

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of financial position

As At 31 March 2016

	At 31 March 2016 RM'000	At 31 December 2015 (audited) RM'000
Assets		
Property, plant and equipment	19,960	20,463
Investment properties	100,371	86,109
Investment in joint venture	4,388	2,419
Deferred tax assets	66	66
Total non-current assets	124,785	109,057
Inventories	41,835	33,865
Trade and other receivables	152,600	164,888
Tax recoverable	7,016	9,576
Cash and cash equivalents	40,647	53,284
Total current assets	242,098	261,613
Total assets	366,883	370,670
Equity		
Share capital	99,645	99,645
Share premium	22,693	22,693
Retained earnings	165,462	168,296
Total equity attributable to equity holders of the Company	287,800	290,634
Liabilities		
Loans and Borrowings	1,408	1,762
Deferred tax liabilities	1,605	1,776
Total non-current liabilities	3,013	3,538
Trade and other payables	69,886	71,091
Loans and Borrowings	5,334	1,308
Current tax payable	850	4,099
Total current liabilities	76,070	76,498
Total Liabilities	79,083	80,036
Total equity and liabilities	366,883	370,670
Net assets per share (RM)	2.8883	2.9167

(The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of profit or loss and other comprehensive income For the financial period ended 31 March 2016

	Current 3 months ended 31 March		Cumulative 3 months ended 31 March	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations				
Revenue	32,274	59,008	32,274	59,008
Cost of sales	<u>(31,236)</u>	<u>(55,046)</u>	<u>(31,236)</u>	<u>(55,046)</u>
Gross profit	1,038	3,962	1,038	3,962
Other income	727	661	727	661
Administrative expenses	<u>(5,013)</u>	<u>(4,424)</u>	<u>(5,013)</u>	<u>(4,424)</u>
Results from operating activities	(3,248)	199	(3,248)	199
Interest income	301	456	301	456
Interest expense	<u>(105)</u>	<u>(131)</u>	<u>(105)</u>	<u>(131)</u>
	<u>(3,052)</u>	<u>524</u>	<u>(3,052)</u>	<u>524</u>
Share of results of joint venture	169	-	169	-
(Loss)/Profit before tax	<u>(2,883)</u>	<u>524</u>	<u>(2,883)</u>	<u>524</u>
Taxation	49	(251)	49	(251)
(Loss)/Profit after tax / Total comprehensive (loss)/income for the period	<u><u>(2,834)</u></u>	<u><u>273</u></u>	<u><u>(2,834)</u></u>	<u><u>273</u></u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(2,834)	273	(2,834)	273
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the period	<u><u>(2,834)</u></u>	<u><u>273</u></u>	<u><u>(2,834)</u></u>	<u><u>273</u></u>
(Loss)/Earnings per share attributable to equity holders of the parent				
EPS - Basic (sen)	<u><u>(2.84)</u></u>	<u><u>0.27</u></u>	<u><u>(2.84)</u></u>	<u><u>0.27</u></u>
EPS - Diluted (sen)	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

(The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 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 2016**

	Attributable to the Equity Holders of the Parent				Minority interest	Total Equity
	Non-distributable Share capital RM'000	Share premium RM'000	Distributable Retained profits RM'000	Total RM'000		
At 1 January 2016	99,645	22,693	168,296	290,634	-	290,634
Total comprehensive loss for the period	-	-	(2,834)	(2,834)	-	(2,834)
At 31 March 2016	<u>99,645</u>	<u>22,693</u>	<u>165,462</u>	<u>287,800</u>	-	<u>287,800</u>
At 1 January 2015	99,645	22,693	171,667	294,005	-	294,005
Total comprehensive income for the period	-	-	273	273	-	273
At 31 March 2015	<u>99,645</u>	<u>22,693</u>	<u>171,940</u>	<u>294,278</u>	-	<u>294,278</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 2015 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 2016

	31 March 2016 RM'000	31 March 2015 RM'000
<i>Cash flows from operating activities</i>		
(Loss)/Profit before tax	(2,883)	524
Adjustments for:		
Depreciation of property, plant and equipment	1,007	832
Depreciation of investment property	287	251
Gain on disposal of plant and equipment	(29)	(542)
Share of results of joint venture	(169)	0
Interest expense	105	131
Interest income	(301)	(456)
Operating (loss)/profit before changes in working capital	<u>(1,983)</u>	<u>740</u>
Changes in working capital:		
Inventories	(7,970)	(425)
Receivables, deposits and prepayments	12,288	83,122
Payables and accruals	<u>(1,205)</u>	<u>(101,568)</u>
Cash generated from/(used in) operations	1,130	(18,131)
Income taxes (paid)/refunded	<u>(810)</u>	<u>140</u>
Net cash generated from/(used in) operating activities	<u>320</u>	<u>(17,991)</u>
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment	(508)	(970)
Acquisition of investment property	(14,550)	(338)
Investment in joint venture company	(1,800)	0
Interest received	301	456
Proceeds from disposal of plant and equipment	<u>33</u>	<u>923</u>
Net cash (used in)/generated from investing activities	<u>(16,524)</u>	<u>71</u>
<i>Cash flows from financing activities</i>		
Interest paid	(105)	(131)
Proceed from borrowings	4,000	0
Repayment of finance lease liabilities	<u>(336)</u>	<u>(290)</u>
Net cash generated from/(used in) financing activities	<u>3,559</u>	<u>(421)</u>
Net decrease in cash and cash equivalents	(12,645)	(18,341)
Cash and cash equivalents at beginning of year	53,284	56,020
Cash and cash equivalents at end of period	<u>40,639</u>	<u>37,679</u>
Cash & bank balance	5,496	1,257
Deposits with licensed banks (excluding deposits pledged)	35,151	36,422
Bank Overdraft	(8)	0
	<u>40,639</u>	<u>37,679</u>

(The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.)

KNUSFORD BERHAD (380100-D)

Notes to the interim financial report – 31 March 2016

A1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and Company plan to apply the above mentioned accounting standards, amendments and interpretations;

- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017; and
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018; and
- from the annual period beginning on 1 January 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019; and

The initial application of the accounting standards, amendments or interpretations, where applicable, are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group and Company is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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 2016.

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 2016.

A7 Dividends paid

No dividend was paid for the current quarter and 3 months ended 31 March 2016.

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 2016 Revenue RM '000	3 months ended 31 March 2015 Revenue RM '000	3 months ended 31 March 2016 Profit before tax RM '000	3 months ended 31 March 2015 Profit before tax RM '000
Trading and services	28,938	60,305	(1,045)	2,560
Property development	-	-	(1,380)	(610)
Construction	2,930	868	(529)	(1,563)
Investment Property	594	611	200	378
	<hr/>	<hr/>	<hr/>	<hr/>
	32,462	61,784	(2,754)	765
Inter-segment eliminations	(188)	(2,776)	(22)	(280)
Unallocated income	-	-	470	456
Unallocated expenses	-	-	(577)	(417)
	<hr/>	<hr/>	<hr/>	<hr/>
	32,274	59,008	(2,883)	524
	<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 3 months ended 31 March 2016.

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 2016
	RM'000
Guarantees and contingencies relating to Borrowings of subsidiaries (unsecured)	4,000
	=====

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 2016
	RM'000
With companies in which certain Directors of the Company, have interests:	
Aramijaya Sdn Bhd	159
Danga Bay Sdn Bhd	2,440
Ekovest Construction Sdn Bhd	6,829
Iskandar Waterfront City Bhd and its subsidiaries	5,678
Iskandar Waterfront Sdn Bhd	126
Rampai Fokus Sdn Bhd	617

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

The Group recorded a revenue of RM32.274 million and loss before tax of RM2.883 million for the 3 months ended 31 March 2016 as compared to revenue of RM59.008 million and profit before tax of RM0.524 million for the preceding year corresponding period.

Performance of the respective operating business segments for the 3 months ended 31 March 2016 as compared to the preceding year corresponding period are analysed as follows :-

Trading and services

The decrease in revenue and profit before tax were mainly due to the decrease in sales volume.

Property development

No revenue was recognised during the quarter and loss before tax was mainly due to sales & marketing expenses and administrative cost incurred.

Construction

The increase in the revenue and decrease in loss before tax were mainly due to new construction activities during the period.

Investment property

The decrease in the profit before tax was mainly due to additional costs incurred during the period.

B2 Comparison with preceding quarter results

For the quarter under review, the Group recorded a loss before taxation of RM2.883 million on a revenue of RM32.274 million as compared to a loss before taxation of RM0.602 million on a revenue of RM29.834 million for the preceding quarter. Despite an increase in revenue, the company recorded a loss before tax mainly attributed to the increase in trading of lower profit margin products and sales & marketing cost incurred by property development division.

B3 Prospects

The sluggish outlook for the construction and property development industry where the Group business substantially depends on, is expected to prolong and remain challenging to the Group's performance. Nevertheless, the Group will continue to look for new business opportunities and tender for new potential projects in its effort to maintain satisfactory results.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 31 March 2016 RM '000	3 months ended 31 March 2016 RM '000
Income tax		
Current provision	236	236
(Over)/Under provision in prior year	(285)	(285)
Deferred tax	-	-
	(49)	(49)
	(49)	(49)

The Group's effective tax rate for the financial period ended 31 March 2016 was higher than the prima facie tax rate mainly due to the losses incurred by certain subsidiaries.

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 2016 RM '000
Current:	
Bank overdraft	8
Revolving credit	4,000
Finance lease liabilities	1,326
	<hr/> 5,334 <hr/>
Non-current:	
Finance lease liabilities	1,408
	<hr/> 1,408 <hr/>

B8 Changes in material litigation.

Save as disclosed below, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board are not aware and do not have any knowledge of any proceedings, pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and its subsidiaries:

The wholly-owned subsidiary of Knusford Berhad ("KB"), Knusford Marketing Sdn Bhd ("KMSB") has commenced legal proceedings against Kinsteel Berhad ("Kinsteel") and its subsidiary, Kin Kee Marketing Sdn Bhd ("Kin Kee") claiming for the following:

KMSB is claiming for the following from Kin Kee:

- a) The sum of RM20,074,567.90;
- b) Interest on the RM20,074,567.90 at 3% per annum and continuing from 7 May 2014 (being the date of the first instalment paid under the Agreement) till the date of final settlement;
- c) Cost; and
- d) All other orders that the court may deem fit.

And KMSB is also claiming for the following from Kinsteel:

- a) The sum of RM20,074,567.90;
- b) Interest on the RM20,074,567.90 at 3% per annum and continuing from 7 May 2014 till 8 April 2016 (being the date of expiry of the Plaintiff's written notice);
- c) Interest on the RM20,074,567.90 at 8% per annum and continuing from 9 April 2016 till the date of final settlement;
- d) Cost; and
- e) All other orders that the court may deem fit.

The Claim is made by KMSB against Kin Kee for failing to deliver steel bars in the agreed quantity ("Agreement") which has been paid and Kinsteel has provided an irrevocable corporate guarantee to secure the performance of Kin Kee ("Guarantee"). KMSB has served a writ of summons and statement of claim against Kinsteel and Kin Kee on 28 April 2016, claiming for the value of the outstanding goods that remains undelivered and the interest accrued thereon pursuant to the Agreement and the Guarantee respectively. The case had been fixed for case management at the Kuantan High Court on 14 June 2016.

The Board is of the opinion that the claim will not have any material adverse financial or operational impact as the Agreement was carried out on a back-to-back basis with KMSB's customer who has paid for the steel bars and agreed not hold KMSB accountable nor liable for any losses suffered as a consequence of the said summon.

B9 Dividends declared

No interim dividend has been declared for the current quarter ended 31 March 2016.

B10 Earnings per share

	Current quarter ended 31 March 2016	Preceding year corresponding quarter ended 31 March 2015	Cumulative 3 months ended 31 March 2016	Cumulative 3 months ended 31 March 2015
	RM '000	RM '000	RM '000	RM '000
(Loss)/Earnings	(2,834)	273	(2,834)	273
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 (loss)/earning per ordinary shares (sen)	(2.84)	0.27	(2.84)	0.27
Diluted earning per ordinary shares (sen)	N/A	N/A	N/A	N/A

B11 Notes to the statement of profit or loss and other comprehensive income

	Current quarter ended 31 March 2016 RM'000	3 months ended 31 March 2016 RM'000
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(301)	(301)
Other income including investment income	(727)	(727)
Interest expense	105	105
Depreciation and amortization	1,294	1,294
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
Gain or loss on derivatives	-	-
Exceptional items (with details)	-	-

B12 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical financial assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liabilities, either directly or indirectly

Level 3 – Inputs for the financial asset or liabilities that are not based on observable market data

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
31 March 2016					
Financial liabilities					
Finance lease liabilities	-	-	3,007	3,007	2,734
31 December 2015					
Financial liabilities					
Finance lease liabilities	-	-	3,263	3,263	3,070

B13 Realised and Unrealised Profits/(Losses)

The Group retained earnings are analysed as follows:-

	As at 31 March 2016 RM'000	As at 31 December 2015 RM'000
<i>Total retained earnings of the Company and its subsidiaries</i>		
Realised gain	211,006	214,203
Unrealised loss	(667)	(837)
	<hr/> 210,339	<hr/> 213,366
<i>Total share of retained earnings of joint venture</i>		
Realised gain	191	78
Unrealised loss	(22)	(22)
	<hr/> 210,508	<hr/> 213,422
Less: Consolidation adjustments	(45,046)	(45,126)
Total Group retained earnings as per consolidated accounts	<hr/> 165,462	<hr/> 168,296

The determination of realised and unrealised profits/(losses) 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.