

## Notes to the interim financial report – 30 June 2022

### A1 Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting in Malaysia, IAS 34: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated interim financial statements are unaudited and should be read in conjunction with the audited financial statements for the financial period ended 31 March 2022.

### A2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group’s audited financial statements for the financial period ended 31 March 2022 except for the following:

#### *Amendments effective for annual periods beginning on or after 1 January 2022*

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

#### *Amendments effective for annual periods beginning on or after 1 January 2023*

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

#### *Amendments effective for annual periods beginning on or after 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 initial application of the amendments is not expected to have any material financial impacts to the current and prior period financial statements of the Group.

### A3 Auditors’ report

There was no qualification on the audited financial statements for the financial period ended 31 March 2022.

#### A4 Seasonal or cyclical factors

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

#### A5 Unusual items due to their nature, size or incidence

There were no unusual items for the period ended 30 June 2022.

#### A6 Changes in estimates

Not applicable.

#### A7 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and period ended 30 June 2022.

#### A8 Dividends paid

No dividend was paid for the current quarter and period ended 30 June 2022.

#### A9 Segmental information

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

##### Current quarter ("1Q 2023") against preceding year corresponding quarter ("2Q 2022")

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30 June 2022 Revenue	30 June 2021 Revenue	Amount	%
	RM'000	RM'000	RM'000	
Trading	11,987	16,675	(4,688)	(28.1)
Property development	1,828	623	1,205	193.4
Construction	5,049	58,569	(53,520)	(91.4)
Investment property	770	811	(41)	(5.1)
Other services	325	754	(429)	(56.9)
	19,959	77,432	(57,473)	(74.2)
Inter-segment elimination	(1,174)	(7,389)	6,215	84.1
	18,785	70,043	(51,258)	(73.2)

**A9 Segmental information (continued)**

**Current quarter (“1Q 2023”) against preceding year corresponding quarter (“2Q 2022”) (continued)**

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	30 June 2022 Profit/(Loss) before tax	30 June 2021 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	RM'000	
Trading	(254)	130	(384)	(295.4)
Property development	230	70	160	228.6
Construction	(1,815)	(172)	(1,643)	(955.2)
Investment property	278	1,173	(895)	(76.3)
Other services	30	(577)	607	105.2
	(1,531)	624	(2,155)	(345.4)
Interest income	457	103	354	343.7
Interest expense	(816)	(287)	(529)	(184.3)
Share of profit/(loss) of equity-accounted investments	48	(77)	125	162.3
Unallocated other expenses	(255)	(425)	170	40.0
	(2,097)	(62)	(2,035)	(3,282.3)

**Current period to date (“YTD 2023”)**

	3 months ended	Changes	
	30 June 2022 Revenue	Amount	%
	RM'000	RM'000	
Trading	11,987	N/A	N/A
Property development	1,828	N/A	N/A
Construction	5,049	N/A	N/A
Investment Property	770	N/A	N/A
Other services	325	N/A	N/A
	19,959	N/A	N/A
Inter-segment elimination	(1,174)	N/A	N/A
	18,785	N/A	N/A

**A9 Segmental information (continued)**
**Current period to date ("YTD 2023") (continued)**

	3 months ended	Changes	
	30 June 2022 Profit/(Loss) before tax	Amount	%
	RM'000	RM'000	
Trading	(254)	N/A	N/A
Property development	230	N/A	N/A
Construction	(1,815)	N/A	N/A
Investment Property	278	N/A	N/A
Other services	30	N/A	N/A
	(1,531)	N/A	N/A
Interest income	457	N/A	N/A
Interest expense	(816)	N/A	N/A
Share of profit of equity- accounted investments	48	N/A	N/A
Unallocated other expenses	(255)	N/A	N/A
	(2,097)	N/A	N/A

N/A: There are no comparative figures for the cumulative preceding year corresponding periods.

**A10 Valuation of property, plant and equipment**

There was no amendment to the valuation of property & plant and equipment brought forward to the current quarter as compared with the previous year annual financial statements.

**A11 Event subsequent to the balance sheet date**

On 22 July 2022, a subsidiary of the Company has entered into a conditional Sale and Purchase Agreement ("SPA") with Success Straits Sdn Bhd ("SSSB" or the "Vendor"), a wholly-owned subsidiary of Iskandar Waterfront City Berhad ("IWCB"), a related company for the proposed acquisition of a parcel of freehold vacant land held under Geran Hakmilik No. 90571, Lot No. 726, Mukim of Pulai, District of Johor Bahru, State of Johor ("Subject Property") at the purchase consideration of RM53,240,000.00 ("Purchase Consideration") ("Proposed Acquisition").

The Purchase Consideration will be satisfied via a settlement arrangement, wherein a total amount of RM50,764,575.38, being the sum due and payable by IWCB and its subsidiaries (collectively, the "IWCB Group") to Knusford and its subsidiaries (collectively, the "Knusford Group" or the "Group") ("Settlement Sum") shall be set-off against the Purchase Consideration. Meanwhile, the remaining balance of RM2,475,424.62 ("Differential Amount") will be satisfied entirely in cash.

In conjunction with the Proposed Acquisition, the Company had on even date entered into a conditional settlement agreement ("Settlement Agreement") with IWCB to settle the Settlement Sum by way of set-off against the Purchase Consideration for the Proposed Acquisition ("Proposed Settlement").

#### A11 Event subsequent to the balance sheet date (continued)

The Proposed Acquisition are conditional upon the following conditions precedents being fulfilled not later than three months from the date of the SPA:

- i) IWCB having obtained the approval of the shareholders of IWCB at a general meeting for amongst others (1) the disposal of the Land by the IWCB in favour of the subsidiary of the Company in accordance with the terms and conditions of this agreement; and (2) the Proposed Settlement of IWCB Group Debt in accordance with the terms and conditions of the IWCB Group Debt Settlement Agreement (“Debt Settlement Agreement”); and
- ii) the subsidiary of the Company having obtained the approval of the shareholders of Company at a general meeting to be convened for amongst others (1) the acquisition of the Land by the subsidiary of the Company in accordance with the terms and conditions of this agreement; and (2) the Proposed Settlement of IWCB Group Debt in accordance with the terms and conditions of the Debt Settlement Agreement.

For details, please refer to the announcement dated 22<sup>nd</sup> July 2022.

#### A12 Changes in composition of the Group

There was no change in the composition of the Group for the current quarter and period ended 30 June 2022.

#### A13 Changes in contingent liabilities

The Group has no contingent liabilities except for the following: -

	<b>As at 30 June 2022</b> <b>RM'000</b>
Guarantees and contingencies relating to the borrowings of subsidiaries (unsecured)	20,548
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#### A14 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>3 months ended</b> <b>30 June 2022</b> <b>RM'000</b>
<b>With companies in which certain Directors of the Company, have interests:</b>	
Ekovest Berhad and its subsidiaries, jointly controlled and associate companies	11,576
Iskandar Waterfront City Berhad and its subsidiaries, jointly controlled and associate companies	431
Iskandar Waterfront Holdings Sdn Bhd and its subsidiaries, jointly controlled and associate companies	654
PLS Plantations Berhad and its subsidiaries, jointly controlled and associate companies	1,387
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## B1 Detailed analysis of the performance of all operating segment of the Group in 1Q 2023

Current quarter (“1Q 2023”) against preceding year corresponding quarter (“2Q 2022”)

	Individual Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%
	30 June 2022 RM'000	30 June 2021 RM'000	RM'000	
Revenue	18,785	70,043	(51,258)	(73.2)
Gross profit	790	3,201	(2,411)	(75.3)
Result from operating activities	(1,786)	199	(1,985)	(997.5)
Share of profit/(loss) of equity-accounted investments, net of tax	48	(77)	125	162.3
Net loss before tax	(2,097)	(62)	(2,035)	(3,282.3)
Net loss after tax	(2,343)	(430)	(1,913)	(444.9)
Loss attributable to Owners of the Company	(2,343)	(430)	(1,913)	(444.9)

For 1Q 2023, the Group registered a revenue of RM18.785 million and loss before tax of RM2.097 million as compared to revenue of RM70.043 million and loss before tax of RM0.062 million reported in 2Q 2022.

The performance of the respective operating business sector for the 1Q 2023 under review as compared to the 2Q 2022 is analysed as follows:

### Trading

The revenue decreased by RM4.688 million or 28.1% to RM11.987 million as compared to RM16.675 million in 2Q 2022. The lower revenue for 1Q 2023 was mainly due to lesser demand for construction materials as certain on-going projects of our customers have reached the tail end stages of their construction works.

This sector reported a loss before tax of RM0.254 million in 1Q 2023 as compared against profit before tax of RM0.130 million in 2Q 2022 which was in tandem with the lower revenue and higher product mix of lower profit margin recorded in 1Q 2023.

### Property development

Revenue for 1Q 2023 has increased by RM1.205 million to RM1.828 million as compared to the 2Q 2022 of RM0.623 million mainly due to more completed units sold in 1Q 2023. Accordingly, the profit before tax increased by RM0.160 million to RM0.230 million in 1Q 2023 as compared to RM0.070 million in 2Q 2022 which was partly offset by the provision for unwinding of discount of RM0.234 million from an affordable housing project in 1Q 2023.

**B1 Detailed analysis of the performance of all operating segment of the Group in 1Q 2023 (continued)**
**Current quarter (“1Q 2023”) against preceding year corresponding quarter (“2Q 2022”) (continued)**
Construction

The construction sector registered a lower revenue of RM5.049 million in 1Q 2023 as compared to RM58.569 million in 2Q 2022, mainly due to the completion of certain sections of the Duke 3 project and slower construction progress due to shortage of labour.

The sector recorded a loss before tax of RM1.815 million in the 1Q 2023 as compared to a loss before tax of RM0.172 million in the 2Q 2022 mainly due to decrease in revenue and lower profit margins from its current on-going projects.

Investment property

The sector recorded a slightly lower revenue of RM0.770 million in 1Q 2023 as compared to RM0.811 million in 2Q 2022. The sector reported a lower profit before tax of RM0.278 million as compared to a profit before tax of RM1.173 million in 2Q 2022 mainly due to recognition of one-off gain on disposal of investment properties of RM0.795 million reported in 2Q 2022.

Other services

In 1Q 2023, revenue decreased from RM0.754 million to RM0.325 million as compared to 2Q 2022 mainly due to lower income contribution from the landscape maintenance work. This sector reported a profit before tax of RM0.030 million as compared to loss before tax of RM0.577 million in 2Q 2022 mainly due to recognition of one-off gain on disposal of plant and machinery of RM0.815 million in 1Q 2023.

**Current period to date (“YTD 2023”)**

	Cumulative Period	Changes	
	Current Period To-Date	Amount	%
	30 June 2022 RM'000	RM'000	
Revenue	18,785	N/A	N/A
Gross profit	790	N/A	N/A
Result from operating activities	(1,786)	N/A	N/A
Share of profit of equity-accounted investments, net of tax	48	N/A	N/A
Loss before tax	(2,097)	N/A	N/A
Loss after tax	(2,343)	N/A	N/A
Loss attributable to Owners of the Company	(2,343)	N/A	N/A

N/A : There are no comparative figures for the cumulative preceding year corresponding periods.

## B2 Comparison with preceding quarter results

### Current quarter (“1Q 2023”) against preceding quarter (“5Q 2022”)

	Current Quarter	Preceding Quarter	Changes	
	30 June 2022	31 March 2022	Amount	%
	RM'000	RM'000	RM'000	
Revenue	18,785	96,420	(77,635)	(80.5)
Gross profit	790	14,656	(13,866)	(94.6)
Result from operating activities	(1,786)	4,276	(6,062)	(141.8)
Share of profit/(loss) of equity-accounted investments, net of tax	48	(3,889)	3,937	101.2
Net loss before tax	(2,097)	(1,385)	(712)	(51.4)
Net loss after tax	(2,343)	(2,008)	(335)	(16.7)
Loss attributable to Owners of the Company	(2,343)	(2,008)	(335)	(16.7)

The Group reported lower revenue of RM18.785 million in 1Q 2023 as compared to RM96.420 million in 5Q 2022, this was mainly due to lower revenue contribution from the construction sector in 1Q 2023 for the Duke 3 project. Consequently, the Group recorded higher loss before tax of RM2.097 million in 1Q 2023 as compared to loss before tax of RM1.385 million in 5Q 2022. The 5Q 2022 also include the Group share of loss of RM3.889 million on recognition of impairment loss on its receivables.

## B3 Prospects

The recent move by the Government to withhold some of the new mega projects in order to save public expenditure, may impact the overall growth prospects of the construction industry over the medium term. The operating environment is expected to remain highly competitive this year and the Group foresees there will be lesser new sizeable construction jobs in the local market.

For the financial year ending 31 March 2023, the Board is still mindful of the uncertainties surrounding the operating landscape of the property and construction industries which include the inflation, rising interest rate and shortage of labour. The Group will continue to take all proactive measures to ensure the existing business remains sustainable, resilient and focused on delivering and completing all its projects in hand within the budgeted cost and on agreed time frame.

The Group adopts a cautious outlook on the recovery of the property and construction industries and will continue to pursue potential business opportunities to replenish its order book.

As at 30 June 2022, the Group has approximately RM347 million in unbilled construction works.

## B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.



**B5 Taxation**

	<b>Current quarter ended 30 June 2022 RM '000</b>	<b>3 months ended 30 June 2022 RM '000</b>
Income tax		
Current provision	149	149
Deferred tax	97	97
	246	246
	246	246

The Group's effective tax rate for the financial period ended 30 June 2022 was 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 except for the Group entered into a conditional Sale and Purchase Agreement as disclosed in Note A11.

**B7 Group borrowings**

	<b>As at 30 June 2022</b>		
	<b>Non-current RM'000</b>	<b>Current RM'000</b>	<b>Total borrowings RM'000</b>
<b>Secured</b>			
Hire purchase liabilities	2,033	2,618	4,651
Lease liabilities	25	17	42
<b>Unsecured</b>			
Revolving credit	-	48,807	48,807
	2,058	51,442	53,500
	2,058	51,442	53,500

	<b>As at 31 March 2022</b>		
	<b>Non-current RM'000</b>	<b>Current RM'000</b>	<b>Total borrowings RM'000</b>
<b>Secured</b>			
Hire purchase liabilities	2,646	2,925	5,571
Lease liabilities	10	11	21
<b>Unsecured</b>			
Revolving credit	-	36,500	36,500
	2,656	39,436	42,092
	2,656	39,436	42,092

The borrowing is mainly for the purpose of working capital requirement.

**B8 Changes in material litigation**

There is no material litigation pending from 31 March 2022 (being the date of the last annual statement of financial position) to 19 August 2022 (being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) in which the Group is engaged either as plaintiff or defendant, and the Board has no knowledge of any proceedings pending or threatened against the company or of any facts likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group.

**B9 Dividends declared**

No interim dividend has been declared for the current quarter and period ended 30 June 2022.

**B10 Loss per share**

	<b>Current quarter ended 30 June 2022</b>	<b>Preceding year corresponding quarter ended 30 June 2021</b>	<b>Cumulative 3 months ended 30 June 2022</b>
Loss for the period attributable to owners of the Parent (RM'000)	(2,343)	(430)	(2,343)
Weighted average number of ordinary shares in issue ('000)	99,645	99,645	99,645
Basic loss per share (sen)	(2.35)	(0.43)	(2.35)
Diluted earnings per share (sen)	N/A	N/A	N/A

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

	<b>Current quarter ended 30 June 2022 RM'000</b>	<b>Cumulative 3 months ended 30 June 2022 RM'000</b>
Profit/(Loss) before tax is arrived at after (crediting)/charging:		
Interest income	(457)	(457)
Other income including investment income	(208)	(208)
Interest expense		
- Unwinding of discount in relation to provision for onerous contract	234	234
- Others	582	582
Depreciation and amortisation	915	915
Reversal of impairment loss on receivables	(53)	(53)
Gain on disposal of plant and equipment	(815)	(815)

## 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 is 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.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair</b>	<b>Carrying</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>value</b>	<b>amount</b>
				<b>RM'000</b>	<b>RM'000</b>
<b>30 June 2022</b>					
<b>Financial liabilities</b>					
Hire-purchase liabilities	-	-	4,841	4,841	4,651
<b>31 March 2022</b>					
<b>Financial liabilities</b>					
Hire-purchase liabilities	-	-	5,788	5,788	5,571