

# KNUSFORD BERHAD (380100-D)

## Condensed consolidated statement of financial position

As At 30 June 2013

	At 30 June 2013  RM'000	At 31 December 2012 (audited) RM'000
<b>Assets</b>		
Property, plant and equipment	25,967	27,762
Investment properties	77,218	77,559
Investment in associate	2,000	2,000
Deferred tax assets	481	2,810
<b>Total non-current assets</b>	<b>105,666</b>	<b>110,131</b>
Inventories	27,470	28,720
Trade and other receivables	262,675	155,419
Current tax assets	2,820	707
Cash and cash equivalents	24,819	61,977
<b>Total current assets</b>	<b>317,784</b>	<b>246,823</b>
<b>Total assets</b>	<b>423,450</b>	<b>356,954</b>
<b>Equity</b>		
Share capital	99,645	99,645
Share premium	22,693	22,693
Retained earnings	150,227	130,492
<b>Total equity attributable to equity holders of the Company</b>	<b>272,565</b>	<b>252,830</b>
<b>Liabilities</b>		
Borrowings	1,596	1,481
Deferred tax liabilities	2,876	2,876
<b>Total non-current liabilities</b>	<b>4,472</b>	<b>4,357</b>
Trade and other payables	106,254	84,950
Borrowings	31,837	13,348
Current tax payable	8,322	1,469
<b>Total current liabilities</b>	<b>146,413</b>	<b>99,767</b>
<b>Total Liabilities</b>	<b>150,885</b>	<b>104,124</b>
<b>Total equity and liabilities</b>	<b>423,450</b>	<b>356,954</b>
<b>Net assets per share (RM)</b>	<b>2.7354</b>	<b>2.5373</b>

(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 30 June 2013

	Current 3 months ended 30 June		Cumulative 3 months ended 30 June	
	2013 RM'000	2012 (restated) RM'000	2013 RM'000	2012 (restated) RM'000
<b>Continuing operations</b>				
Revenue	155,025	30,929	208,548	50,777
Cost of sales	(125,464)	(27,491)	(173,191)	(42,506)
<b>Gross profit</b>	29,561	3,438	35,357	8,271
Other income	1,170	408	1,296	5,316
Administrative expenses	(2,948)	(1,720)	(6,310)	(4,055)
<b>Results from operating activities</b>	27,783	2,126	30,343	9,532
Interest income	107	944	350	1,312
Interest expense	(270)	(50)	(521)	(92)
<b>Profit before tax</b>	27,620	3,020	30,172	10,752
Taxation	(9,045)	(975)	(10,437)	(2,128)
<b>Profit after taxation / Total comprehensive income for the period</b>	<u>18,575</u>	<u>2,045</u>	<u>19,735</u>	<u>8,624</u>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	18,575	2,045	19,735	8,624
Minority interest	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>18,575</u>	<u>2,045</u>	<u>19,735</u>	<u>8,624</u>
<b>Earnings per share attributable to equity holders of the parent</b>				
EPS - Basic (sen)	<u>18.64</u>	<u>2.05</u>	<u>19.81</u>	<u>8.65</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 30 June 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		
<b>At 1 January 2013 (Restated)</b>	99,645	22,693	130,492	252,830	-	252,830
Total comprehensive income for the period	-	-	19,735	19,735	-	19,735
<b>At 30 June 2013 (Restated)</b>	<u>99,645</u>	<u>22,693</u>	<u>150,227</u>	<u>272,565</u>	<u>-</u>	<u>272,565</u>
<b>At 1 January 2012 (Restated)</b>	99,645	22,693	119,141	241,479	-	241,479
Total comprehensive income for the period	-	-	8,624	8,624	-	8,624
<b>At 30 June 2012 (Restated)</b>	<u>99,645</u>	<u>22,693</u>	<u>127,765</u>	<u>250,103</u>	<u>-</u>	<u>250,103</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 30 June 2013

	30 June 2013	30 June 2012 (restated)
	RM'000	RM'000
<b><i>Cash flows from operating activities</i></b>		
Profit before tax	30,172	10,752
Adjustments for:		
Depreciation of property, plant and equipment	2,497	2,473
Depreciation of investment property	353	325
Gain on disposal of plant and equipment	-99	-5,036
Interest expense	521	92
Interest income	-350	-1,312
Operating profit before changes in working capital	<u>33,094</u>	<u>7,294</u>
Changes in working capital:		
Inventories	1,250	-14,236
Receivables, deposits and prepayments	-107,255	-2,839
Payables and accruals	21,305	-7,902
Cash used in operations	<u>-51,606</u>	<u>-17,683</u>
Income taxes paid	-3,369	-10,821
<b>Net cash used in operating activities</b>	<u><u>-54,975</u></u>	<u><u>-28,504</u></u>
<b><i>Cash flows from investing activities</i></b>		
Acquisition of property, plant and equipment	-393	-13,615
Acquisition of investment property	-13	-20
Interest received	350	1,312
Deposits released from /(pledged to) licensed banks	7,204	7,660
Proceeds from disposal of plant and equipment	409	8,056
<b>Net cash generated from investing activities</b>	<u><u>7,557</u></u>	<u><u>3,393</u></u>
<b><i>Cash flows from financing activities</i></b>		
Interest paid	-521	-92
Proceeds from/(repayment of) borrowings	14,400	12,800
Repayment of finance lease liabilities	-437	-597
<b>Net cash generated from / (used in) financing activities</b>	<u><u>13,442</u></u>	<u><u>12,111</u></u>
<b>Net decrease in cash and cash equivalents</b>	-33,976	-13,000
<b>Cash and cash equivalents at beginning of period</b>	54,773	90,363
<b>Cash and cash equivalents at end of period</b>	<u><u>20,797</u></u>	<u><u>77,363</u></u>
Cash & bank balance	16,976	14,518
Deposits with licensed banks (excluding deposits pledged)	7,843	62,849
Bank Overdraft	-4,022	-4
	<u><u>20,797</u></u>	<u><u>77,363</u></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 – 30 June 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 of 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 2015 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 January 2015 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 201<sub>2004</sub>, 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 ended 30 June 2012

	As previously reported 30 June 2012 RM’000	Effects of transition to MFRSs  RM’000	As restated 30 June 2012  RM’000
Revenue	31,607	(678)	30,929
Profit before tax	3,369	(349)	3,020
Tax expense	(1,062)	87	(975)

b) Reconciliation of Comprehensive Income for the period ended 30 June 2012

	As previously reported 30 June 2012 RM'000	Effects of transition to MFRSs  RM'000	As restated 30 June 2012  RM'000
Revenue	51,863	(1,086)	50,777
Profit before tax	11,285	(533)	10,752
Tax expense	(2,261)	133	(2,128)

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 current quarter and period ended 30 June 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 6 months ended 30 June 2013.

## A7 Dividends paid

No dividend was paid for the current quarter and 6 months ended 30 June 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.

	<b>6 months ended 30 June 2013 Revenue RM '000</b>	<b>6 months ended 30 June 2012 Revenue (restated) RM '000</b>	<b>6 months ended 30 June 2013 Profit before tax RM '000</b>	<b>6 months ended 30 June 2012 Profit before tax (restated) RM '000</b>
Trading and services	178,638	39,475	24,376	4,923
Property development	19,292	1,522	9,432	(405)
Construction	18,381	14,648	(2,042)	6,050
Investment Property	437	386	(175)	(215)
	<hr/>	<hr/>	<hr/>	<hr/>
	216,748	56,031	31,591	10,353
Inter-segment eliminations	(8,200)	(5,254)	3,000	(420)
Unallocated income	-	-	350	1,312
Unallocated expenses	-	-	(4,769)	(493)
	<hr/>	<hr/>	<hr/>	<hr/>
	208,548	50,777	30,172	10,752
	<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

There were no material events subsequent to the balance sheet date.

## A11 Changes in composition of the Group

There were no changes in the composition of the Group for the quarter and 6 months ended 30 June 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.

	<b>As at 30 June 2013</b>
	<b>RM'000</b>
Guarantees and contingencies relating to	7,200
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:-

	<b>6 months ended 30 June 2013 RM'000</b>
<b>With companies in which certain Directors of the Company, have interests:</b>	
Aramijaya Sdn Bhd	1,583
Danga Bay Sdn Bhd	1,375
Ekovest Construction Sdn Bhd	6,462
Pembinaan KS Tebrau Sdn Bhd	1,683
Rampai Fokus Sdn Bhd	5,727
Tebrau Teguh Bhd and its subsidiaries	2,152
Lantas Setia Sdn Bhd	2,705
Gemilang Lighting Sdn Bhd	2,468

## **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 RM208.548 million and profit before tax of RM30.172 million for the 6 months ended 30 June 2013 as compared to turnover of RM50.777 million (restated) and profit before tax of RM10.752 million (restated) for the preceding year corresponding period.

Performance of the respective operating business segments for the 6 months ended 30 June 2013 as compared to the preceding year corresponding period are analysed as follows :-

#### Trading and services

The increase in revenue and profit before tax were mainly due to the increase in sales volume and revision in selling price for one of our major products in this division.

#### Property development

The increase in revenue and profit before tax were due to the recognition of development revenue and profit based on completed method after the vacant possessions of our development units were handed over to purchasers during the period.

#### Construction

Despite the increase in revenue, the division recorded a loss before tax. This was due to work done on the certain contracts with lower profit margin and the profit earned was not sufficient to cover its overheads and maintenance costs incurred for our Coastal Highway projects during the defect liability period.

#### Investment property

The increase in revenue was due to additional new tenancies for certain units of Group's investment properties.

### **B2 Comparison with preceding quarter results**

For the quarter under review, the Group recorded a profit before taxation of RM27.620 million on a turnover of RM155.025 million as compared to a profit before taxation of RM2.552 million on a turnover of RM53.523 million for the preceding quarter. The increase in revenue and profit before tax were mainly due to increase in sales volume for trading and services division.

### **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**

	<b>Current quarter ended 30 June 2013 RM '000</b>	<b>6 months ended 30 June 2013 RM '000</b>
Current provision	7,048	8,108
Under provision in prior year	-	-
Deferred tax	1,997	2,329
	<u>9,045</u>	<u>10,437</u>

The Group's effective tax rate for the current quarter and year ended 30 June 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**

	<b>As at 30 June 2013 RM '000</b>
Current:	
Bank overdraft	4,022
Revolving credit	27,200
Finance lease liabilities	615
	<hr/> 31,837 <hr/>
Non-current:	
Finance lease liabilities	<hr/> 1,596 <hr/>

**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 30 June 2013.

**B10 Earnings per share**

	<b>Current quarter ended 30 June 2013</b>	<b>Preceding year corresponding quarter ended 30 June 2012 (restated)</b>	<b>Cumulative 6 months ended 30 June 2013</b>	<b>Cumulative 6 months ended 30 June 2012 (restated)</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Earnings	18,575	2,045	19,735	8,624
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)	18.64	2.05	19.81	8.65
Diluted earning per ordinary shares (sen)	N/A	N/A	N/A	N/A

**B11 Notes to the statement of comprehensive income**

	<b>Current quarter ended 30 June 2013 RM'000</b>	<b>6 months ended 30 June 2013 RM'000</b>
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(107)	(350)
Other income	(1,170)	(1,296)
Interest expense	270	521
Depreciation	1,420	2,850

**B12 Realised and Unrealised Profits/Losses**

The retained earnings are analysed as follows:-

	<b>As at 30 June 2013 RM'000</b>	<b>As at 31 December 2012 (restated) RM'000</b>
Realised gain	200,313	181,298
Unrealised gain	(1,362)	966
	<hr/> 198,951	<hr/> 182,264
Less: Consolidated adjustments	(48,724)	(51,772)
Total Group retained earnings as per consolidated accounts	<hr/> <b>150,227</b>	<hr/> <b>130,492</b>

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.