

KNUSFORD BERHAD (380100-D)

Condensed consolidated statement of financial position

As At 30 June 2016

	At 30 June 2016 RM'000	At 31 December 2015 (audited) RM'000
Assets		
Property, plant and equipment	19,280	20,463
Investment properties	100,442	86,109
Investment in joint venture	4,487	2,419
Deferred tax assets	302	66
Total non-current assets	124,511	109,057
Inventories	51,110	33,865
Trade and other receivables	144,687	164,888
Tax recoverable	7,938	9,576
Cash and cash equivalents	30,585	53,284
Total current assets	234,320	261,613
Total assets	358,831	370,670
Equity		
Share capital	99,645	99,645
Share premium	22,693	22,693
Retained earnings	163,127	168,296
Total equity attributable to equity holders of the Company	285,465	290,634
Liabilities		
Loans and Borrowings	998	1,762
Deferred tax liabilities	1,605	1,776
Total non-current liabilities	2,603	3,538
Trade and other payables	58,951	71,091
Loans and Borrowings	11,015	1,308
Current tax payable	797	4,099
Total current liabilities	70,763	76,498
Total Liabilities	73,366	80,036
Total equity and liabilities	358,831	370,670
Net assets per share (RM)	2.8648	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 30 June 2016

	Current 3 months ended 30 June		Cumulative 6 months ended 30 June	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations				
Revenue	31,549	37,781	63,823	96,789
Cost of sales	<u>(29,841)</u>	<u>(33,423)</u>	<u>(61,077)</u>	<u>(88,469)</u>
Gross profit	1,708	4,358	2,746	8,320
Other income	98	3,566	825	4,227
Administrative expenses	<u>(4,515)</u>	<u>(4,243)</u>	<u>(9,528)</u>	<u>(8,667)</u>
Results from operating activities	(2,709)	3,681	(5,957)	3,880
Interest income	255	352	556	808
Interest expense	<u>(175)</u>	<u>(116)</u>	<u>(280)</u>	<u>(247)</u>
	<u>(2,629)</u>	<u>3,917</u>	<u>(5,681)</u>	<u>4,441</u>
Share of results of joint venture	99	-	268	-
(Loss)/Profit before tax	<u>(2,530)</u>	<u>3,917</u>	<u>(5,413)</u>	<u>4,441</u>
Taxation	195	(867)	244	(1,118)
(Loss)/Profit after tax / Total comprehensive (loss)/income for the period	<u>(2,335)</u>	<u>3,050</u>	<u>(5,169)</u>	<u>3,323</u>
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(2,335)	3,050	(5,169)	3,323
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the period	<u>(2,335)</u>	<u>3,050</u>	<u>(5,169)</u>	<u>3,323</u>
(Loss)/Earnings per share attributable to equity holders of the parent				
EPS - Basic (sen)	<u>(2.34)</u>	<u>3.06</u>	<u>(5.19)</u>	<u>3.33</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 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 30 June 2016**

	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 2016	99,645	22,693	168,296	290,634	-	290,634
Total comprehensive loss for the period	-	-	(5,169)	(5,169)	-	(5,169)
At 30 June 2016	<u>99,645</u>	<u>22,693</u>	<u>163,127</u>	<u>285,465</u>	<u>-</u>	<u>285,465</u>
At 1 January 2015	99,645	22,693	171,667	294,005	-	294,005
Total comprehensive income for the period	-	-	3,323	3,323	-	3,323
At 30 June 2015	<u>99,645</u>	<u>22,693</u>	<u>174,990</u>	<u>297,328</u>	<u>-</u>	<u>297,328</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 30 June 2016

	30 June 2016 RM'000	30 June 2015 RM'000
<i>Cash flows from operating activities</i>		
(Loss)/Profit before tax	(5,413)	4,441
Adjustments for:		
Depreciation of property, plant and equipment	1,871	1,694
Depreciation of investment property	624	542
Gain on disposal of plant and equipment	(92)	(548)
Share of results of joint venture	(268)	-
Interest expense	280	247
Interest income	(556)	(808)
Operating (loss)/profit before changes in working capital	<u>(3,554)</u>	<u>5,568</u>
Changes in working capital:		
Inventories	(17,245)	(2,763)
Receivables, deposits and prepayments	20,201	122,649
Payables and accruals	<u>(12,140)</u>	<u>(103,486)</u>
Cash (used in)/generated from operations	(12,738)	21,968
Income taxes paid	<u>(1,826)</u>	<u>(2,204)</u>
Net cash (used in)/generated from operating activities	<u>(14,564)</u>	<u>19,764</u>
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment	(794)	(632)
Acquisition of investment property	(14,957)	(8,898)
Investment in joint venture company	(1,800)	0
Interest received	556	808
Proceeds from disposal of plant and equipment	197	929
Net cash used in investing activities	<u>(16,798)</u>	<u>(7,793)</u>
<i>Cash flows from financing activities</i>		
Interest paid	(280)	(247)
Proceed from borrowings	9,700	-
Repayment of finance lease liabilities	<u>(757)</u>	<u>(935)</u>
Net cash generated from/(used in) financing activities	<u>8,663</u>	<u>(1,182)</u>
Net (decrease)/increase in cash and cash equivalents	(22,699)	10,789
Cash and cash equivalents at beginning of year	53,284	56,020
Cash and cash equivalents at end of period	<u>30,585</u>	<u>66,809</u>
Cash & bank balance	2,364	2,946
Deposits with licensed banks (excluding deposits pledged)	28,221	63,874
Bank Overdraft	-	(11)
	<u>30,585</u>	<u>66,809</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 – 30 June 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 30 June 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 6 months ended 30 June 2016.

A7 Dividends paid

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

	6 months ended 30 June 2016 Revenue RM '000	6 months ended 30 June 2015 Revenue RM '000	6 months ended 30 June 2016 Profit/(Loss) before tax RM '000	6 months ended 30 June 2015 Profit/(Loss) before tax RM '000
Trading and services	55,874	98,183	(2,099)	5,081
Property development	-	-	(2,410)	(1,272)
Construction	7,093	1,089	(1,036)	491
Investment Property	1,383	1,259	365	583
	<hr/>	<hr/>	<hr/>	<hr/>
	64,350	100,531	(5,180)	4,883
Inter-segment eliminations	(527)	(3,742)	(18)	(297)
Unallocated income	-	-	824	808
Unallocated expenses	-	-	(1,039)	(953)
	<hr/>	<hr/>	<hr/>	<hr/>
	63,823	96,789	(5,413)	4,441
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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 current quarter and 6 months ended 30 June 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 30 June 2016
	RM'000
Guarantees and contingencies relating to Borrowings of subsidiaries	4,700
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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:-

	6 months ended
	30 June 2016
	RM'000
With companies in which certain Directors of the Company, have interests:	
Aramijaya Sdn Bhd	412
Danga Bay Sdn Bhd	3,061
Ekoriver Construction Sdn Bhd	111
Ekoves t Construction Sdn Bhd	10,849
Iskandar Waterfront City Bhd and its subsidiaries	8,586
Iskandar Waterfront Sdn Bhd	333
Pembinaan KS Tebrau Sdn Bhd	362
Rampai Fokus Sdn Bhd	1,794

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

The Group recorded a revenue of RM63.823 million and loss before tax of RM5.413 million for the 6 months ended 30 June 2016 as compared to revenue of RM96.789 million and profit before tax of RM4.441 million for the preceding year corresponding period.

Performance of the respective operating business segments for the 6 months ended 30 June 2016 as compared to the preceding year corresponding period are analysed as follows :-

Trading and services

The decrease in revenue and loss before tax recorded by the division were mainly due to the decrease in sales volume.

Property development

No revenue was recognised during the quarter. The loss before tax was mainly due to sales & marketing cost and non-claimable GST expenses incurred on exempt supply.

Construction

Despite an increase in the revenue, the division recorded a loss before tax substantially due to fixed overhead and cost of tendering for potential projects.

Investment property

The decrease in the profit before tax was mainly due to additional depreciation for the newly purchased investment properties.

B2 Comparison with preceding quarter results

For the quarter under review, the Group recorded a loss before taxation of RM2.530 million on a revenue of RM31.549 million as compared to a loss before taxation of RM2.883 million on a revenue of RM32.274 million for the preceding quarter. The marginal decrease in the revenue is mainly due to decrease in the sales volume from trading and services division. The decrease in loss before tax is mainly due to decrease in fixed overheads during the current quarter.

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. As part of the Group's effort to expand its revenue base, the Group has ventured into oil and gas onshore civil construction in Pengerang, Johor.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 30 June 2016 RM '000	6 months ended 30 June 2016 RM '000
Income tax		
Current provision	41	277
Over provision in prior year	-	(285)
Deferred tax	(236)	(236)
	<hr/>	<hr/>
	(195)	(244)
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B6 Corporate proposals

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

B7 Group borrowings

	As at 30 June 2016 RM '000
Current:	
Bank overdraft	-
Revolving credit	9,700
Finance lease liabilities	1,315
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	11,015
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Non-current:	
Finance lease liabilities	998
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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 matter is fixed for decision on 5 September 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 30 June 2016.

B10 Earnings per share

	Current quarter ended 30 June 2016	Preceding year corresponding quarter ended 30 June 2015	Cumulative 6 months ended 30 June 2016	Cumulative 6 months ended 30 June 2015
	RM '000	RM '000	RM '000	RM '000
(Loss)/Earnings	(2,335)	3,050	(5,169)	3,323
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)	(2.34)	3.06	(5.19)	3.33
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 30 June 2016 RM'000	6 months ended 30 June 2016 RM'000
Profit before tax is arrived at after (crediting)/charging :		
Interest income	(255)	(556)
Other income including investment income	(98)	(825)
Interest expense	175	280
Depreciation and amortization	1,201	2,495
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	Level 2	Level 3	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2016					
Financial liabilities					
Finance lease liabilities	-	-	2,544	2,544	2,313
31 March 2016					
Financial liabilities					
Finance lease liabilities	-	-	3,007	3,007	2,734

B13 Realised and Unrealised Profits/(Losses)

The Group retained earnings are analysed as follows:-

	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
<i>Total retained earnings of the Company and its subsidiaries</i>		
Realised gain	208,301	214,203
Unrealised loss	(431)	(837)
	<u>207,870</u>	<u>213,366</u>
<i>Total share of retained earnings of joint venture</i>		
Realised gain	290	78
Unrealised loss	(22)	(22)
	<u>208,138</u>	<u>213,422</u>
Less: Consolidation adjustments	(45,011)	(45,126)
Total Group retained earnings as per consolidated accounts	<u>163,127</u>	<u>168,296</u>

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.