaries (unsecured)	- =====

A13 Significant Related Party Transactions

The group has significant related party transactions with companies in which certain directors of the Company have interest, as follows:-

	3 months ended 31 March 2013 RM'000
With companies in which certain Directors of the Company, have interests:	
Aramijaya Sdn Bhd	827
Danga Bay Sdn Bhd	1,470
Ekovest Construction Sdn Bhd	4,732
Pembinaan KS Tebrau Sdn Bhd	1,118
Rampai Fokus Sdn Bhd	719
Tebrau Bay Constructions Sdn Bhd	999

B Bursa Malaysia listing requirements – Revised Part A of Appendix 9B

B1 Detailed analysis of the performance of all operating segment of the Group

The Group recorded a turnover of RM53.523 million and profit before tax of RM2.552 million for the 3 months ended 31 March 2013 as compared to turnover of RM19.848 million (restated) and profit before tax of RM7.732 million (restated) for the preceding year corresponding period.

Performance of the respective operating business segments for the 3 months ended 31 March 2013 as compared to the preceding year corresponding period are analysed as follows :-

Trading and services

Despite an increase in revenue, the profit before tax were lower as the preceding corresponding quarter results included gain on disposal of certain plants and equipments with low book carrying value.

Property development

The increase in revenue and profit before tax were mainly due to sales of certain units of completed products.

Construction

The division recorded a loss before tax mainly due to works done on contracts with lower profit margin and maintenance cost incurred for the Coastal Highway Projects during their defect liability period.

Investment property

Despite a marginal increase in revenue, the loss recorded by this division was higher mainly due to repair and maintenance cost incurred for certain units of the Group investment properties.

B2 Comparison with preceding quarter results

For the quarter under review, the Group recorded a profit before taxation of RM2.552 million on a turnover of RM53.523 million as compared to a profit before taxation of RM10.475 million (restated) on a turnover of RM89.271 million (restated) for the preceding quarter. The decrease in revenue and profit before tax were mainly due to the completion of the Coastal Highway Projects in the preceding quarter. Moreover, the preceding quarter results were inclusive of MFRS's adjustments for development revenue and profit before tax which have been recognised in the prior year based on percentage of completion to completed method.

B3 Prospects

The outlook for the construction and development industry whereby the Group business substantially relies on remains competitive and challenging. Nevertheless, the Board will continue to look into other development plans and will continue to tender for new potential projects especially from the Government sector in order to maintain satisfactory results.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 31 March 2013 RM '000	3 months ended 31 March 2013 RM '000
Current provision	1,060	1,060
Under provision in prior year	-	-
Deferred tax	332	332
	<hr/>	<hr/>
	1,392	1,392

The Group's effective tax rate for the current quarter and year ended 31 March 2013 is higher than the prima facie tax rate mainly due to the losses incurred by certain subsidiaries and disallowable expenses.

B6 Corporate proposals

There were no corporate proposals announced or pending completion as at the date of this report.

B7 Group borrowings

	As at 31 March 2013 RM '000
Current:	
Bank overdraft	8
Revolving credit	16,800
Finance lease liabilities	650
	<hr style="border-top: 1px solid black;"/>
	17,458
	<hr style="border-top: 1px solid black;"/>
Non-current:	
Finance lease liabilities	1,849
	<hr style="border-top: 1px solid black;"/>

B8 Changes in material litigations.

Neither the Company nor its subsidiaries is engaged in any material litigation claims or arbitration, either as a plaintiff or defendant, and the Directors are not aware of any proceedings, pending or threatened against the Company and its subsidiaries or any fact likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company and its subsidiaries.

B9 Dividends declared

No interim dividend has been declared for the current quarter ended 31 March 2013.

B10 Earnings per share

	Current quarter ended 31 March 2013	Preceding year corresponding quarter ended 31 March 2012 (restated)	Cumulative 3 months ended 31 March 2013	Cumulative 3 months ended 31 March 2012 (restated)
	RM '000	RM '000	RM '000	RM '000
Earnings	1,160	6,579	1,160	6,579
Issued ordinary shares at beginning of period	99,645	99,645	99,645	99,645
Effect of shares issued for the period	-	-	-	-
Weighted average number of shares at end of period	99,645	99,645	99,645	99,645
Basic earning per ordinary shares (sen)	1.16	6.60	1.16	6.60
Diluted earning per ordinary shares (sen)	N/A	N/A	N/A	N/A

B11 Notes to the statement of comprehensive income

	Current quarter ended 31 March 2013 RM'000	3 months ended 31 March 2013 RM'000
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(243)	(243)
Other income	(126)	(126)
Interest expense	251	251
Depreciation	1,430	1,430

B12 Realised and Unrealised Profits/Losses

The retained earnings are analysed as follows:-

	As at 31 March 2013 RM'000	As at 31 December 2012 (restated) RM'000
Realised gain	180,104	181,298
Unrealised gain	1,300	966
	<hr/> 181,404	<hr/> 182,264
Less: Consolidated adjustments	(49,752)	(51,772)
Total Group retained earnings as per consolidated accounts	<hr/> <hr/> 131,652	<hr/> <hr/> 130,492

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysia Institute of Accountants on 20 December 2010.