



**Knusford**  
**Berhad** (380100-D)

(Incorporated in Malaysia)

## ANNUAL REPORT **2015**

"Time spent in nature is time spent realizing that you don't know it all and that you never will..."

# Oasis Kajang

**FREEHOLD**

COMFORT CONVENIENCE CONTEMPORARY



With an urban design which offers a simple, classy and contemporary look, Oasis Kajang is designed with modern contemporary materials and finishing. The use of full heights windows also enhances the spatial quality, allowing more natural lighting in to brighten up your home.

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Developer: D-HILL SDN BHD (INCORPORATED IN MALAYSIA)  
(A wholly owned subsidiary of Knusford Berhad 960710-D)

**KL OFFICE**  
Wisma Komel,  
No. 118, Jalan Simbak 1,  
50140 Kuala Lumpur,  
T: +603-4933 1500 F: +603-4933 1501  
E: knusford@knusford.com

**EKONEST BERHAD SALES GALLERY**  
No. 102, Jalan Duta, Gombak 1,  
50140 Kuala Lumpur,  
T: +603-4933 1501 F: +603-4933 1771  
E: knusford@knusford.com  
GPS Co-Ord: N 3°17'36.0" E 101°42'18.5"

**KAJANG SALES GALLERY**  
No. G-1, Jalan Kajang Perdana 5, Kajang Perdana,  
41000 Kajang, Selangor,  
T: +603-8759 1619 / 1636 F: +603-8759 1622  
W: www.knusford.com.my / www.d-hill.com.my  
GPS Co-Ord: N 3°56'26.5" E 101°40'47.7"

SCAN FOR WEBSITE



www.oasiskajang.com

Developer's License No. B089-SND-0170012762 | Advertising & Sales Permit No. B089-SND-0170012762 | Validity Period: 18/01/2015 - 15/01/2017 Total Units: 112 (Breakdown: 100 Townhouse, 12 Semi-Detached) | Land Tenure: Freehold | Approving Authority: Majlis Perbandaran Kajang | Building Plans Reference No: MPP/2015/01/012762 | (Approved Date of Completion: March 2017) | Selling Price: RM 455,000 (approximate) - RM 1,800,000 (maximum) | Land Encumbrance: Nil | Status: Under Construction | TN (All information contained herein is subject to change without notification as they be required by the relevant authorities or developer's architect and cannot form part of an offer or contract. All illustrations and pictures are artist's impression only. All measurements are approximate. Whilst every care has been taken in providing this information, the owner, developer and managers cannot be held liable for any inaccuracy. All above items are subject to variations, modifications and substitutions as may be required by the relevant authorities or as indicated by the architects or Engineers.



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## **Form of Proxy**

## CORPORATE INFORMATION

### CHAIRMAN

DYAM Tunku Ismail Ibni Sultan Ibrahim

### MANAGING DIRECTOR

Datuk Ahmad Zaki Bin Zahid

### DIRECTORS

Lim Chen Heng

Lim Jenq Kuan

Bernard Hilary Lawrence

Lim Foo Seng

Avinderjit Singh A/L Harjit Singh

Mohd Salleh Bin Othman

Lee Wai Kuen

Mohamad Jaifuddin Bin Bujang Mohidin

- Executive Director
- Executive Director
- Senior Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director
- Independent Non-Executive Director
- Alternate Director to DYAM Tunku Ismail Ibni Sultan Ibrahim

### CHIEF EXECUTIVE OFFICER

Lee Hun Kheng

### COMPANY SECRETARIES

Lim Thiam Wah, ACIS

Lim Aik Yong, ACIS

### REGISTRAR

Insurban Corporate Services Sdn Bhd

149, Jalan Aminuddin Baki

Taman Tun Dr. Ismail

60000 Kuala Lumpur

Tel : 03-77275573

Fax : 03-77285948

### REGISTERED OFFICE

#C-G-03, Blok C, Tropez Residen

Persiaran Danga Perdana

80200 Johor Bahru, Johor

Tel : 07-2775555

Fax : 07-2772038

### AUDITORS

KPMG

Chartered Accountants

Level 10, KPMG Tower

8, First Avenue

Bandar Utama

47800 Petaling Jaya, Selangor

Tel : 03-77213388

Fax : 03-77213399

### PRINCIPAL PLACE OF BUSINESS

#C-G-03, Blok C, Tropez Residen

Persiaran Danga Perdana

80200 Johor Bahru, Johor

Tel : 07-2775555

Fax : 07-2772038

### PRINCIPAL BANKERS

AmBank (M) Berhad

Malayan Banking Berhad

### LISTING STATUS

Listed on Bursa Malaysia Main Market

### WEBSITE

[www.knusford.com.my](http://www.knusford.com.my)

# NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twentieth Annual General Meeting of the Company will be held at Danga Bay Convention Centre, Lot PTB21350, Batu 3½ Jalan Skudai, 80200 Johor Bahru, Johor Darul Takzim on Thursday, 30 June 2016 at 3.00 p.m. for the purpose of transacting the following businesses:-

## AGENDA

- |   |  |
|---|--|
| 1. To lay the Audited Financial Statements for the financial year ended 31 DECEMBER 2015 together with the Reports of the Directors and the Auditors thereon. | <b>Please refer<br/>Explanatory<br/>Note A</b> |
| 2. To re-elect the following Directors who retire in accordance with Article 82 of the Company's Articles of Association:-                                    |  |
| i) Lim Jenq Kuan  | <b>(Resolution 1)</b>                          |
| ii) Avinderjit Singh A/L Harjit Singh   | <b>(Resolution 2)</b>                          |
| iii) Mohd Salleh Bin Othman   | <b>(Resolution 3)</b>                          |
| 3. To re-elect Datuk Ahmad Zaki Bin Zahid who retires in accordance with Article 89 of the Company's Articles of Association.                                 | <b>(Resolution 4)</b>                          |
| 4. To approve the payment of Directors' Fees for the financial year ended 31 DECEMBER 2015.   | <b>(Resolution 5)</b>                          |
| 5. To declare a First and Final Single Tier Dividend of 2 % in respect of the financial year ended 31 DECEMBER 2015.  | <b>(Resolution 6)</b>                          |
| 6. To re-appoint Messrs. KPMG as Auditors and to authorise the Directors to fix their remuneration.   | <b>(Resolution 7)</b>                          |
| 7. As Special Business, to consider and if thought fit, to pass the following ordinary resolutions with or without modifications:-                            |  |

### AUTHORITY PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the Bursa Malaysia Securities Berhad and other relevant governmental / regulatory authorities, where such approvals are necessary, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that such authority shall continue in force until the conclusion of the next Annual General Meeting".

**(Resolution 8)**

### PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND ADDITIONAL MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

"THAT authority be and is hereby given pursuant to paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as stated in section 3.3 of the Circular to Shareholders dated 29 April 2016 with the related parties listed in section 3.2 of the Circular which are necessary for the day-to-day operations, in the ordinary course of business, made on at arm's length basis and on normal commercial terms which are not more favourable than those normally available to the public and are not to the detriment of the minority shareholders;

AND THAT the authority conferred by this Mandate shall commence immediately upon the passing of this resolution and is subject to annual renewal. In this respect the authority shall only continue to be in force until:-

## NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

- a) the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at that Annual General Meeting;
- b) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but not extending to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or
- c) revoke or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier”.

**(Resolution 9)**

- 8. To transact any other matter for which due notices have been given in accordance with the Company’s Articles of Association and the Companies Act, 1965.

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the approval of the shareholders at the Twentieth Annual General Meeting, the First and Final Single Tier Dividend of 2% will be paid on 20 September 2016 to members whose names appear in the Record of Depositors on 30 August 2016.

**FURTHER NOTICE IS HEREBY GIVEN THAT** a Depositor shall qualify for entitlement only in respect of:

- i. Shares transferred into the Depositor’s Securities Account before 4.00 p.m. on 30 August 2016 in respect of ordinary transfers; and
- ii. Shares bought on the Bursa Malaysia on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

**Lim Thiam Wah, ACIS**  
**Lim Aik Yong, ACIS**  
Chartered Secretaries  
Johor Bahru  
29 April 2016

# NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

## Notes:

1. Only depositors whose names appear in the General Meeting Record of Depositors as at 23 June 2016 shall be entitled to attend and vote at the 20th Annual General Meeting.
2. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of a proxy.
4. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. To be valid, the proxy form, duly completed must be deposited at the Registered Office not less than 48 hours before the time for holding the meeting or any adjournment thereof.
7. Explanatory notes on Special Business:-
  - i. The Proposed Resolution 8 if passed, will empower the Directors of the Company to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting. As at the date of this notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual Meeting held on 25 May 2015 and which will lapse at the conclusion of the Twentieth Annual General Meeting. The general mandate will provide flexibility to the Company for any possible fund raising activities including but not limited for further placing of shares for purpose of funding future investment(s), working capital and/or acquisitions.
  - ii. The Proposed Resolution 9, if passed, will authorise the Group to enter into recurrent related party transactions as specified in the Circular to Shareholders dated 29 April 2016, provided that such transactions are of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business made at on arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

## Explanatory Note A:-

This Agenda is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965, the Audited Financial Statements do not require formal approval of the shareholders and hence, the matter will not be put forward for voting.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### **PARTICULARS OF DIRECTORS WHO ARE STANDING FOR ELECTION AT THE TWENTIETH ANNUAL GENERAL MEETING**

There is no Director standing for election at the Twentieth Annual General Meeting.





## General Steel Products

## Formwork Timber Products

### Cement / Concrete



### Concrete Precast



### Admixtures / Adhesives / Plaster Lime



### Roofing Solutions



### Bathroom Solutions



### Tiles / Floor and Wall Decorations



### Ironmongeries



### Paint



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Tel: 03-4023 2525

Fax: 03-4022 3335

JB OFFICE

Tel: 07-238 3623

Fax: 07-237 5525

YOUR BUILDING MATERIALS ONE-STOP CENTRE

## Construction / Machineries



## Landscaping



## Property Development





## PROFILE OF CHAIRMAN, MANAGING DIRECTOR, DIRECTORS AND CHIEF EXECUTIVE OFFICER

**DYAM TUNKU ISMAIL IBNI SULTAN IBRAHIM**, aged 32, Malaysian, was appointed as Chairman and Non-Independent Non-Executive Director of Knusford Berhad on 21 August 2013. DYAM Tunku Ismail has completed his studies in Hale School, Australia. After completing his studies in Hale School, Australia, DYAM Tunku Ismail was enrolled into the Indian Military Academy. He was appointed as Tunku Mahkota Johor in 2010.

**DATUK AHMAD ZAKI BIN ZAHID**, aged 45, Malaysian, was appointed as Managing Director of Knusford Berhad on 10 June 2015. He graduated with a Bachelor of Law from the University of Bristol, England. Datuk Ahmad Zaki is currently the founder and director of Zulu Capital Sdn Bhd, a private equity management firm pursuing investment opportunities in the food and beverage, property and oil & gas sectors. Prior to that, he held executive positions in public listed companies and served the Malaysian Government in various capacities. Between 2009 and 2013, he was the Managing Director/Executive Director of KFC Malaysia Holdings Berhad, QSR Brands Berhad, Kulim Malaysia Berhad, Damansara Realty Berhad and Malaysian Resources Corporation Berhad.

**MR. LIM CHEN HERNG**, aged 29, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 21 August 2013. He graduated with a Degree in Business Management from Royal Holloway, University of London in 2008. He has been with the family business since 2008, with management exposure in the property development, construction, finance and oil & gas industry. He also sits in the board of several private limited companies, most notably the master developer Iskandar Waterfront Holdings Sdn Bhd. At present, he is the Group Executive Director in Iskandar Waterfront Holdings Sdn Bhd where he oversees the business development and investment for the group. Besides he is also an Alternate Director in Ekovest Berhad and Iskandar Waterfront City Berhad.

**MR. LIM JENQ KUAN**, aged 31, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 21 August 2013. He graduated with a Bachelor of Management Studies (Hons) Degree from the University of Nottingham, England in 2006 and a Master Degree in Management from the Cass Business School, City University London in 2007. Upon graduation, he joined his family business specializing in providing turnkey power generation solution to both government and private sector in Malaysia. He has gained valuable experience in managing projects and exposure to a wide range of market segments and commercial knowledge during his tenure as a Project Director.

In 2009, he ventured into his own business in oil & gas industry with a joint venture partner from an established Norwegian company that deals in engineering system and offshore services. The business has then served major Malaysia oil & gas exploration and production companies in the upstream sector, and recently expanding its portfolio to other similar companies in South East Asia. At present, he is a Director of several other private limited companies.

**MR. BERNARD HILARY LAWRENCE**, aged 49, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 12 April 2013. He holds a Bachelor Degree in Law (Hons) from the University of Warwick, Coventry, England, a Master Degree in Law from the University of Malaya and is a Barrister of Grays Inn, London. Since graduating from the University of Warwick, England in 1990, Mr. Bernard has garnered considerable experience having served as a Head of Legal Department for a local bank, as a Legal Adviser to a subsidiary of Telekom Malaysia Berhad and as a Group Legal Adviser to the Articulate Group of Companies. Since 2001, he has been the Managing Partner of Messrs B H Lawrence, Advocates & Solicitors. With his varied experience, Mr Bernard has knowledge of the corporate and legal, as well as a practicing advocate and solicitor. He is also an Independent Non-Executive Director of Iskandar Waterfront City Berhad.

**MR. AVINDERJIT SINGH A/L HARJIT SINGH**, aged 45, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 21 August 2013. He has completed his education in Singapore Stamford College. He has been in the marketing industry for the past 20 years since the completion of his education in Singapore Stamford College. He has experience and exposure in several industries such as property development, oil & gas and auto sports industry. He also sits in the board of several other private limited companies.

## PROFILE OF CHAIRMAN, MANAGING DIRECTOR, DIRECTORS AND CHIEF EXECUTIVE OFFICER

**MR. LIM FOO SENG**, aged 46, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 4 December 2013. He is a member of Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He has more than 26 years experience in the finance and corporate sectors. From 1989 to 1995, he served in an international accounting firm, Deloitte Kassim Chan, where he acquired considerable knowledge, experience and exposure in management consultancy, taxation and accounting and auditing standards.

From 1995 till 2003, he has worked with Arab-Malaysian Corporation Berhad Group ("Amcorp Group") where he played a key role in the business and strategy planning, venture capital activities, corporate investments, corporate audit, corporate restructuring, general management and monitoring of portfolio companies involved in various diversified businesses such as retail, mall management, radio broadcasting, point of sales advertisement, bonded warehouse, magazine publication, IT and manufacturing, in his capacity as Associate Director. He also served as a board member of various portfolio companies of Amcorp Group. He left Amcorp Group in 2003 where his last position with Amcorp Group was Chief Financial Officer of MCM Technologies Berhad, an IT incubator and a subsidiary of Amcorp that was previously listed on the ACE Market of Bursa Malaysia Securities in which he played an instrumental role in its initial public offering.

From 2003 to 2013, he held various senior management positions and served as a board member of various established private limited and public listed companies in Malaysia. Currently, he is the Finance Director cum Chief Strategy Officer of Winn Worldwide Sdn Bhd ("Winn Worldwide Group"). Winn Worldwide Group is principally involved in the business segment of fashion industry and operates more than 20 retail stores nationwide under the concept store brand names of House-of-Leather, Country Hide and Kaufmann.

He was appointed as a director of Iskandar Waterfront City Berhad on 11 October 2013.

**EN. MOHD SALLEH BIN OTHMAN**, aged 64, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 4 December 2013. He graduated with Bachelor of Science (Hons) Degree in Housing, Building and Planning from Universiti Sains Malaysia. After graduation, he joined Petroliaam Nasional Berhad ("Petronas") in 1978 as a Management Executive of Property Department and he served in various departments and divisions for a span of approximately 15 years.

Some of the senior positions he has held include Head of Building Section of Special Project Department, Deputy Manager of Property Department and being promoted to Senior Manager of the same department in 1990.

During his employment in Petronas, he acquired skills and invaluable experience in property development, property management, property maintenance and also project management. He left Petronas in 1993 to join Kuala Lumpur City Centre Bhd as the Deputy General Manager of Real Estate Division. He resigned from Kuala Lumpur City Centre in 1995 and thereafter, he joined Ekovest Berhad as General Manager, Business Development Project and resigned a year later. Subsequently, he also held various senior management position in various established Public Listed Companies in Malaysia until he retired at the age of 55. At present, he is also an Independent Non-Executive Director of Iskandar Waterfront City Berhad.

**MR. LEE WAI KUEN**, aged 50, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 4 December 2013. He holds a Law Degree from London University and MBA Degree from Heriot-Watt University. He was an Executive Director of Protech Yu (Asia) Sdn Bhd, a subsidiary of Goldis Berhad from 2007 to 2010. He was involved in the day to day operation of the aquaculture business, in charge of farm development, farm operating and marketing.

Prior to his involvement in the aquaculture industry, he was attached with Bumi Hiway & Selia Group of Companies as Head of Legal Department. He has more than 20 years of legal and corporate experience serving companies involved in the field of property development, construction and road concession. He is currently an Executive Director of Aqua Genesis Sdn Bhd which is involved in the aquaculture and supply chain for quality seafood. He is also an Independent Non-Executive Director of Ekovest Berhad.

**EN. MOHAMAD JAIFUDDIN BIN BUJANG MOHIDIN**, aged 36, Malaysian, was appointed as an Alternate Director to DYAM Tunku Ismail Ibni Sultan Ibrahim on 15 January 2015. He holds a Bachelor of Commerce from University of Western Australia. Upon graduation, he started his career with KKB Engineering Berhad as an Accounting Executive. Thereafter he joined Nationlink Group of Companies in 2003 as a Quantity Surveyor Executive, where he was exposed to 3 business divisions of the Group, namely Property Management, Construction and Development. From 2004 to 2007, he moved to Exticom Sdn Bhd, an established company in telecommunication as Head of Business Development. Since 2008, he is attached with the Johor Royal Household as the Special Officer to DYAM Tunku Mahkota Johor.

## PROFILE OF CHAIRMAN, MANAGING DIRECTOR, DIRECTORS AND CHIEF EXECUTIVE OFFICER

**MR. LEE HUN KHENG**, aged 39, Malaysian, was appointed as Chief Executive Officer of Knusford Berhad on 30 January 2015. He graduated with a Degree in Mechanical Engineering from University of Monash, Melbourne, Australia in 2000. Upon his return to Malaysia, he commenced his career as a Sales Engineer before joining Aramijaya Sdn Bhd in 2003, a subsidiary of PLS Plantation Berhad as a Marketing Manager. He is responsible for setting up new accounts for timber products, both domestic and the export market. As part of plantation project research and development, he has explored various timber industries to increase product line as well as introducing modern timber processing systems to the Company. He was promoted as a Director and Chief Executive Officer in Aramijaya Sdn Bhd on 24 May 2004 and 1 July 2008 respectively. Mr Lee is a member of the Board of PLS Plantation Berhad. Mr Lee does not own any securities in Knusford Berhad or its subsidiaries.

### Conflict of interest

There is no conflict of interest between the Directors and the Group except for the recurrent related party transactions where the Directors have interest, as disclosed in the Note 27 of the Audited Financial Statements.

There is no conflict of interest between the Chief Executive Officer and the Group except for those transactions with Aramijaya Sdn Bhd of which he is also a Director and Chief Executive Officer. He does not participate nor vote in regards to such transactions.

### Conviction for offences

None of the Directors and the Chief Executive Officer have been convicted for any offences (except traffic offences) within the last 10 years.

### Family Relationship

Save as disclosed below, no Director has family relationship with other Directors or major shareholders :-

- Mr. Lim Chen Herng is a son of Tan Sri Dato' Lim Kang Hoo.
- Mr. Lim Jenq Kuan is a son of Dato' Lim Kang Swee.
- Mr. Lim Jenq Kuan , Mr. Lim Chen Herng and Mr. Lee Hun Kheng are cousins.
- Mr. Lim Jenq Kuan and Mr. Lee Hun Kheng are nephews' of Tan Sri Dato' Lim Kang Hoo.
- Mr. Lim Chen Herng and Mr. Lee Hun Kheng are nephews' of Dato' Lim Kang Swee.
- Tan Sri Dato' Lim Kang Hoo and Dato' Lim Kang Swee are brothers.



# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Knusford Berhad ("Board"), I am pleased to present the annual report and audited financial statements of the Company and the Group for the financial year ended ("FYE") 31 December 2015 ("FYE 2015").

## Overview of Financial Performance

For the financial year ended 31 December 2015, the Group reported revenue of RM151.1 million representing a decrease of approximately 63.1% from the previous financial year's revenue of RM409.8 million. Correspondingly, the Group's profit before tax of RM5.0 million and profit after tax of RM1.6 million also decreased by approximately 88.7% and 94.2% respectively as compared to the profit before tax of RM44.0 million and profit after tax of RM27.9 million reported in the previous financial year.

The decrease in the Group's revenue and profitability for the FYE 2015 were mainly due to a considerable decrease in the sales volume for all divisions in the financial year, particularly the trading and services division, following the completion of major projects by our clients. In particular, our trading and services division reported revenue of RM145.6 million and profit before tax of RM 1.5 million, significantly lower than the previous year's revenue of RM331.0 million and profit before tax of RM41.5 million.

FYE 2015 has been a challenging year for the Group. Malaysia grappled with severe economic headwinds during the year, following unanticipated global commodity and currency shocks, financial market turbulence and reversal of capital flows. The implementation of the goods and services tax (GST), with effect from 1 April 2015, and the rationalisation of fuel and other subsidies had also adversely affected the consumption power of consumers. This had significantly contributed to the sluggish performance in the construction and property development sectors, the mainstays of the Group's business and financial performance.

## Moving Forward

The Group will continue to focus on its core areas of business in trading and services (Sales of building materials and construction equipment), civil construction and property development/investment.

The trading and services division is expected to continue to be a stable source of revenue and income for the Group, while providing some room for further growth. Steps are being taken to enhance the efficiency and cost-effectiveness of this division in the near future.

Our construction division is showing good signs of sustained progress. Besides our current projects in the Iskandar Development Region, our joint venture with Greenland Malaysia Urban Development Sdn Bhd in Greenland Knusford Sdn Bhd has started well with packages in hand while bidding for further projects in Malaysia and the region. In addition, the Group has begun to explore projects in the RAPID Pengerang area, while embarking on extending its construction expertise in areas such as landscaping and facilities management.

The property division continues to develop its land bank in Kajang Perdana while seeking out other attractive property development opportunities. Meanwhile, our property investments are showing better yields for the Group, although there is room to further grow returns and sharpen our property management capabilities.

## Industry Overview and Prospects

Malaysia's Gross Domestic Product ("GDP") is forecast to continue its growth path in 2016, albeit at a slower pace than originally expected. In addition, the year is expected to remain challenging given the volatility in the global financial markets, fluctuating commodity prices and slowdown in China's economy.

While the property development market will be soft as a result of the challenging economic conditions, the construction sector is expected to be steady given the large infrastructure commitment from the Government, government-linked companies and others. This includes projects in the Iskandar Development Region and RAPID Pengerang areas, as well as in Greater Kuala Lumpur and other growth areas.

The Group will thus position itself to take advantage of the expected heavy expenditure in construction and construction-related activities this year and beyond.

As such, while the relatively weak outlook for property development and to a lesser extent construction sector is expected to prolong and remain challenging, the Board will continue to look for new business opportunities and bid for suitable projects in order for the Group to maintain satisfactory results and create shareholder value.

### Dividend

The Board is recommending, subject to the approval of shareholders at the forthcoming Annual General Meeting, a single tier dividend of 2% per ordinary share of RM1.00 each for the financial year ended 31 December 2015.

### Corporate Governance

The Board recognises the importance of adopting good corporate governance and is committed to meeting all applicable rules, regulations, norms and standards to ensure that we meet the expectations of all stakeholders in this regard.

### Acknowledgment

On behalf of the Board, I would like to express my gratitude to all of our valued customers, partners, regulators, bankers, business associates and of course shareholders, for their continuous support for and confidence in the Group.

I would also to extend my gratitude to the Directors for their unstinting support and excellent contributions and to the management and staff for their hard work and loyal dedication for the Group.

---

**DYAM Tunku Ismail Ibni Sultan Ibrahim**

Chairman

# STATEMENT ON CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## INTRODUCTION

The Board of Directors ("Board") of Knusford Berhad remains committed to ensure high standards of corporate governance is practised throughout the Company and its subsidiaries ("the Group") to enhance shareholders' value and improve its financial performance. The Board aims for the principles and best practices of the Malaysia Code of Corporate Governance 2012 ("MCCG 2012") to be observed and practiced throughout the Group as a fundamental part of discharging its responsibilities.

Therefore the Board is pleased to present the following report on the Company's application of the principles and compliance with best practices as set out in MCCG 2012 and other applicable laws, rules and regulations during the financial year ended 31 December 2015.

## APPLICATION OF PRINCIPLES AND RECOMMENDATIONS

### Principle 1: Establish Clear Roles and Responsibilities

#### 1.1 The board should establish clear functions reserved for the board and those delegated to management

The Board has established a Board Charter which sets out the roles and responsibilities of Board members in discharging their fiduciary and leadership functions and to ensure the divisions of responsibilities between the Board and the Management are clearly defined.

Specific duties and responsibilities are delegated by the Board to three (3) committees, namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee, all of which are governed by their respective terms of reference. The Board was kept informed of key issues and decisions made by these committees through presentation made by Chairman of the respective board committee at the Board's scheduled meetings.

#### 1.2 The board should establish clear roles and responsibility in discharging its fiduciary and leadership functions

The key responsibilities of the Board are documented as follows.

> Reviewing and adopting a strategic plan

The Board will put in place a more robust strategy planning process, whereby the Managing Director presents and proposes to the Board the Management's business plans for the ensuing year for the Board's review and approval.

> Overseeing the conduct of the company's business

The Managing Director, supported by the Chief Executive Officer is primarily responsible for overseeing the day to day operations of the Group and ensures the smooth and effective running of the Group. Monthly management meetings are held which are attended by the Head of Department, Chief Executive Officer and Managing Director to monitor the Group's business operations and performance.

On a quarterly basis, the performance of the Group is communicated to the Board by the Managing Director, Chief Executive Officer and Chief Financial Officer at its scheduled meetings.

> Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures

The Board had approved and put in place a risk management framework policy and procedures on 22 April 2013 where the role and responsibilities in relation to risk management are clearly defined for the Board, Audit and Risk Management Committee, Chief Executive Officer, Heads of Subsidiaries / Division Head.

Quarterly risk assessment updates are carried out within the Group to identify, evaluate and review the respective divisions' key risk profiles. The results are reviewed by the Audit and Risk Management Committee at their quarterly meeting and subsequently presented to the Board.

> Succession planning

The Board has entrusted the Nomination Committee and Remuneration Committee with responsibilities to review candidates for the Board and key management positions and to determine remuneration package for these appointments, as well as formulate nomination, remuneration and succession policies for the Group.

During the financial year ended 31 December 2015, four (4) board members resigned due to other work commitments and a new Executive Director was recommended by the Nomination Committee and approved by the Board.

# STATEMENT ON CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## APPLICATION OF PRINCIPLES AND RECOMMENDATIONS (continued)

### Principle 1: Establish Clear Roles and Responsibilities (continued)

#### 1.2 The board should establish clear roles and responsibility in discharging its fiduciary and leadership functions (continued)

> Overseeing the development and implementation of a shareholder communications policy for the company

The Board acknowledges the need for the shareholders to be informed of all material business matters affecting the Company and as such adopts an open and transparent policy in respect of its relationship with its shareholders and investors. The Board ensures timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year.

The Company conducts dialogues with financial analysts and/or the media from time to time as a means of effective communication to enable the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests.

The Company leverage on information technology for effective dissemination of information. The Company's website provides easy access to corporate information pertaining to the Company and its activities and is continuously updated.

Mr. Bernard Hilary Lawrence has been identified as the Senior Independent Non-Executive Director of the Board to whom queries or concerns relating to the Group may be conveyed by shareholders by way of writing to the Company's registered address.

> Reviewing the adequacy and the integrity of the management information and internal controls system of the company

The Board acknowledges the importance of sound system of internal controls, which provides reasonable assurance in ensuring the effectiveness and efficiency of operations and safeguards shareholders' investments and the Group's assets.

The Internal Audit function has been outsourced to a professional service firm. The outsourced internal audit function meets with the Audit and Risk Management Committee on a quarterly basis. Further information may be found in the Statement of Risk Management set out on pages 23 to 25 of this annual report.

In addition, the external auditors review the internal controls over financial reporting annually and reported to the Audit and Risk Management Committee directly.

#### 1.3 The board should formalise ethical standards through a code of conduct and ensure its compliance

The Board has formulated ethical standards through a code of conduct for the directors and senior management and will ensure its compliance. The Code of Conduct includes principles related to conflict of interest, dealings with confidential information, to ensure safety, security and adherence to Company's rules, dealing with suppliers, customers and third parties.

The Code of Conduct is available at the Company's website.

The Directors are committed to determining whether they have any potential or actual conflict of interest with regards to any matters being discussed. The Directors must declare interests they may have that constitute a related party transaction and abstain from voting in respect of such transactions when considering such matters.

The Board is in the midst of developing its whistle blowing policy. A summary of the policy will be published in the company's corporate website once ready.

#### 1.4 The board should ensure that the company's strategies promote sustainability

The Board acknowledges the Group's obligation to society and strives for a balanced approach in fulfilling its key objectives and the expectations of stakeholders. The Group is committed and will further enhance its corporate social responsibilities that are supportive of healthy work environment, skill development as well as health and safety at work. The Group supports various charitable causes and is committed to carry on its efforts towards on a sustainable basis.

The Group's social responsibilities statement is set out on page 26 of this annual report.

# STATEMENT ON CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## APPLICATION OF PRINCIPLES AND RECOMMENDATIONS (continued)

### Principle 1: Establish Clear Roles and Responsibilities (continued)

#### 1.5 The board should have procedure to allow its member access to information and advice

The Board has unrestricted and timely access to all information necessary for the discharge of its responsibilities. Notice of Board Meetings and the necessary board papers are circulated to Directors in advance to enable meaningful deliberation and sound decisions to be made during Board meetings. All meetings of the Board are duly recorded by the Company Secretaries in the Board Minutes. All Directors have access to the services and advice of the Company Secretaries, Senior Management and other independent professionals, at the expense of the Group to facilitate the discharge of their duties.

#### 1.6 The board should ensure it is supported by a suitable qualified and competent Company Secretary

The Company Secretaries are central source of information and advice to the Board and its Committees on the issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The Board has appointed Lim Thiam Wah and Lim Aik Yong as the Company Secretaries, who have the competency to provide the necessary assistance to the Board.

#### 1.7 The board should formalise, periodically review and make public its Board Charter

The Board has established a Board Charter and will review the contents from time to time and make any necessary amendments in order to ensure the needs of the Company are consistently met.

The Board Charter is displayed on the Company's website at [www.knusford.com.my](http://www.knusford.com.my)

### Principle 2: Strengthen Composition

#### 2.1 The board should establish a Nomination Committee which should comprise exclusively of non-executive directors, a majority of whom must be independent

The Nomination Committee comprises entirely of Independent Non-Executive Directors who are as follows:

- |  |  |
|--|--|
| i) Bernard Hilary Lawrence             | – Senior Independent Non-Executive Director (Chairman) |
| ii) Lim Foo Seng                       | – Independent Non-Executive Director (Member)          |
| iii) Avinderjit Singh A/L Harjit Singh | – Independent Non-Executive Director (Member)          |
| iv) Mohd Salleh Bin Othman             | – Independent Non-Executive Director (Member)          |
| v) Lee Wai Kuen                        | – Independent Non-Executive Director (Member)          |

During the financial year ended 31 December 2015, the Nomination Committee met once and the following activities were carried out by the Nomination Committee:

1. Reviewed the composition of the Board of Directors
2. Assessed the effectiveness of the Board and Board Committee
3. Assessed and evaluated the performance and contribution of each Director
4. Reviewed the profile of each Director
5. Reviewed the training needs of the Directors to ensure that they are acquainted with the latest development and changing environment in which the Company operates.

#### 2.2 The Nomination Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors

The Nomination Committee's Terms of Reference specifies the duties and functions of the Committee, which relate to the recruitment of directors and criteria used in their selection in terms of the appropriate balance of skills, expertise, attributes and core competencies and annual assessment. The Committee is responsible for reviewing candidates for appointment to the Board Committee and make appropriate recommendations thereon to the Board for approval. It is tasked with assessing the effectiveness of the Board and Board Committee and the performance of individual Directors in order to ensure that required mix of skills and experience are present of the Board.



# STATEMENT ON CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## APPLICATION OF PRINCIPLES AND RECOMMENDATIONS (continued)

### Principle 2: Strengthen Composition (continued)

#### 2.2 The Nomination Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of directors (continued)

The Board does not have a specific policy on setting targets for women candidates. The evaluation of the suitability of candidate to the Board depends on his or her competency, knowledge, character, time commitment, professionalism integrity and experience in meeting the needs of the Company.

The evaluation of Board is conducted annually, comprises of Board Assessment by Individual Directors, Self and Peer Assessment and an assessment of independence of an Independent Directors. The assessment of the Board by an individual director is based on specific criteria, covering areas such as the Board composition and structure, principal responsibilities of the Board, the Board process, succession planning and Board governance. For Self and Peer Assessment, the assessment criteria include contributions to interaction, role and duties, knowledge and integrity, governance and independence, and risk management.

The Nomination Committee meets at least once a year and conducts an annual review of the required mix of skills, diversify and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and to assess, on annual basis, the effectiveness of the Board as a whole, the Committee of the Board and the contributions of each individual director, including Independent Non-Executive Directors.

The presence of the Independent Non-Executive Directors promotes objectivity and they have the competence necessary to advise the Board on its decisions. They provide an effective check and balance to the Board's decision making process. The Board's composition brings together an extensive group of experienced Directors from varied backgrounds and they bring with them a wide range of skills and experience in areas relevant to managing and directing the Group's operations. The Board is satisfied that the current Board's composition fairly protects the investment of the minority shareholders and represents a balanced mix of skills and experience to discharge the Board's duties and responsibilities. In addition, no individual director or group of directors dominates the Board's decision making. The profile of each Board member is set out on page 9 to 10 of this Annual Report.

#### 2.3 The board should establish formal and transparent remuneration policies and procedures to attract and retain directors

The Remuneration Committee assists the Board of Directors in reviewing and assessing the remuneration packages of the Executive Directors. The remuneration packages of the Company's Non-Executive Directors are determined by the Board as a whole, with the Director concerned abstaining from participating in the decision making in respect of his individual remuneration.

The Remuneration Committee comprises of the following Independent Non-Executive Directors:

- |  |  |
|--|--|
| i) Bernard Hilary Lawrence             | – Senior Independent Non-Executive Director (Chairman) |
| ii) Lim Foo Seng                       | – Independent Non-Executive Director (Member)          |
| iii) Avinderjit Singh A/L Harjit Singh | – Independent Non-Executive Director (Member)          |
| iv) Mohd Salleh Bin Othman             | – Independent Non-Executive Director (Member)          |
| v) Lee Wai Kuen                        | – Independent Non-Executive Director (Member)          |

The Company aims to set remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved. The level of remuneration for the Executive Directors is determined by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies. No Director other than the Executive Directors shall have service contract with the Company.

The aggregate remuneration of the Directors of the Board for the year ended 31 December 2015 is as follows:

##### (a) Total Remuneration

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Salary and Other Emolument	302	105	407
Fees	71	152	223
Benefits-In-Kind	40	21	61
Total	413	278	691

# STATEMENT ON CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## APPLICATION OF PRINCIPLES AND RECOMMENDATIONS (continued)

### Principle 2: Strengthen Composition (continued)

#### 2.3 The board should establish formal and transparent remuneration policies and procedures to attract and retain directors (continued)

##### (b) Directors' remuneration by bands

The number of Directors whose total remuneration falls within the following bands during the financial year ended 31 December 2015 is as follows:

Remuneration Band	Executive Directors	Non-Executive Directors	Total
Up to RM50,000	2	8	10
RM50,001 to RM100,000	1	-	1
RM100,001 to RM150,000	1	1	2
RM300,001 to RM350,000	1	-	1
Total	5	9	14

The details of the individual Director's remuneration are not disclosed in this report as the Board considers the above disclosures have satisfied the accountability and transparency aspects of the Code.

### Principle 3: Reinforce Independence

#### 3.1 The board should undertake an assessment of its independent director annually

The appointment of the independent directors is to ensure that the Board includes directors who can effectively exercise their independent and objective judgement to Board deliberations and to mitigate risks arising from conflict of interest or undue influence from interested parties.

Criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Group and his involvement in any significant transaction within the Group. In the case of Independent Directors, the provision of an annual declaration of independence is practised.

The Nomination Committee is specially tasked to assess the independence of Independent Directors upon admission, annually and when any new interest or directorship develops.

The Nomination Committee has assessed the independence of each Director and recommended that they continue to act as an Independent Non-Executive Directors of the Company on the following basis:

- They have no interest or ties in the Company that could adversely affect independent and objective judgement and place the interest of the Company above all other interests; and
- They have met the criteria for independence set out in Chapter 1 of the Bursa Securities Main Market Listing Requirements ("MMLR"); and they continue to be able to exercise independent judgement and to act in the best interest of the Company.

Following by this assessment, the Board is of the opinion that the independent Directors continue to remain objective and independent in expressing their respective views and in participating in deliberations and decision-making of the Board and the Board Committee.

The Board is further of the view that the length of service of the independent Directors on the Board do not in any way interfere with their independent judgement and ability to act in the best interest of the Group. Hence, based on the recommendation by the Nomination Committee, the Board recommends that the Independent Directors continue in their present positions.

# STATEMENT ON CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## APPLICATION OF PRINCIPLES AND RECOMMENDATIONS (continued)

### Principle 3: Reinforce Independence (continued)

#### 3.2 The tenure of an independent director should not exceed a cumulative term of nine years. Upon completion of the nine years, an independent director may continue to serve on the board subject to the director's re-designation as a non-independent director

As at the date of this statement, none of the Independent Directors' tenure exceeded a cumulative term of 9 years.

Whilst the length of service is not regarded by the Board to entirely demonstrate the independence of the independent non-executive directors, the Board will justify and seek shareholders' approval in the event the Board intends to retain the Independent Director after serving a cumulative term of 9 years.

#### 3.3 The board must justify in the notice convening the annual general meeting and submit for shareholders' approval the retention of all independent directors who have served the company for an aggregate of more than nine years at every annual general meeting

Please refer to the paragraph above.

#### 3.4 The positions of Chairman and MD should be held by different individuals, and the Chairman must be a non-executive member of the Board

DYAM Tunku Ismail Ibni Sultan Ibrahim is the Chairman of the Group while Datuk Ahmad Zaki Bin Zahid is the Managing Director of the Group. The Chairman is a non-executive director. The Chairman and Managing Director are unrelated parties.

#### 3.5 The Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director

The Group is led by an effective and experienced Board, comprising nine (9) members, made up of five (5) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director, and two (2) Executive Directors and one (1) Managing Director. We had also appointed one (1) Alternate Director.

Whilst the Chairman is not an independent director, the board is made up by majority independent directors.

Hence, the composition of the Board satisfies the MMLR that 1/3 of the Board must be Independent Directors.

### Principle 4: Foster Commitment

#### 4.1 The Board should set out expectations on time commitment for its members and protocols for accepting new directorships

All directors are expected to devote sufficient time to carry out their responsibilities and are required to notify the Board before accepting any new directorship.

The Board Charter has specified that any director shall notify the Chairman before accepting any new directorship and the notification shall include the indication of time that will be spent on the new appointment.

#### 4.2 The Board should ensure its members have access to appropriate continuing education programmes

The Board recognises the needs to attend trainings in order to enhance their skills and knowledge and keep abreast with the relevant change in laws, regulations and business environment so that they can discharge their duties effectively.

During the financial year, the Group organised a training course entitled "Family Business Management Transgenerational Entrepreneurship" for all the Directors and Senior Management in compliance with paragraph 15.08 of the MMLR. This program highlights the relevant topics which cater to enhance the Directors' knowledge and skills in discharging duties effectively. All the Directors attended the training.

# STATEMENT ON CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## APPLICATION OF PRINCIPLES AND RECOMMENDATIONS (continued)

### Principle 4: Foster Commitment (continued)

#### 4.2 The Board should ensure its members have access to appropriate continuing education programmes (continued)

The topics covered are as follows:

- examination of the level of "Familianness" within a typical family businesses.
- recognition of the criticality of "Familianness" in creating competitive advantage.
- cultural context of a family business.
- elements of transgenerational entrepreneurship.
- development of effective family business succession planning.
- assessment of transgenerational readiness.

The Group will continue to organise development and training programmes for the benefit of Directors and in addition, the Directors individually are encouraged to equip themselves on the new developments in the business environment by attending other relevant courses, trade fairs, seminars and conferences.

### Principle 5: Uphold Integrity in Financial Reporting

#### 5.1 The Audit Committee should ensure financial statements comply with applicable financial reporting standards

The Audit and Risk Management Committee consists entirely of Independent Non-Executive Directors with the Chairman being a member of the Malaysian Institute of Accountants. The Audit and Risk Management Committee assists the Board in reviewing information for disclosure purposes such as quarterly reports and financial statements to ensure that the Group's financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards so as to offer a balanced and comprehensive assessment of the Group's financial position and prospects to the shareholders.

The Audit and Risk Management Committee is delegated the task of assessing whether the External Auditors are suitable for reappointment for the following financial year, of which competence and independence are key considerations. The detail of responsibilities, composition, and terms of reference and activities of the Committee are outlined in this Annual Report under the Audit and Risk Management Committee's Report.

A Responsibility Statement by the Directors is set out on page 26 of this Annual Report.

#### 5.2 The Audit Committee should have policies and procedures to assess the suitability and independence of external auditors

The Audit and Risk Management Committee keeps under review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. The Audit and Risk Management Committee ensures that the external auditors do not supply a substantial volume of non-audit services to the company. The Audit and Risk Management Committee also ensures that the external audit function is independent of the activities it audits and reviews the contracts for the provision of non-audit services by external auditors and ensures that it will not give rise to instances of conflict of interests.

Through the Audit and Risk Management Committee, the Board has established a formal and transparent arrangement for maintaining appropriate relationships with the Group's auditors, both external and internal. The auditors have continued to meet with the Audit and Risk Management Committee at least 2 times in a year mainly to review the audit plan, the results of the audit and any other matters that requires the Audit and Risk Management Committee's attention. The Audit and Risk Management Committee Report is set out on pages 27 to 30.

The external auditors have confirmed to Audit and Risk Management Committee that they are, and have been independent throughout the conduct of the audit engagement in accordance with independence criteria set out by the Malaysian Institute of Accountants.

# STATEMENT ON CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## APPLICATION OF PRINCIPLES AND RECOMMENDATIONS (continued)

### Principle 6: Recognise and Manage Risk

#### 6.1 The Board should establish a sound framework to manage risks

This is addressed under paragraph 1.2 of this statement.

#### 6.2 The Board should establish an internal audit function which reports directly to the audit committee

The Company outsources the internal audit function as it is the most cost effective means of implementing an internal audit function. The internal auditors report directly to the Audit and Risk Management Committee.

### Principle 7: Ensure Timely and High Quality Disclosure

#### 7.1 The Board should ensure the company has appropriate corporate disclosure policies and procedures

All the information disseminated is in accordance with Bursa Malaysia disclosure rules and regulations and all other relevant laws and regulations. The Board has taken steps to ensure that no market sensitive information is disclosed to any party prior to making an official announcement to Bursa Securities.

#### 7.2 The Board should encourage the company to leverage on information technology for effective dissemination of information

The Board supports the use of information technology for the effective dissemination of information. The Group has established its corporate website at [www.knusford.com.my](http://www.knusford.com.my) which has served as a useful reference source of information to our shareholders, investment analysts, business partners and other stakeholders.

### Principle 8: Strengthen Relationship between Company and Shareholders

#### 8.1 The Board should take reasonable steps to encourage shareholder participation at general meetings

The Board presents the progress and performance of the Group to provide shareholders with the opportunity to seek clarification on the Group's businesses and financial performance during the AGM and EGM. The Directors, Chairman of the Audit and Risk Management Committee, and External Auditors will be available to response to the questions of shareholders during the Annual General Meeting.

#### 8.2 The board should encourage poll voting

The Board ensure that for all related party transactions, the shareholders' votes at the general meeting are taken on the poll basis.

#### 8.3 The Board should promote effective communication and proactive engagements with shareholders

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Company and as such adopts an open and transparent policy in respect of its relationship with its shareholders and investors. The Board will ensure the timely release of financial results on a quarterly basis to provide shareholders with an overview of the Company's performance and operations in addition to the various announcements made during the year. The Company will conduct dialogues with financial analysts and/or the media from time to time as a means of effective communication to enable the Board and Management to convey information relating to the Company's performance, corporate strategy and other matters affecting shareholders' interests.



# STATEMENT ON CORPORATE GOVERNANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## ADDITIONAL INFORMATION

### (A) Board Meetings

The Board meets on a quarterly basis with additional meetings being convened when necessary to deliberate and consider matters relating to the Group's financial performance, strategy and corporate development. The Board also oversees and monitors the performance of the subsidiaries' operations. Management reports are made available to the Board members for review.

For the financial year ended 31 December 2015, the Board met five (5) times with the following recorded attendance of the Directors who held office:

Name of Director	Designation	Board of Directors Meeting
DYAM Tunku Ismail Ibni Sultan Ibrahim	Non-Independent Non-Executive Director	4/5
Datuk Ahmad Zaki Bin Zahid (appointed on 10 June 2015)	Managing Director	2/2
Lim Chen Heng	Executive Director	4/5
Lim Jenq Kuan	Executive Director	4/5
Bernard Hilary Lawrence	Senior Independent Non-Executive Director	5/5
Avinderjit Singh A/L Harjit Singh	Independent Non-Executive Director	5/5
Lim Foo Seng	Independent Non-Executive Director	5/5
Mohd Salleh Bin Othman	Independent Non-Executive Director	5/5
Lee Wai Kuen	Independent Non-Executive Director	5/5
Tan Sri Dato' Lim Kang Hoo (resigned on 24 June 2015)	Executive Director	3/3
Khoo Nang Seng @ Khoo Nam Seng (resigned on 24 June 2015)	Executive Director	2/3
Dato' Daing A Malek Bin Daing A Rahaman (resigned on 5 August 2015)	Non-Independent Non-Executive Director	2/3
Datuk Aznam Bin Mansor (resigned on 31 December 2015)	Non-Independent Non-Executive Director	2/5

Currently all Board members comply with paragraph 15.06 of the MMLR on the restriction of five (5) directorships in listed issuers.

### (B) Appointment and Re-election of Directors

The Board is guided by formal recommendations by the Nomination Committee for any new appointment to the Board. Newly appointed Board members are subject to retirement at the Annual General Meeting ("AGM") of the Company following their appointment. Article 82 of the Company's Articles of Association also provide that at least one-third (1/3) of the Directors shall retire by rotation at each Annual General Meeting and that all Directors shall retire once in every three (3) years. A retiring Director shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965 ("the Act").

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") for the Main Market and as guided by the Statement on Risk Management And Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors ("the Board") of Knusford Berhad is pleased to include a statement on the state of the Group's system of risk management and internal control in this annual report for the financial year ended 31 December 2015.

## BOARD RESPONSIBILITY

The Board recognises the importance of good risk management practices and sound internal controls. The Board acknowledges its overall responsibilities for maintaining a sound system of risk management and internal control to safeguard shareholders' investments and the Group's assets as well as for reviewing the adequacy and integrity of the Group's system of risk management and internal control. In addition, the Board has also received assurance from the Managing Director ("MD") and Chief Financial Officer ("CFO") that the Group's risk management and the internal control system are operating adequately and effectively in all material aspects.

However, as there are limitations inherent in any risk management and internal control system, such systems put into effect by Management are only to manage, rather than eliminate all risks that may impede the achievement of the Group's business objective. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against any material misstatements, losses or errors. The Group's risk management process and internal control system do not apply to jointly controlled entities and associates where the Group does not have full management control. The Group's interests are secured through Board representation at the jointly controlled entities and associates.

## KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The key features of the Group's risk management and internal control system are summarised as follows:-

### 1. RISK MANAGEMENT

The Board acknowledges that the Group's business activities involve some degree of risk that may affect the achievement of its business objectives and an effective risk management framework should be an integral part of the Group's daily operation. As such, a risk register has been put in place in order to identify, evaluate and manage the significant risks faced by the Group and each business division on an ongoing basis.

The Audit and Risk Management Committee, which is accountable to the Board, meets and reports quarterly to the Board on its activities, findings and recommendations with regards to the Group's risk management activities and the effectiveness of the risk management structure.

The responsibilities of the Audit and Risk Management Committee are as follows:

- Ensure that there is a structured risk management framework in place;
- Review the status of implementation of the policies approved by the Board;
- Review the key risk profile of the organisation and ensures adequate allocation of resources, appropriate measurements are in place for managing the prioritised risks; and
- Communicate to the Board the changes to the Key Risk Profiles and the course of action to be taken by Management in managing these risks on a quarterly basis.

The responsibility of identifying and managing the risks of each department lies with the respective Heads of Department.

The Management, with the assistance of an independent consultancy firm, identifies, evaluates and reviews the risk register periodically and the results of the assessment will be presented to Audit and Risk Management Committee for its further review before the results are being presented to the Board on a quarterly basis.

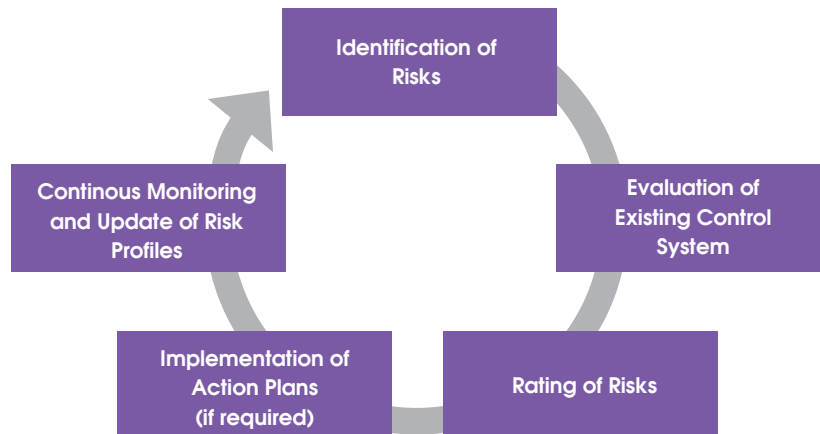
# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (continued)

### 1. RISK MANAGEMENT (continued)

The risk management process can be briefly summarised as follows:



The above risk management process has been in place for the year under review and up to the date of approval of this Statement.

### 2. INTERNAL CONTROL SYSTEM

Key features of the internal control system are as follows:

- Organisation Structure & Authorisation Procedures

The Group maintains a defined organisational structure that sets out the relevant roles and responsibilities.

- Operating Policies

Standard operating policies are in place to govern the Group's business operations.

- Code of Conduct

Code of conduct for the Group's Directors and Senior Management is in place to foster a culture of honesty and accountability.

- Monitoring and Review

Monthly management accounts are prepared by the Group Finance Department for management's review, whilst quarterly financial results are presented to the Audit Committee and the Board for the purpose of monitoring the Group's progress toward achieving its business objective. The operational performance reports are presented to the Board for their review, consideration and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

### 3. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm to provide the Audit and Risk Management Committee with an independent assessment on the adequacy and effectiveness of the Group's system of internal control.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## 3. INTERNAL AUDIT FUNCTION (continued)

During the financial year ended 31 December 2015, the outsourced internal audit function carried out audits in accordance with the internal audit plan approved by the Audit and Risk Management Committee. The internal audit plan was developed taking into consideration of risk profiles and concerns of Senior Management and the Audit and Risk Management Committee. The results of their review, which included summary of internal audit findings and management's responses, were presented to the Audit and Risk Management Committee. Follow up visits were conducted to ensure that management's action plans in respect of the matters highlighted in the internal audit reports have been adequately addressed.

Based on the internal audit reviews conducted, none of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

## CONCLUSION

The Board is of the view that the Group's system of internal control and risk management is adequate to safeguard shareholders' investments and the Group's assets for the period under review up to the date of this report. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continually evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

This statement was approved by the Board of Directors on 29 March 2016.

# STATEMENT ON INTERNAL AUDIT FUNCTION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board recognises the importance of a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

The Group's Internal Audit Function, which is outsourced to a professional services firm, is an integral part of the assurance mechanism in ensuring that the Group's system of internal control is adequate and effective. The outsourced internal audit function reports directly to the Audit Committee at their quarterly meetings.

On an annual basis, an internal audit plan is tabled to the Audit Committee for review and approval, and the outsourced internal audit function executes audits based on the approved audit plan. The results of the audit reviews are periodically reported to the Audit Committee. In addition, the outsourced internal audit function carries out follow up reviews to ensure that previously reported issues have been adequately addressed by Management and the results of such reviews are also periodically reported to the Audit Committee.

The cost incurred for outsourcing the internal audit function of the Group for the financial year ended 31 December 2015 is at RM78,323 (2014: RM72,317)

## DIRECTORS' RESPONSIBILITY STATEMENT

The Board is fully accountable to ensure that the financial statements are drawn up in accordance with Companies Act, 1965 and the applicable approved accounting standards set by Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2015 and of the results and cash flows of the Group and Company for the financial year ended on that date.

In the preparation of the financial statements, the Directors have:

- a) applied relevant and appropriate accounting policies consistently and in accordance with applicable approved accounting standards;
- b) made judgements and estimates that are prudent and reasonable; and
- c) used the going concern basis for the preparation of the financial statements.

The Directors are responsible for ensuring that proper accounting records are kept in accordance with the Act. The Directors also have overall responsibility in taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## CORPORATE SOCIAL RESPONSIBILITY

The Group recognizes its social obligation to society and is striving for a balanced approach in fulfilling its key objectives and the expectations of all stakeholders.

The Group strives to be an attractive employer with the ability to recruit, develop and retain the best people. Being a responsible employer, efforts are continuously being made to improve the well-being of employees.

The Group believes that competent employees are crucial to the continued growth and success of the business. The Group seeks to develop employees by providing training and development opportunities to enhance their knowledge, sharpen their skills and broaden their work experience and exposure.

A conducive, safe and healthy working environment is provided by the Group for its employees at the workplace. The Group enforces workplace health and safety excellence not just for employees but also for contractors, customers and visitors. The Group also ensures that appropriate resources and support are accessible to maintain high standards of safety and to cultivate a positive culture and awareness of safety.

To fulfill its corporate social responsibility, the Group has supported various charitable causes during the financial year and is committed to carry out its efforts further on a sustainable basis.



# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The Board of Directors of Knusford Berhad is pleased to present the report of the Audit and Risk Management Committee for the financial year ended 31 December 2015.

## COMPOSITION AND ATTENDANCE OF MEETINGS

The Audit and Risk Management Committee currently comprises of five (5) Independent Non-Executive Directors and details of their attendance at meetings during the financial year ended 31 December 2015 are as follows:-

	Attendance of meetings
Chairman: Lim Foo Seng (Independent Non-Executive Director, MIA member)	5/5
Members: Bernard Hilary Lawrence (Senior Independent Non-Executive Director)	5/5
Avinderjit Singh A/L Harjit Singh (Independent Non-Executive Director)	5/5
Mohd Salleh Bin Othman (Independent Non-Executive Director)	5/5
Lee Wai Kuen (Independent Non-Executive Director)	5/5

## TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

### Composition

- (1) The members of the Audit and Risk Management Committee shall be appointed by the Board of Directors ("Board") from among their members and shall consist of no fewer than three (3) members with a majority of them being independent directors.
- (2) At least one of the Committee members:
  - (a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
  - (b) if he is not a member of MIA, he must have at least three (3) years working experience and:
    - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - (c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Bhd
- (3) No Alternate Director may be appointed as a member of the Committee.

### Chairman

The members of Audit and Risk Management Committee shall elect amongst them an independent director to act as the Chairman of the Audit and Risk Management Committee.

### Secretaries

The Company Secretaries of the Company shall be Secretaries of the Committee and shall be responsible in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting. The Secretaries shall also be responsible for keeping the minutes of meetings of Audit and Risk Management Committee and circulating them to the Audit and Risk Management Committee members.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (continued)

### Meetings

At least four (4) meetings shall be held in a year. However, meetings may also be held as and when required or upon the request of the external auditors to consider any matters that they believe should be brought to the attention of the Directors and/or shareholders. The agenda of the Audit and Risk Management Committee meetings shall be circulated before each meeting to members of the Audit and Risk Management Committee. The Audit and Risk Management Committee may require other Board members, senior management personnel, external auditors and external independent professional advisers to attend any of its meetings if deemed necessary.

### Quorum

The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent. In the absence of the Chairman, the members present shall elect a Chairman for the meeting among the members present.

### Powers of the Audit and Risk Management Committee

The Audit and Risk Management Committee has been granted appropriate authority by the Board of Directors to carry out their duties and responsibilities including the following:-

- Conduct investigation into any matters within their terms of reference.
- Seek any information it requires from any employee of the Group.
- Engage external, legal or professional advice at the cost and expense of the Group where necessary.
- Full and unrestricted access to any information pertaining to the Group and the Company.
- Direct communication with the external auditors and/or persons carrying out the internal audit and risk management functions or activities.
- Meet with the external auditors at least twice a year without executive board members present.
- Right to employ resources which are required to perform its duties.

### Duties and Responsibilities of the Audit and Risk Management Committee

The duties and responsibilities of the Committee shall include the following:

#### (a) Internal Audit

- To review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- To review the internal audit plan and results and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function.
- To evaluate the performance and decide on the remuneration of the outsourced internal audit function.
- To review the assistance given to internal auditors by employees of the company.

#### (b) External Audit

- To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal.
- To review the external auditors' audit plan, their evaluation of the system of internal controls, scope of their audits, their audit reports, management letter and management response.
- To review and report on the assistance and co-operation given by the employees of the Group to the auditors.
- To review the independence and objectivity of the external auditors and their services, including non-audit services.
- To review problems and reservations arising from interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary).

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## Duties and Responsibilities of the Audit and Risk Management Committee (Continued)

### (c) Financial Reporting

To review the quarterly and annual financial statements of the Company and Group and recommend to the Board for approval, focusing particularly on:-

- changes in or implementation of new accounting policies and practices.
- significant and unusual events.
- going concern of entities within the group.
- compliance with applicable approved accounting standards and other legal and regulatory requirements.

### (d) Related Party Transactions

To monitor and review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure that raises questions on management integrity.

### (e) Risk Management

- To approve the adoption of the risk management framework and the methodology used.
- To review all the key risk profiles covering risk assessment, classification and risk ranking.
- To review all the action plans taken to mitigate the identified risks and ensure timely implementation of action plans within the reasonable time frame to mitigate the risk level.
- To communicate the key business risks to the Board for consideration and resolution.

### (f) Other Matters

- To perform such other functions and responsibilities as may be agreed to by the Committee and the Board.
- To promptly report to Bursa Securities on any matter reported to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.
- To review whether the share options allocated are in compliance with the by-laws and criteria of Employee Share Option Scheme approved by shareholders.
- To review any major findings of internal investigations and management's audit.

## Summary of Activities of the Audit and Risk Management Committee

During the financial year ended 31 December 2015, the following activities were carried out by the Audit and Risk Management Committee:

- (a) Reviewed the unaudited quarterly reports on the consolidated results of the Group before recommending to the Board for their approval and release to Bursa Securities.
- (b) Reviewed and approved the internal audit plan prepared by the internal audit function.
- (c) Reviewed the internal audit reports, recommendations and Management's response and ensured that the action plans had been carried out by Management on a timely basis.
- (d) Reviewed and approved the risk management framework recommended by the Management.
- (e) Reviewed the risk assessment in term of identification of key risks and corresponding controls put into effect by Management to mitigate the identified risk prepared by the risk management function prepared by the risk management consultant.
- (f) Reviewed the audit plan of the Group as proposed by the external auditors, in terms of the nature and extent of the audit procedures, significant accounting and audit issues, impact of new or proposed changes in the accounting standards and any other regulatory requirements.
- (g) Reviewed the annual report and audited financial statements of the Company and the Group with the external auditors prior to tabling to the Board for their consideration and approval.
- (h) Reviewed the related party transactions and considered conflict of interest situations that may arise within the Group.
- (i) Reviewed Statement on Corporate Governance, the Audit and Risk Management Committee's Report and Statement on Risk Management and Internal Control in the Annual Report of the Company and recommended their adoption to the Board.

# AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

## Internal Audit Function

The Company has outsourced its internal audit function to an independent professional consultancy firm entrusted with the role of providing independent and systematic reviews on the systems of internal control of the Group. The Internal Audit Function provides an independent and objective feedback to the Audit and Risk Management Committee and the Board on the adequacy, effectiveness and efficiency of the internal control system within the Group. Throughout the financial year, the audit assignments were carried out in accordance with the annual internal audit plan.

Upon completion of each internal audit cycle, the Internal Auditors will report to the Audit and Risk Management Committee on their findings, their recommendations of actions to be taken together with the management's responses in relation thereto. The Internal Auditors may also follow up to determine the extent of compliance with agreed implementation actions, at the request of the Audit Committee.

During the financial year under review, the internal audit conducted did not reveal weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

### Principal activities

The Company is principally engaged in investment holding and property investment whilst the principal activities of the subsidiaries are as stated in Note 26 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### Results

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	1,611	8,278

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, other than as disclosed in the financial statements.

### Dividends

Since the end of the previous financial year, the Company paid a first and final tax exempt dividend of 5 sen per ordinary share totalling RM4,982,000 in respect of the financial year ended 31 December 2014 on 18 August 2015.

The final ordinary dividends recommended by the Directors on 25 February 2016 in respect of the financial year ended 31 December 2015 is 2 sen per ordinary share, tax exempt, totalling RM1,993,000.

### Directors of the Company

Directors who served since the date of the last report are:

DYAM Tunku Ismail Ibni Sultan Ibrahim  
Datuk Ahmad Zaki Bin Zahid (appointed on 10 June 2015)  
Lim Chen Heng  
Lim Jenq Kuan  
Lim Foo Seng  
Bernard Hilary Lawrence  
Lee Wai Kuen  
Mohd Salleh Bin Othman  
Avinderjit Singh A/L Harjit Singh  
Mohamad Jaifuddin Bin Bujang Mohidin (alternate to DYAM Tunku Ismail Ibni Sultan Ibrahim)  
Tan Sri Dato' Lim Kang Hoo (resigned on 24 June 2015)  
Khoo Nang Seng @ Khoo Nam Seng (resigned on 24 June 2015)  
Dato' Daing A Malek Bin Daing A Rahaman (resigned on 5 August 2015)  
Datuk Aznam Bin Mansor (resigned on 31 December 2015)



# DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

## Directors' interests

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			At 31.12.2015
	At 1.1.2015	Bought	Sold	
<i>Deemed interests in the Company through</i>				
Aman Setegap Sdn. Bhd.				
DYAM Tunku Ismail Ibni Sultan Ibrahim	-	30,000,000	-	30,000,000

By virtue of his interest in the shares of the Company, DYAM Tunku Ismail Ibni Sultan Ibrahim is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Knusford Berhad has an interest.

None of the other Directors holding office at 31 December 2015 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Issue of shares and debentures

There were no changes in the authorised, issued and paid-up capital of the Company and the Company has not issued any debentures during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

## Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- all known bad debts have been written off and adequate provision made for doubtful debts, and
- any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

### Other statutory information (continued)

- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Datuk Ahmad Zaki Bin Zahid**

**Lim Chen Heng**

Kuala Lumpur, Malaysia

Date: 29 March 2016

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Assets</b>					
Property, plant and equipment	3	20,463	14,671	3,162	9
Investment properties	4	86,109	88,234	31,099	24,946
Investments in subsidiaries	5	-	-	88,346	84,546
Investment in associate	6	-	-	-	-
Investment in joint venture	7	2,419	-	-	-
Deferred tax assets	8	66	127	-	-
<b>Total non-current assets</b>		109,057	103,032	122,607	109,501
Inventories	9	33,865	19,577	-	-
Trade and other receivables	10	164,888	293,676	7,344	11,882
Tax recoverable		9,576	5,417	-	37
Cash and cash equivalents	11	53,284	56,020	1,156	5,992
<b>Total current assets</b>		261,613	374,690	8,500	17,911
<b>Total assets</b>		370,670	477,722	131,107	127,412
<b>Equity</b>					
Share capital	12	99,645	99,645	99,645	99,645
Share premium	12	22,693	22,693	22,693	22,693
Retained earnings		168,296	171,667	7,716	4,420
<b>Total equity attributable to owners of the Company</b>		290,634	294,005	130,054	126,758
<b>Liabilities</b>					
Borrowings	13	1,762	2,347	225	-
Deferred tax liabilities	8	1,776	2,368	-	-
<b>Total non-current liabilities</b>		3,538	4,715	225	-
Trade and other payables	14	71,091	174,196	814	654
Borrowings	13	1,308	1,091	11	-
Current tax payable		4,099	3,715	3	-
<b>Total current liabilities</b>		76,498	179,002	828	654
<b>Total liabilities</b>		80,036	183,717	1,053	654
<b>Total equity and liabilities</b>		370,670	477,722	131,107	127,412

The notes on pages 39 to 78 are an integral part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	15	151,134	409,755	11,185	6,126
Cost of sales	16	(136,623)	(346,261)	(1,013)	(831)
<b>Gross profit</b>		<b>14,511</b>	<b>63,494</b>	<b>10,172</b>	<b>5,295</b>
Other income		6,652	9,359	10	72
Administrative and other operating expenses		(17,553)	(28,724)	(1,764)	(2,991)
<b>Results from operating activities</b>		<b>3,610</b>	<b>44,129</b>	<b>8,418</b>	<b>2,376</b>
Finance income		1,774	952	166	134
Finance costs		(456)	(1,057)	(54)	-
Share of profit of equity-accounted investments, net of tax		56	-	-	-
<b>Profit before tax</b>	17	<b>4,984</b>	<b>44,024</b>	<b>8,530</b>	<b>2,510</b>
Tax expense	18	(3,373)	(16,111)	(252)	(161)
<b>Profit for the year/Total comprehensive income for the year attributable to owners of the Company</b>		<b>1,611</b>	<b>27,913</b>	<b>8,278</b>	<b>2,349</b>
<b>Basic earnings per ordinary share (sen)</b>	20	<b>1.62</b>	<b>28.01</b>		

The notes on pages 39 to 78 are an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

Group	Note	< Attributable to owners of the Group & Company >			
		Non-distributable Share capital RM'000	Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
<b>At 1 January 2014</b>		99,645	22,693	148,736	271,074
Total comprehensive income for the year		-	-	27,913	27,913
<i>Distributions to owners of the Group</i>					
Dividends to owners of the Company	21	-	-	(4,982)	(4,982)
Total transactions with owners of the Company		-	-	(4,982)	(4,982)
<b>At 31 December 2014/1 January 2015</b>		99,645	22,693	171,667	294,005
Total comprehensive income for the year		-	-	1,611	1,611
<i>Distributions to owners of the Group</i>					
Dividends to owners of the Company	21	-	-	(4,982)	(4,982)
Total transactions with owners of the Company		-	-	(4,982)	(4,982)
<b>At 31 December 2015</b>		99,645	22,693	168,296	290,634
<b>Company</b>					
<b>At 1 January 2014</b>		99,645	22,693	7,053	129,391
Total comprehensive income for the year		-	-	2,349	2,349
<i>Distributions to owners of the Company</i>					
Dividends to owners of the Company	21	-	-	(4,982)	(4,982)
Total transactions with owners of the Company		-	-	(4,982)	(4,982)
<b>At 31 December 2014/1 January 2015</b>		99,645	22,693	4,420	126,758
Total comprehensive income for the year		-	-	8,278	8,278
<i>Distributions to owners of the Company</i>					
Dividends to owners of the Company	21	-	-	(4,982)	(4,982)
Total transactions with owners of the Company		-	-	(4,982)	(4,982)
<b>At 31 December 2015</b>		99,645	22,693	7,716	130,054

The notes on pages 39 to 78 are an integral part of these financial statements.



# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities</b>					
Profit before tax		4,984	44,024	8,530	2,510
Adjustments for:					
Depreciation of property, plant and equipment		3,851	3,424	83	2
Depreciation of investment properties		1,025	784	605	498
Impairment loss of property, plant and equipment		-	6,890	-	-
Impairment loss on investment in associate		-	2,000	-	2,000
Property, plant and equipment written off		143	-	-	-
Dividend income		-	-	(10,000)	(5,000)
Gain on disposal of property, plant and equipment		(549)	(150)	-	-
Share of profit of equity-accounted investments, net of tax		(56)	-	-	-
Interest expense		456	1,057	54	-
Interest income		(1,774)	(952)	(166)	(134)
<b>Operating profit/(loss) before changes in working capital</b>		8,080	57,077	(894)	(124)
Changes in working capital:					
Inventories		(11,261)	15,062	-	-
Trade and other receivables		128,788	(117,465)	4,538	9,206
Trade and other payables		(103,105)	106,895	160	11,298
<b>Cash generated from operations</b>		22,502	61,569	3,804	20,380
Tax paid		(7,679)	(14,936)	(212)	(157)
<b>Net cash generated from operating activities</b>		14,823	46,633	3,592	20,223
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	(i)	(9,106)	(2,906)	(2,985)	-
Proceeds from disposal of property, plant and equipment		1,227	507	-	-
Acquisition of investment properties		(1,927)	(445)	(6,758)	(443)
Investment in joint venture		(2,363)	-	-	-
Interest received		1,774	952	166	134
Dividend received		-	-	10,000	5,000
Repayment of advances due from subsidiaries		-	-	-	16,000
Purchase of redeemable preference shares		-	-	(3,800)	(16,154)
<b>Net cash (used in)/generated from investing activities</b>		(10,395)	(1,892)	(3,377)	4,537
<b>Cash flows from financing activities</b>					
Dividends paid to owners of the Company		(4,982)	(4,982)	(4,982)	(4,982)
Interest paid		(456)	(1,057)	(54)	-
Repayment of borrowings		-	(26,800)	-	(16,800)
Repayment of finance lease liabilities		(1,726)	(1,036)	(15)	-
<b>Net cash used in financing activities</b>		(7,164)	(33,875)	(5,051)	(21,782)

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

(continued)

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Net (decrease)/increase in cash and cash equivalents</b>		(2,736)	10,866	(4,836)	2,978
Cash and cash equivalents at 1 January		56,020	45,154	5,992	3,014
<b>Cash and cash equivalents at 31 December</b>	(ii)	53,284	56,020	1,156	5,992

### i) Acquisition of property, plant and equipment

During the year;

- the Group acquired property, plant and equipment with an aggregate cost of RM10,464,000 (2014: RM5,175,000), of which RM1,358,000 (2014: RM2,269,000) were acquired by means of finance lease arrangements.
- the Company acquired property, plant and equipment with an aggregate cost of RM3,236,000 (2014: Nil), of which RM251,000 (2014: Nil) were acquired by means of finance lease arrangements.

### ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits with licensed banks	45,970	36,951	865	5,849
Cash and bank balances	7,314	19,069	291	143
	53,284	56,020	1,156	5,992

The notes on pages 39 to 78 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Knusford Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the registered office and principal place of business of the Company are as follows:

## Registered office and principal place of business

#C-G-03 Blok C  
Tropéz Residen  
Persiaran Danga Perdana  
80200 Johor Bahru, Johor

The consolidated financial statements as at and for the financial year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as “the Group” and individually referred to as “Group entities”) and the Group’s interests in an associate and joint venture. The financial statements of the Company as at and for the year ended 31 December 2015 do not include other entities.

The Company is principally engaged in investment holding and property investment whilst the principal activities of the subsidiaries are as stated in Note 26 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 29 March 2016.

## 1. Basis of preparation

### (a) Statement of compliance

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 2016***

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

#### ***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 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*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Basis of preparation (continued)

### (a) Statement of compliance (continued)

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

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016; 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.

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.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 10 - Valuation of trade and other receivables; and
- Note 15 - Valuation of contract revenue: Significant estimation is involved in determining the costs to completion of the contracts of the Group as at the reporting date, which has bearing on the stage of completion. The stage of completion requires management to make reasonably dependable estimates of progress towards completion of projects. These works are subject to final approval by the respective customers. There is a time lag between the final approval and the completion of work done by the Group. Hence, as the actual costs could only be determined reliably on the completion of contracts, this may result in adjustments to the recognised profit of the contracts.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### (iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transactions costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when the equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

#### (vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.
- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

## 2. Significant accounting policies (continued)

### (a) Basis of consolidation (continued)

#### (viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

### (c) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

##### **Financial assets**

##### **Loans and receivables**

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

##### **Financial liabilities**

All financial liabilities are subsequently measured at amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (c) Financial instruments (continued)

##### (iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" or "other expenses" respectively in profit or loss.

##### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## 2. Significant accounting policies (continued)

### (d) Property, plant and equipment (continued)

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	5 - 50 years
• Equipment, furniture and fittings	10 years
• Plant and machinery	10 - 20 years
• Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

### (e) Leased assets

#### (i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

#### ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (f) Investment properties

##### Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of 50 years for buildings. Freehold land is not depreciated.

#### (g) Inventories

##### (i) Developed properties held for sale

Developed properties held for sale are stated at the lower of cost and net realisable value. The cost of inventories is calculated using the specific identification method and consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

##### (ii) Property development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs is recognised as an asset and is stated at the lower of cost and net realisable value. Property development costs will be derecognised to profit or loss when control and significant risks and rewards have been transferred to customers.

#### (h) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the trade and other payables in the statements of financial position.

#### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investment which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## 2. Significant accounting policies (continued)

### (j) Impairment

#### (i) Financial assets

All financial assets (except for investments in subsidiaries, associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the recoverable value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### (ii) Other assets

The carrying amount of other assets (except for inventories, amount due from contract customers and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or the cash-generating unit. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (k) Employee benefits

##### (i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### (l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### (m) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (n) Revenue recognition

##### (i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

##### (ii) Construction contracts

Contract revenue (including landscaping contracts) includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

## 2. Significant accounting policies (continued)

### (n) Revenue recognition (continued)

#### (iii) Property development revenue

The revenue from property development activities is recognised in profit or loss upon delivery of vacant possession to buyers.

Property development activities refer to properties which meet the following conditions:

- (i) the risk and rewards of the properties under development passes to the buyer upon delivery of vacant possession in its entirety at a single time and not continuously as construction progresses;
- (ii) the Company maintains control over the properties under development during the construction period;
- (iii) the sale and purchase agreement does not give the right to the buyer to take over the work in progress during construction; and
- (iv) the buyers have limited ability to influence the design of the property.

#### (iv) Rental of machinery

Revenue from the rental of machinery is recognised in profit or loss on an accrual basis in accordance with the substance of the rental agreements.

#### (v) Rental of investment property

Revenue from rental of investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### (vi) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### (vii) Project management fees and landscaping maintenance services

Revenue from provision of project management services, service charges and landscaping maintenance services are recognised when services are rendered.

### (o) Finance income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### (p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying asset is deducted from the borrowing cost eligible for capitalisation.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies (continued)

### (q) Equity instruments

#### (i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

### (r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

### (s) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### (u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. 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 assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

### 3. Property, plant and equipment

Group	Buildings RM'000	Equipment, furniture and fittings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2014	1,440	3,898	58,908	7,893	72,139
Additions	-	480	3,621	1,074	5,175
Disposals	-	-	-	(933)	(933)
At 31 December 2014/1 January 2015	1,440	4,378	62,529	8,034	76,381
Additions	7,151	1,522	507	1,284	10,464
Disposals	-	(178)	(142)	(2,743)	(3,063)
Written off	-	(189)	-	-	(189)
At 31 December 2015	8,591	5,533	62,894	6,575	83,593
<b>Accumulated depreciation and impairment loss</b>					
At 1 January 2014					
Accumulated depreciation	100	2,326	39,160	5,246	46,832
Accumulated impairment loss	-	85	5,055	-	5,140
Charge for the year	100	2,411	44,215	5,246	51,972
Disposals	28	326	2,076	994	3,424
Disposals	-	-	-	(576)	(576)
Impairment loss	-	-	6,890	-	6,890
At 31 December 2014/1 January 2015					
Accumulated depreciation	128	2,652	41,236	5,664	49,680
Accumulated impairment loss	-	85	11,945	-	12,030
	128	2,737	53,181	5,664	61,710

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Property, plant and equipment (continued)

Group	Buildings RM'000	Equipment, furniture and fittings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
<b>Accumulated depreciation and impairment loss (continued)</b>					
Charge for the year	135	686	2,270	760	3,851
Disposals	-	-	(120)	(2,265)	(2,385)
Written off	-	(46)	-	-	(46)
At 31 December 2015					
Accumulated depreciation	263	3,338	43,386	4,159	51,146
Accumulated impairment loss	-	39	11,945	-	11,984
	263	3,377	55,331	4,159	63,130
<b>Carrying amounts</b>					
At 1 January 2014	1,340	1,487	14,693	2,647	20,167
At 31 December 2014/ 1 January 2015	1,312	1,641	9,348	2,370	14,671
At 31 December 2015	8,328	2,156	7,563	2,416	20,463

Company	Buildings RM'000	Equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>				
At 1 January 2014/ 31 December 2014	-	18	-	18
Additions	2,520	416	300	3,236
At 31 December 2015	2,520	434	300	3,254
<b>Accumulated depreciation</b>				
At 1 January 2014	-	7	-	7
Charge for the year	-	2	-	2
At 31 December 2014/ 1 January 2015	-	9	-	9
Charge for the year	38	20	25	83
At 31 December 2015	38	29	25	92
<b>Carrying amounts</b>				
At 1 January 2014	-	11	-	11
At 31 December 2014/ 1 January 2015	-	9	-	9
At 31 December 2015	2,482	405	275	3,162

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Property, plant and equipment (continued)

#### 3.1 Leased property, plant and equipment

At 31 December 2015, the net carrying amount of leased motor vehicles and plant and machinery of the Group and Company was RM4,380,000 (2014: RM3,056,000) and RM275,000 (2014: Nil), respectively.

#### 3.2 Plant and machinery – Impairment

In the previous financial year, the carrying amount of an aircraft in plant and machinery of the Group was fully impaired, due to an accident. The impairment loss of RM6,890,000 was included in other expenses and proceeds received from an insurance claim of RM6,808,000 was included in other income.

### 4. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2014	54,051	28,048	82,099
Additions	-	11,895	11,895
At 31 December 2014/1 January 2015	54,051	39,943	93,994
Additions	-	1,927	1,927
Transfer from inventories	-	2,274	2,274
Reclassification to properties under development	(5,301)	-	(5,301)
At 31 December 2015	48,750	44,144	92,894
<b>Accumulated depreciation</b>			
At 1 January 2014	-	4,976	4,976
Charge for the year	-	784	784
At 31 December 2014/1 January 2015	-	5,760	5,760
Charge for the year	-	1,025	1,025
At 31 December 2015	-	6,785	6,785
<b>Carrying amounts</b>			
At 1 January 2014	54,051	23,072	77,123
At 31 December 2014/1 January 2015	54,051	34,183	88,234
At 31 December 2015	48,750	37,359	86,109

Certain buildings with aggregate carrying amount of RM3,837,000 (2014: RM15,357,000) are in the process of registering under the name of a subsidiary.

During the year, a developed property held for sale amounting to RM2,274,000 was transferred from inventories as the said property now generates rental income.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Investment properties (continued)

Company	Freehold land RM'000	Buildings RM'000	Total RM'00
<b>Cost</b>			
At 1 January 2014	12,794	15,332	28,126
Additions	-	443	443
At 31 December 2014/1 January 2015	12,794	15,775	28,569
Additions	-	6,758	6,758
At 31 December 2015	12,794	22,533	35,327
<b>Accumulated depreciation</b>			
At 1 January 2014	-	3,125	3,125
Charge for the year	-	498	498
At 31 December 2014/1 January 2015	-	3,623	3,623
Charge for the year	-	605	605
At 31 December 2015	-	4,228	4,228
<b>Carrying amounts</b>			
At 1 January 2014	12,794	12,207	25,001
At 31 December 2014/1 January 2015	12,794	12,152	24,946
At 31 December 2015	12,794	18,305	31,099

The following are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Rental income from external parties	2,480	1,823	1,089	1,070
Rental income from subsidiaries	-	-	96	56
Direct operating expenses:				
- income generating investment properties	325	258	178	164
- non-income generating investment properties	215	157	147	54



## NOTES TO THE FINANCIAL STATEMENTS

### 4. Investment properties (continued)

#### Fair value information

Fair value of investment properties are categorised as follows:

Group	Fair value of financial instruments not carried at fair value		
	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
<b>2015</b>			
Freehold land	192,249	192,249	48,750
Buildings	59,669	59,669	37,359
<b>2014</b>			
Freehold land	154,847	154,847	54,051
Building	57,967	57,967	34,183
<b>Company</b>			
<b>2015</b>			
Freehold land	29,527	29,527	12,794
Buildings	20,151	20,151	18,305
<b>2014</b>			
Freehold land	18,757	18,757	12,794
Building	26,025	26,025	12,152

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

Level 3 fair values of land and buildings have been determined by Directors' valuation using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The significant unobservable input into the Directors' valuation is price per square foot of comparable properties.

### 5. Investments in subsidiaries

	Note	Company	
		2015 RM'000	2014 RM'000
At cost:			
Unquoted shares in subsidiaries		87,546	71,392
Additions	5.1	3,800	16,154
Impairment		(3,000)	(3,000)
		88,346	84,546
Capital contribution:			
At 1 January	5.2	-	16,000
Repayment		-	(16,000)
		-	-
At 31 December		88,346	84,546

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Investments in subsidiaries (continued)

#### 5.1 Additions

Additions in investment in subsidiaries was through issuance of redeemable preference shares, which are redeemable at the option of the issuer and do not carry the right to vote except for variation of holders's right to the class of shares and rank equally with regard to the subsidiary's residual assets, except that preference shareholders participate only to the extent of the par value of the shares.

#### 5.2 Capital contribution

The capital contribution in the previous year was for working capital purposes and was treated as quasi-equity. The capital contribution had no fixed term of repayment and amount payable was at the discretion of the wholly-owned subsidiaries.

Details of the subsidiaries are disclosed in Note 26.

### 6. Investment in an associate

	Group and Company	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	40	40
Capital contribution	1,960	1,960
	2,000	2,000
Less: Impairment loss	(2,000)	(2,000)
	-	-

The capital contribution is for working capital purposes and is treated as quasi-equity. The capital contribution has no fixed term of repayment and amount payable is at the discretion of the associate.

Details of the associate are as follows:

Name of company	Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest	
			2015	2014
CBD Development Sdn. Bhd.	Malaysia	Town planners, developers and contractors having no transactions with the Group	40%	40%

The summary financial information based on the unaudited results of the associate, not adjusted for the percentage ownership held by the Group, is as follows:

	2015 RM'000	2014 RM'000
<b>Summarised financial information</b>		
<b>As at 31 December</b>		
Non-current assets	1	1
Current assets	5	6
Current liabilities	(82)	(3,504)
Net liabilities	(76)	(3,497)
<b>Year ended 31 December</b>		
Loss from continuing operations/Total comprehensive loss	(69)	(13)

The Group has 40% ownership in the equity interest of CBD Development Sdn. Bhd. and has determined that it has significant influence on the board of CBD Development Sdn. Bhd.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Investment in joint venture

	Group	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	2,363	-
Share of post-acquisition reserves	56	-
	<hr/> 2,419	<hr/> -

Greenland Knusford Construction Sdn. Bhd. ("GKCSB"), the only joint arrangement in which the Group participates, is principally engaged in construction affairs in Malaysia.

GKCSB is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in GKCSB as a joint venture.

The summary financial information based on the unaudited results of the joint venture, not adjusted for the percentage ownership held by the Group, is as follows:

	Group 2015 RM'000
Percentage of ownership interest	45%
Percentage of voting interest	45%
<b>Summarised financial information as at 31 December</b>	
Non-current assets	3,542
Current assets	6,214
Non-current liabilities	48
Current liabilities	4,333
Cash and cash equivalents	5,402
<b>Year ended 31 December</b>	
Profit from continuing operations/Total comprehensive income	125
<b>Reconciliation of net assets to carrying amount as at 31 December</b>	
Group's share of net assets	2,419
<b>Group's share of results for year ended 31 December</b>	
Group's share of profit or loss	56

### 8. Deferred tax assets/(liabilities)

#### Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Group</b>						
Property, plant and equipment	66	-	(1,421)	(1,885)	(1,355)	(1,885)
Investment properties	-	-	(872)	(1,032)	(872)	(1,032)
Trade and other receivables	-	676	517	-	517	676
Tax assets/(liabilities)	66	676	(1,776)	(2,917)	(1,710)	(2,241)
Set-off	-	(549)	-	549	-	-
Net tax assets/(liabilities)	66	127	(1,776)	(2,368)	(1,710)	(2,241)

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Deferred tax assets/(liabilities) (continued)

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2015 RM'000	2014 RM'000
Deductible temporary differences	26,602	30,238
Unabsorbed capital allowances	3,352	3,873
Unutilised tax losses	10,019	9,166
	<hr/> 39,973	<hr/> 43,277

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group entities can utilise the benefits thereon.

#### Movement in temporary differences during the year

Group	At 1.1.2014 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2014/ 1.1.2015 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2015 RM'000
Property, plant and equipment	(1,391)	(494)	(1,885)	530	(1,355)
Investment properties	(1,032)	-	(1,032)	160	(872)
Trade and other receivables	702	(26)	676	(159)	517
Trade and other payables	3,064	(3,064)	-	-	-
	<hr/> 1,343	<hr/> (3,584)	<hr/> (2,241)	<hr/> 531	<hr/> (1,710)

### 9. Inventories

	Group	
	2015 RM'000	2014 RM'000
Freehold land held for sale	-	1,515
Developed properties held for sale	1,587	3,861
Properties under development	32,278	14,201
	<hr/> 33,865	<hr/> 19,577

During the year, a developed property held for sale amounting to RM2,274,000 was transferred to investment properties as the said property now generates rental income.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Trade and other receivables

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Trade</b>					
Trade receivables	10.1	146,981	222,091	205	-
Less: Allowance for impairment loss		(8,607)	(9,693)	-	-
		138,374	212,398	205	-
Prepayments	10.2	22,265	58,061	-	-
Less: Allowance for impairment loss		(479)	-	-	-
		21,786	58,061	-	-
Amount due from contract customers	10.3	19,538	42,936	-	-
Less: Allowance for impairment loss	10.3	(18,635)	(22,042)	-	-
		903	20,894	-	-
Amount due from subsidiaries	10.4	-	-	-	5,000
		161,063	291,353	205	5,000
<b>Non-trade</b>					
Amount due from subsidiaries	10.4	-	-	6,637	6,867
Other receivables, deposits and prepayments	10.5	8,076	5,919	502	15
Less: Allowance for impairment loss	10.5	(4,251)	(3,596)	-	-
		3,825	2,323	7,139	6,882
		164,888	293,676	7,344	11,882

#### 10.1 Trade receivables

Included in trade receivables of the Group are amounts due from related parties amounting to RM37,316,000 (2014: RM27,301,000) and retention sums amounting to RM5,459,000 (2014: RM15,097,000). The retention sums are unsecured, interest-free and are expected to be collected within the normal operating cycle.

#### 10.2 Prepayments

Represents advance payments to an external supplier of a subsidiary, Knusford Marketing Sdn. Bhd. (formerly known as Wengcon Marketing Sdn. Bhd.), (secured by a performance guarantee) for purchase of building materials for a corresponding purchase commitment by a related party.

#### 10.3 Amount due from contract customers

	Note	Group	
		2015 RM'000	2014 RM'000
Aggregate costs incurred to date		221,282	224,680
Add: Attributable profits		41,087	44,306
		262,369	268,986
Less: Progress billings		(243,058)	(226,384)
		19,311	42,602
Amount due to contract customers reclassified	14	227	334
		19,538	42,936
Amount due from contract customers		(18,635)	(22,042)
Less: Allowance for impairment loss			
		903	20,894

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Trade and other receivables (continued)

#### 10.4 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest-free and is repayable on demand.

#### 10.5 Other receivables, deposits and prepayments

During the year, allowance for impairment loss amounting to RM240,000 (2014: Nil) was written off.

### 11. Cash and cash equivalents

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits with licensed banks	45,970	36,951	865	5,849
Cash and bank balances	7,314	19,069	291	143
	53,284	56,020	1,156	5,992

Included in cash and bank balances of the Group is an amount of RM241,000 (2014: RM13,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

### 12. Share capital and reserves

#### 12.1 Share capital

	Group and Company			
	Amount 2015 RM'000	Number of shares 2015 '000	Amount 2014 RM'000	Number of shares 2014 '000
Authorised:				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
Issued and fully paid:				
Ordinary shares of RM1 each	99,645	99,645	99,645	99,645

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

#### 12.2 Share premium

Share premium relates to the amount that shareholders have paid for the shares in excess of the nominal value.

### 13. Borrowings

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Non-current</b>				
Finance lease liabilities	1,762	2,347	225	-
<b>Current</b>				
Finance lease liabilities	1,308	1,091	11	-
	3,070	3,438	236	-

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Borrowings (continued)

#### 13.1 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Future minimum lease payments 2015 RM'000	Interest 2015 RM'000	Present value of minimum lease payments 2015 RM'000	Future minimum lease payments 2014 RM'000	Interest 2014 RM'000	Present value of minimum lease payments 2014 RM'000
Less than one year	1,445	137	1,308	1,245	154	1,091
Between one and five years	1,802	40	1,762	2,457	110	2,347
	3,247	177	3,070	3,702	264	3,438

### 14. Trade and other payables

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Trade</b>					
Trade payables	14.1	32,555	97,696	-	-
Prepayments	14.2	24,670	57,670	-	-
Amount due to contract customers	10.3	227	334	-	-
		57,452	155,700	-	-
<b>Non-trade</b>					
Other payables and accrued expenses		13,639	18,496	814	639
Amount due to subsidiaries	14.3	-	-	-	15
		71,091	174,196	814	654

#### 14.1 Trade payables

In the previous financial year, included in trade payables of the Group were deposits received amounting to RM3,629,000 in respect of the sale and purchase agreement entered by a subsidiary, D-Hill Sdn. Bhd., to dispose of a freehold land.

#### 14.2 Prepayments

Represents advance payments from a related party for the purchase of building materials from its subsidiary, Knusford Marketing Sdn. Bhd. (formerly known as Wengcon Marketing Sdn. Bhd.).

#### 14.3 Amount due to subsidiaries

The amount due to subsidiaries in the previous year was unsecured, interest free and repayable on demand.



## NOTES TO THE FINANCIAL STATEMENTS

### 15. Revenue

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Sale of goods		125,385	317,191	-	-
Contract revenue	15.1	4,851	44,306	-	-
Property development revenue		4,269	39,120	-	-
Rental of motor vehicle and machinery		12,014	7,315	-	-
Rental income from investment properties		2,193	1,823	1,185	1,126
Project management fees and landscaping maintenance services		2,422	-	-	-
Dividend income from unquoted subsidiary		-	-	10,000	5,000
		151,134	409,755	11,185	6,126

#### 15.1 Contract revenue

The contract sum of an ongoing project of a subsidiary, Knusford Construction Sdn. Bhd. (formerly known as Segi Tiara Sdn. Bhd.) is recognised to the extent of costs incurred amounting to RM2,524,000 (2014: RM44,991,000) as the contract sum is provisional and pending the finalisation of residual work scope with the ultimate client.

### 16. Cost of sales

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cost of goods sold/services rendered	117,513	267,625	-	-
Contract costs recognised as an expense	4,534	46,176	-	-
Property development expenses	1,803	22,150	-	-
Direct operating expenses	12,773	10,310	1,013	831
	136,623	346,261	1,013	831

### 17. Profit before tax

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Profit before tax is arrived at after charging:</b>				
Auditors' remuneration to KPMG:				
- Audit fees	227	218	65	65
- Non-audit fees	12	8	8	8
Depreciation of property, plant and equipment	3,851	3,424	83	2
Impairment loss on property, plant and equipment	-	6,890	-	-
Property, plant and equipment written off	143	-	-	-
Depreciation of investment properties	1,025	784	605	498
Impairment loss on:				
- Trade receivables	3,775	5,002	-	-
- Amount due from contract customers	-	481	-	-
- Other receivables	895	3,191	-	-
- Prepayments	479	-	-	-
Impairment loss on investment in associate	-	2,000	-	2,000
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	821	808	74	16
- Wages, salaries and others	11,269	10,110	628	121

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Profit before tax (continued)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Profit before tax is arrived at after charging: (continued)</b>				
Finance costs	456	1,057	54	-
Rental of motor vehicles	53	74	-	-
Rental of premises	244	323	-	-
Rental of equipment and machinery	6,028	4,506	-	-
<b>and after crediting:</b>				
Dividend income from subsidiaries (unquoted)	-	-	10,000	5,000
Gain on disposal of property, plant and equipment	549	150	-	-
Rental income from investment properties	2,480	1,823	1,185	1,126
Interest income	1,774	952	166	134
Reversal of impairment loss on:				
- Trade receivables	4,795	1,391	-	-
- Amount due from contract customers	3,407	-	-	-
- Other receivables	-	102	-	72
Insurance claim recovered	-	6,808	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 18. Tax expense

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Current tax</b>					
- current year		2,537	12,099	187	112
- under provision in prior year		1,367	428	65	49
		3,904	12,527	252	161
<b>Deferred tax</b>					
- origination and reversal of temporary differences		(556)	3,584	-	-
- under provision in prior years		25	-	-	-
	8	(531)	3,584	-	-
		3,373	16,111	252	161
<b>Reconciliation of tax expense</b>					
Profit before tax		4,984	44,024	8,530	2,510
Tax at Malaysian tax rate of 25%		1,246	11,006	2,133	627
Non-deductible expenses		1,561	1,686	554	760
Non-taxable income		-	-	(2,500)	(1,275)
Recognition of previously unrecognised deferred tax asset		(1,633)	-	-	-
Deferred tax asset not recognised during the year		807	2,991	-	-
		1,981	15,683	187	112
Under provision in prior years		1,392	428	65	49
		3,373	16,111	252	161

## 19. Key management personnel compensation

The key management personnel compensations are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors				
- Fees	223	116	223	116
- Remuneration	698	403	407	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	61	39	61	39
Total short-term employee benefits	982	558	691	155

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Earnings per ordinary share

#### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2015 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

#### Profit attributable to ordinary shareholders

	Group	
	2015 RM'000	2014 RM'000
Profit for the year attributable to owners	1,611	27,913

#### Weighted average number of ordinary shares

	Group	
	2015 RM'000	2014 RM'000
Weighted average number of ordinary shares at 31 December	99,645	99,645

#### Basic earnings per ordinary share

	Group	
	2015 Sen	2014 Sen
Basic earnings per ordinary share	1.62	28.01

#### Diluted earnings per ordinary share

The diluted earnings per ordinary share is the same as the basic earnings per ordinary share of the Group, as there were no dilutive potential ordinary shares for the year ended 31 December 2015.

### 21. Dividends

Dividends recognised by the Company are as follows:

	Sen per share	Total amount RM'000	Date of payment
<b>2015</b>			
Final 2014 ordinary	5.00	4,982	18 August 2015
<b>2014</b>			
Final 2013 ordinary	5.00	4,982	18 September 2014

## NOTES TO THE FINANCIAL STATEMENTS

### 21. Dividends (continued)

After the reporting period, the following dividends were proposed by the Directors on 25 February 2016. These dividends will be recognised in the subsequent financial period upon approval by the owners of the Company.

	Sen per share	Total amount RM'000
Final 2015 ordinary	2.00	<u>1,993</u>

### 22. Operating segments

Operating segments are components in which separate financial information is available that is evaluated regularly by the Executive Director ("ED") in deciding how to allocate resources and in assessing performance of the Group. The Group has four reportable segments as described below:

Trading and services	Reconditioning, sales and rental of light and heavy machinery, trading of building materials, provision of transportation services and project management services
Property development	Development of residential and commercial properties
Investment property	Rental of investment property
Construction	Civil works contracting and landscape construction/maintenance

The trading and services segment are operated by four main operating subsidiaries within the Group. These operating segments are aggregated to form a reportable segment due to the similar nature and economic characteristics of the products/services provided. The type of customers for these segments consists of industrial consumers.

Performance is measured based on segment profit before tax, interest and depreciation as included in the internal management reports that are reviewed by the Group's ED (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

#### Segment assets

The total of segment asset is measured based on all assets of a segment.

#### Segment liabilities

The total of segment liabilities is measured based on all liabilities of a segment.

#### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

22. Operating segments (continued)

	Trading and services		Property development		Investment property		Construction		Eliminations		Consolidated	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Segment profit</b>												
Total external revenue	139,821	324,506	4,269	39,120	2,193	1,823	4,851	44,306	-	-	151,134	409,755
Inter-segment revenue	5,740	6,527	-	-	10,214	5,056	-	-	(15,954)	(11,583)	-	-
Total segment revenue	145,561	331,033	4,269	39,120	12,407	6,879	4,851	44,306	(15,954)	(11,583)	151,134	409,755
Segment profit/(loss)	1,513	41,479	127	15,709	995	744	4,276	(8,850)	(297)	(1,945)	6,614	47,137
Unallocated other expenses											(3,004)	(3,008)
Results from operating activities											3,610	44,129
Finance income	454	205	345	264	555	447	420	36	-	-	1,774	952
Finance costs	(343)	(798)	(7)	-	(93)	(29)	(13)	(230)	-	-	(456)	(1,057)
Share of profit of equity-accounted investments, net of tax	56	-	-	-	-	-	-	-	-	-	56	-
Profit before tax											4,984	44,024
Tax expense	(1,690)	(11,247)	(1,242)	(4,577)	(391)	(287)	(50)	-	-	-	(3,373)	(16,111)
Profit for the year											1,611	27,913
Included in measure of segment profit is:												
Depreciation, amortisation and impairment	3,536	9,725	41	14	622	467	677	892	-	-	4,876	11,098
<b>Segment assets</b>												
Unallocated assets	176,669	302,709	33,547	31,255	91,361	82,933	56,307	60,262	(9,177)	(13,610)	348,707	463,549
Total assets											21,963	14,173
											370,670	477,722
Included in measure of segment assets are:												
Investment in joint venture	2,419	-	-	-	-	-	-	-	-	-	2,419	-
Capital expenditure	4,774	4,859	31	89	9,548	11,896	38	32	-	-	14,391	16,876
<b>Segment liabilities</b>												
Unallocated liabilities	(68,169)	(171,741)	(12,149)	(10,173)	(84)	(9)	(9,224)	(21,088)	14,879	26,096	(74,747)	(176,915)
Total liabilities											(5,289)	(6,802)
											(80,036)	(183,717)

# NOTES TO THE FINANCIAL STATEMENTS

## 22. Operating segments (continued)

### Geographical information

The revenues of the Group are from its sole operations in Malaysia.

All non-current assets of the Group were maintained within Malaysia as at the end of the current and previous financial periods.

### Major customers

Revenue from two customers of the Group amounted to RM92,376,000 (2014: RM250,316,000) which contributed to 61% (2014: 61%) of the Group's revenues.

## 23. Financial instruments

### 23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as loans and receivables ("L&R") and other financial liabilities measured at amortised cost ("OL").

	Carrying amount 2015 RM'000	L&R/ (OL) 2015 RM'000	Carrying amount 2014 RM'000	L&R/ (OL) 2014 RM'000
<b>Group</b>				
<b>Financial assets</b>				
Trade and other receivables, excluding prepayments and amount due from contract customers	142,199	142,199	214,721	214,721
Cash and cash equivalents	53,284	53,284	56,020	56,020
	195,483	195,483	270,741	270,741
<b>Financial liabilities</b>				
Borrowings	(3,070)	(3,070)	(3,438)	(3,438)
Trade and other payables, excluding prepayments and amount due to contract customers	(46,194)	(46,194)	(116,192)	(116,192)
	(49,264)	(49,264)	(119,630)	(119,630)
<b>Company</b>				
<b>Financial assets</b>				
Trade and other receivables, excluding prepayments and amount due from contract customers	7,344	7,344	11,882	11,882
Cash and cash equivalents	1,156	1,156	5,992	5,992
	8,500	8,500	17,874	17,874
<b>Financial liabilities</b>				
Borrowings	(236)	(236)	-	-
Trade and other payables, excluding prepayments and amount due to contract customers	(814)	(814)	(654)	(654)
	(1,050)	(1,050)	(654)	(654)



## NOTES TO THE FINANCIAL STATEMENTS

### 23. Financial instruments (continued)

#### 23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net gains/(losses) on:				
Loans and receivables	1,899	(5,748)	96	206
Financial liabilities measured at amortised cost	(456)	(1,057)	(54)	-
	1,443	(6,805)	42	206

#### 23.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

#### 23.4 Credit risk

Credit risk is the risk of a financial loss to the Group or the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, and deposits with licensed banks. The Company's exposure to credit risk arises principally from advances to subsidiaries and deposits with licensed banks.

##### Trade receivables

*Risk management objectives, policies and processes for managing the risk*

Management monitors the exposure to credit risk on an ongoing basis. Credit evaluations are required to be performed on new customers.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statements of financial position.

As at 31 December 2015, the Group has significant concentration of credit risk in the form of outstanding balances from one customer which amounted to RM53,702,000 (2014: RM144,359,000) representing 34% (2014: 53%) of total trade receivables and outstanding balances from three related parties amounting to RM30,336,000 (2014: RM22,426,000) representing 19% (2014: 10%) of the total trade receivables. The Directors are of the opinion that the outstanding balances from these customers are fully recoverable based on the following:

- Significant payments have been subsequently received from these customers after the reporting date; and
- The Directors have made assessments that these customers have the ability to repay the balances outstanding and will take the necessary action to ensure no long overdue balances.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Financial instruments (continued)

#### 23.4 Credit risk (continued)

##### Trade receivables (continued)

##### Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2015</b>			
Not past due	16,983	(17)	16,966
Past due 1 - 90 days	24,292	(50)	24,242
Past due 91 - 180 days	10,037	(633)	9,404
Past due more than 180 days	95,669	(7,907)	87,762
	146,981	(8,607)	138,374
<b>2014</b>			
Not past due	18,735	(215)	18,520
Past due 1 - 90 days	105,639	-	105,639
Past due 91 - 180 days	66,178	(157)	66,021
Past due more than 180 days	31,539	(9,321)	22,218
	222,091	(9,693)	212,398

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2015 RM'000	2014 RM'000
At 1 January	9,693	6,412
Impairment loss recognised	3,775	5,002
Impairment loss reversed	(4,795)	(1,391)
Impairment loss written off	(66)	(330)
At 31 December	8,607	9,693

##### Deposit with licensed banks

##### Risk management objectives, policies and processes for managing the risks

The Group's and Company's cash and cash equivalents are deposited with licensed banks.

##### Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents in the statement of financial position. Management does not expect any counterparty to fail to meet its obligations in respect of these deposits.

### 23. Financial instruments (continued)

#### 23.4 Credit risk (continued)

##### Inter-company balances

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position. Advances are only provided to subsidiaries which are wholly owned by the Company. The Company considers its subsidiaries as companies associated with low credit risk.

*Impairment losses*

As at the end of the reporting period, there was no indication that advances to subsidiaries are not recoverable. The Company does not specifically monitor the ageing of the advances to related companies. Nevertheless, these advances are repayable on demand and have no fixed term of repayment as at the reporting date.

##### Financial guarantees

*Risk management objectives, policies and processes for managing the risk*

The Company provides secured financial guarantees to banks in respect of credit facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by the outstanding credit facilities of the subsidiaries.

Financial guarantees have not been recognised since the fair value on initial recognition was not material.

#### 23.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Financial instruments (continued)

#### 23.5 Liquidity risk (continued)

##### Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Finance lease liabilities	3,070	2.33 – 3.22	3,263	1,443	1,239	581	-
Trade and other payables, excluding prepayments and amount due to contract customers	46,194	-	46,194	46,194	-	-	-
<b>2014</b>							
<i>Non-derivative financial liabilities</i>							
Finance lease liabilities	3,438	2.33 - 3.10	3,702	1,360	1,334	1,008	-
Trade and other payables, excluding prepayments and amount due to contract customers	116,192	-	116,192	116,192	-	-	-
Financial guarantee	-	-	1,628	1,628	-	-	-
<b>Company</b>							
<b>2015</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	814	-	814	814	-	-	-
Finance lease liabilities	236	2.56%	263	56	113	94	-
<b>2014</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	654	-	654	654	-	-	-
Financial guarantee	-	-	1,628	1,628	-	-	-

#### 23.6 Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's financial position or cash flows.

##### 23.6.1 Interest rate risk

The Group's investments in fixed rate deposits with licensed banks and its fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

##### Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period, was:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<b>Fixed rate instruments</b>				
<b>Financial asset</b>				
Deposit with licensed banks	45,970	36,951	865	5,849
<b>Financial liabilities</b>				
Finance lease liabilities	(3,070)	(3,438)	(236)	-

## NOTES TO THE FINANCIAL STATEMENTS

### 23. Financial instruments (continued)

#### 23.6.1 Interest rate risk (continued)

*Interest rate risk sensitivity analysis*

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

#### 23.7 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.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

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 3 RM'000	Total fair value RM'000	Carrying amount RM'000
<b>Group</b>			
<b>2015</b>			
<b>Financial liabilities</b>			
Finance lease liabilities	3,263	3,263	3,070
<b>2014</b>			
<b>Financial liabilities</b>			
Finance lease liabilities	3,702	3,702	3,438
<b>Company</b>			
<b>2015</b>			
<b>Financial liabilities</b>			
Finance lease liabilities	263	263	236

#### Level 3 fair value

Level 3 fair value is estimated using inputs for the financial assets or liabilities that are not based on observable market data (unobservable inputs). The fair value within Level 3 of the finance lease liabilities is determined by using estimated future cash flows discounted using market related rate for a similar instrument at the reporting date. The interest rate used to discount the estimated cash flows for the finance lease of the Group and the Company is 2.33% to 3.22% (2014: 2.33% to 3.10%) and 2.56% (2014: Nil), respectively.

### 24. Capital management

The Group's objectives when managing capital is to maintain an optimal capital structure and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total shareholders' equity.

There were no changes in the Group's approach to capital management during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Contingencies

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.

	Group and Company	
	2015	2014
	RM'000	RM'000
Guarantees and contingencies relating to borrowings of subsidiary (unsecured)	755	-

### 26. Details of subsidiaries

The principal activities of the subsidiaries, which are all incorporated in Malaysia, and the effective ownership and voting interest of Knusford Berhad are shown below:

Name of company	Principal activities	Effective ownership interest and voting interest	
		2015 %	2014 %
Subsidiaries			
Knusford Holdings Sdn. Bhd. (formerly known as Wengcon Holdings Sdn. Bhd.)	Investment holding	100	100
Knusford Equipment Sdn. Bhd. (formerly known as Wengcon Equipment Sdn. Bhd.)	Rental of machinery and equipment, provision of transportation services and trading of building materials	100	100
Knusford Construction (formerly known as Segi Tiara Sdn. Bhd.)	Civil works contracting	100	100
D-Hill Sdn. Bhd.	Property development	100	100
Kota Ekspres Sdn. Bhd.	Investment holding	100	100
Lakaran Cahaya Sdn. Bhd.	Has not commenced operations	100	100
Knusford Oil & Gas Sdn. Bhd.	Has not commenced operations	100	100
Knusford Project Management Sdn. Bhd.	Project management services	100	100
Subsidiary of Knusford Project Management Sdn. Bhd.			
Tetap Aman Kapital Sdn. Bhd.	Has not commenced operations	100	100
Subsidiaries of Knusford Holdings Sdn. Bhd.			
Knusford Marketing Sdn. Bhd. (formerly known as Wengcon Marketing Sdn. Bhd.)	Trading in building materials	100	100
Segi Gemilang Sdn. Bhd.	Rental of machinery and equipment	100	100
Hi-Plus Development Sdn. Bhd.	Dormant	100	100
Knusford Landscape Sdn. Bhd. (formerly known as Endau Prima Sdn. Bhd.)	Landscape construction and maintenance activities	100	100

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Details of subsidiaries (continued)

Name of company	Principal activities	Effective ownership interest and voting interest	
		2015 %	2014 %
Subsidiaries			
Subsidiaries of Knusford Equipment Sdn. Bhd.			
Radiant Seas Sdn. Bhd.	Sand trading and rental of machinery and equipment	100	100
Yasmin Marine Technology Sdn. Bhd.	Rental of machinery and equipment	80	80

All subsidiaries are audited by KPMG.

### 27. Related parties

#### Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group. The key management personnel compensation paid is disclosed in Note 19.

The Group has related party relationship with its significant investors, subsidiaries, associate, key management personnel and with the following companies, which are deemed related to the Directors and major shareholders, as follows:

- i) Ekovest Berhad, Ekovest Construction Sdn. Bhd., Ekovest Project Management Sdn. Bhd., Ekovest Properties Sdn. Bhd., Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd., Ekoriver Construction Sdn Bhd. (formerly known as Ekovest-MRCB Construction Sdn. Bhd.), Ekovest Land Sdn. Bhd., Ekovest Capital Sdn. Bhd. and Ekovest Energy Sdn. Bhd. (formerly known as Binawani Sdn. Bhd.) are deemed related to Tan Sri Dato' Lim Kang Hoo and Khoo Nang Seng @ Khoo Nam Seng;
- ii) Aramijaya Sdn. Bhd., Danga Bay Sdn. Bhd., Ekovest Holdings Sdn. Bhd., Iskandar Waterfront Sdn. Bhd., Pembinaan KS Tebrau Sdn. Bhd., Rampai Fokus Sdn. Bhd., Iskandar Waterfront City Bhd. and its subsidiaries, Teras Hijaujaya Sdn. Bhd., Para Impiana Sdn. Bhd., WCM Machinery Sdn. Bhd., Casa Green City Sdn. Bhd., Riverside Terra Sdn. Bhd. and Tebrau Bay Construction Sdn. Bhd. are deemed related to Tan Sri Dato' Lim Kang Hoo;
- iii) Anjur Ekar Sdn. Bhd. and Dato' Lim Kang Swee are deemed related to Tan Sri Dato' Lim Kang Hoo; and
- iv) Sharikat Sukma Kemajuan dan Perusahaan Sdn. Bhd. and Bidari Kekal Sdn. Bhd. are deemed related to Dato' Daing A Malek Bin Daing A Rahaman.



## NOTES TO THE FINANCIAL STATEMENTS

### 27. Related parties (continued)

#### Significant related party transactions

The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 14.

Type of transactions	Related parties	Group	
		2015 RM'000	2014 RM'000
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Aramijaya Sdn. Bhd.	1,906	2,167
	Danga Bay Sdn. Bhd.	4,809	2,762
	Ekovest Berhad	-	92
	Ekovest Construction Sdn. Bhd.	56,090	23,791
	Rampai Fokus Sdn. Bhd.	4,528	24,452
	Konsortium Lebuhraya		
	Utara-Timur (KL) Sdn. Bhd.	34	30
	Pembinaan KS Tebrau Sdn. Bhd.	2,848	5,517
	Iskandar Waterfront City Bhd. and its subsidiaries	1,574	3,493
	Iskandar Waterfront Sdn. Bhd.	1,194	443
	Ekoriver Construction Sdn. Bhd. (formerly known as Ekovest-MRCB Construction Sdn. Bhd.)	90	118
	Para Impiana Sdn. Bhd.	1,748	848
	Casa Green City Sdn. Bhd.	1,504	-
	Ekovest Land Sdn. Bhd.	33	-
	Ekovest Capital Sdn. Bhd.	33	-
	Teras Hijaujaya Sdn. Bhd.	18	-
	Riverside Terra Sdn. Bhd.	33	-
Purchase and rental of machinery and equipment and purchase of building materials	Aramijaya Sdn. Bhd.	1,428	1,706
	Ekovest Berhad	168	424
	Ekovest Construction Sdn. Bhd.	206	1,098
	Danga Bay Sdn. Bhd.	59	83
	Sharikat Sukma Kemajuan dan Perusahaan Sdn. Bhd.	20,172	151,058
	Bidari Kekal Sdn. Bhd.	4,792	35,397
	Anjur Ekar Sdn. Bhd.	14	332
	Teras Hijaujaya Sdn. Bhd.	19	1
	Rampai Fokus Sdn. Bhd.	12	12
	Iskandar Waterfront Sdn. Bhd.	23	13
	Pembinaan KS Tebrau Sdn. Bhd.	18	3
	WCM Machinery Sdn. Bhd.	-	25
	Ekovest Energy Sdn Bhd (formerly known as Binawani Sdn. Bhd.)	47	-
	Konsortium Lebuhraya		
	Utara-Timur (KL) Sdn. Bhd.	2	-
	Ekovest Project Management Sdn. Bhd.	133	-
	Ekovest Capital Sdn. Bhd.	83	-
Rental of premises paid	Ekovest Berhad	-	168
	Aramijaya Sdn. Bhd.	10	50
	Ekovest Holdings Sdn. Bhd.	29	11
	Danga Bay Sdn. Bhd.	105	121
	Ekovest Energy Sdn Bhd (formerly known as Binawani Sdn. Bhd.)	6	-
	Ekovest Properties Sdn. Bhd.	161	124

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Related parties (continued)

#### Significant related party transactions (continued)

Type of transactions	Related parties	Group	
		2015 RM'000	2014 RM'000
Rental of premises received	Danga Bay Sdn. Bhd.	547	421
	Ekovest Construction Sdn. Bhd.	18	16
	Teras Hijaujaya Sdn. Bhd.	-	3
	Iskandar Waterfront Sdn. Bhd.	252	311
	Pembinaan KS Tebrau Sdn. Bhd.	-	6
	Rampai Fokus Sdn. Bhd.	3	5
	Tebrau Bay Construction Sdn. Bhd.	48	-
	Para Impiana Sdn. Bhd.	36	-

Type of transactions	Related parties	Company	
		2015 RM'000	2014 RM'000
Rental of premises received	Danga Bay Sdn. Bhd.	309	300
	Iskandar Waterfront Sdn. Bhd.	60	54
Rental of premises received	<b>Subsidiaries</b>		
	Knusford Marketing Sdn. Bhd.	60	56
	Knusford Landscape Sdn. Bhd.	36	-

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirement, are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	214,203	219,587	7,716	4,420
- Unrealised	(837)	(1,281)	-	-
	213,366	218,306	7,716	4,420
Total share of retained earnings of joint venture				
- Realised	78	-	-	-
- Unrealised	(22)	-	-	-
	213,422	218,306	7,716	4,420
Less: Consolidation adjustments	(45,126)	(46,639)	-	-
Total retained earnings	168,296	171,667	7,716	4,420

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 Malaysian Institute of Accountants on 20 December 2010.

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 34 to 77 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year ended on that date.

In the opinion of the Directors, the information set out in Note 28 on page 78 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**Datuk Ahmad Zaki Bin Zahid**

**Lim Chen Heng**

Kuala Lumpur, Malaysia

Date: 29 March 2016

## STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Lee Mong Fang**, the officer primarily responsible for the financial management of Knusford Berhad, do solemnly and sincerely declare that the financial statements set out on pages 34 to 78 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 29 March 2016.

**Lee Mong Fang**

Before me:

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KNUSFORD BERHAD

## Report on the Financial Statements

We have audited the financial statements of Knusford Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 77.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KNUSFORD BERHAD

## Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 78 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### KPMG

Firm Number: AF 0758  
Chartered Accountants

### Thong Foo Vung

Approval Number: 2867/08/16(J)  
Chartered Accountant

Petaling Jaya, Malaysia

Date: 29 March 2016

# MATERIAL LITIGATION AND OTHER INFORMATION OF KNUSFORD BERHAD AND ITS SUBSIDIARIES

For The Year Ended 31 December 2015

- **MATERIAL LITIGATION, CLAIMS AND ARBITRATION OF KNUSFORD BERHAD AND ITS SUBSIDIARIES**

Neither the Company nor any of its subsidiaries is engaged in any material litigation, claims and arbitration arising from the ordinary course of business either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings, pending or threatened against the Company and its subsidiaries or of any facts likely to give rise to any proceedings which might materially or adversely affect the position or business of the Company and its subsidiaries.

- **UTILISATION OF PROCEEDS**

No proceeds were raised by the Company from any corporate exercise during the financial year.

- **SHARE BUY-BACKS**

There was no share buy-back by the Company.

- **OPTIONS OR CONVERTIBLE SECURITIES**

No option or convertible security has been issued by the Company

- **DEPOSITORY RECEIPT PROGRAMME**

The Company did not sponsor any Depository Receipt Programme.

- **SANCTIONS AND/OR PENALTIES**

There was no sanction or penalty imposed on the Company and its subsidiaries, directors and/or management.

- **NON AUDIT FEES**

Total non-audit fees of RM12,000 were incurred to the external auditors for the financial year ended 31 December 2015.

- **VARIATION IN RESULTS**

There was no significant variation in the financial results of the Company and the Group as compared to the previously announced unaudited profit.

- **PROFIT ESTIMATE, FORECAST OR PROJECTION**

The Company did not issue any profit estimate, forecast or projection for the financial year.

- **PROFIT GUARANTEE**

There is no profit guarantee received or to be received by the Company.

- **MATERIAL CONTRACTS**

Save as disclosed below as at 31 December 2015, 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, within the two (2) years immediately preceding the date of this report.

i. On 28 August 2014, Knusford Project Management Sdn Bhd entered into a Project Management Agreement with Para Impiana Sdn Bhd for the appointment of Knusford Project Management Sdn Bhd as the project manager for the construction and completion of a mixed development project known as "Aqaint Danga Residensi" located in Johor Bahru, Johor.

ii. On 11 February 2015, Kota Ekspres Sdn Bhd entered into a Heads of Agreement with Greenland Malaysia Urban Development Sdn Bhd in respect of proposed joint venture for the purpose of:

- a) negotiating for and concluding contracts for execution of public and/or private sector construction projects in Malaysia and /or such other lands as parties deem fit("Works"); and
- b) carrying out such Works to finality for profit.

On 25 June 2015, Kota Ekspres Sdn Bhd entered into a Joint Venture Agreement with Greenland Malaysia Urban Development Sdn Bhd. For the purpose of undertaking this joint venture, a joint venture company with the name of "Greenland Knusford Construction Sdn Bhd" to jointly undertake the Works.

iii. On 29 April 2015, Knusford Berhad entered into Sale and Purchase Agreements with Tropicana Danga Bay Sdn Bhd for the purchase of 11 units of retail lots of Tropez Residences located in Johor Bahru.

- **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND ADDITIONAL MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE OR TRADING NATURE**

Pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company will be seeking shareholders' mandate and additional mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature, at the forthcoming Annual General Meeting of Knusford Berhad scheduled to be held on 30 June 2016.

## ANALYSIS OF SHAREHOLDINGS

Date of Annual Report : 29 April 2016  
Statement Date : 31 March 2016

### 1. SUBSTANTIAL SHAREHOLDERS

Name	Direct Shareholdings	%	Indirect Shareholdings	%
1. DYAM Tunku Ismail Ibni Sultan Ibrahim	-	-	° 30,000,000	30.11
2. Aman Setegap Sdn Bhd	30,000,000	30.11	-	-
3. Kinston Park Sdn Bhd	2,410,000	2.42	° 30,000,000	30.11
4. Dato' Lim Kang Swee	10,614,354	10.65	# 439,000	0.44
5. Khoo Nang Seng @ Khoo Nam Seng	8,124,122	8.15	-	-
6. Tan Sri Dato' Lim Kang Hoo	615,749	0.62	* 32,410,000	32.53
TOTAL	51,764,225	51.95		

### 2. DIRECTORS' SHAREHOLDINGS

Name	Direct Shareholdings	%	Indirect Shareholdings	%
1. DYAM Tunku Ismail Ibni Sultan Ibrahim	-	-	° 30,000,000	30.11
2. Datuk Ahmad Zaki Bin Zahid	-	-	-	-
3. Lim Chen Heng	-	-	-	-
4. Lim Jeng Kuan	-	-	-	-
5. Bernard Hilary Lawrence	-	-	-	-
6. Avinderjit Singh A/L Harjit Singh	-	-	-	-
7. Lim Foo Seng	-	-	-	-
8. Mohd Salleh Bin Othman	-	-	-	-
9. Lee Wai Kuen	-	-	-	-
10. Mohamad Jaifuddin Bin Bujang Mohidin (Alternate Director to DYAM Tunku Ismail Ibni Sultan Ibrahim)	-	-	-	-
TOTAL	-	-		

° Deemed interest by virtue of their shareholdings in Aman Setegap Sdn Bhd

\* Deemed interest by virtue of his shareholdings in Aman Setegap Sdn Bhd and Kinston Park Sdn Bhd

# Deemed interest by virtue of his shareholding in WCM Ventures Sdn Bhd

### 3. CLASS OF EQUITY SECURITY

Authorised Share Capital : RM200,000,000.00  
Issued and Fully Paid-Up : RM 99,645,002.00  
Class of Shares : Ordinary shares of RM1.00 each

There is only one class of equity security in the Issued and Paid-up share capital of the Company.  
There were 959 shareholders holding 99,645,002 ordinary shares of RM1.00 each as at 31 March 2016.  
Each share entitles the holder to 1 vote.

### 4. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	Shareholdings	%
Less than 100 shares	15	1.56	253	0.00
100 - 1,000 shares	457	47.65	182,401	0.18
1,001 - 10,000 shares	340	35.45	1,579,600	1.59
10,001 - 100,000 shares	91	9.49	2,756,950	2.77
100,001 to less than 5% of issued shares	53	5.53	49,857,676	50.04
5% and above of issued shares	3	0.31	45,268,122	45.43
TOTAL	959	100	99,645,002	100



## ANALYSIS OF SHAREHOLDINGS

### 5. THIRTY (30) LARGEST SHAREHOLDERS

Name	Shareholdings	%
1. Aman Setegap Sdn Bhd	30,000,000	30.11
2. Khoo Nang Seng @ Khoo Nam Seng	8,124,122	8.15
3. Dato' Lim Kang Swee	7,144,000	7.17
4. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ngai Sok Fong	4,500,946	4.52
5. Wong Khai Shiu	3,139,000	3.15
6. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Suhaizi Bin Hamid	2,937,800	2.95
7. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gary Lee Seaton	2,669,300	2.68
8. Wung Earn Lee	2,458,500	2.47
9. Kinston Park Sdn Bhd	2,410,000	2.42
10. Dato' Lim Kang Swee	2,372,000	2.38
11. Soh Hui Fung	2,022,500	2.03
12. Lim Seong Hai Holdings Sdn Bhd	1,966,900	1.97
13. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mohamad Nor Bin Hamid	1,800,000	1.81
14. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Pang Piu Fong	1,687,599	1.69
15. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Lai Leng	1,618,500	1.62
16. Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Meow Yen	1,571,600	1.58
17. Datuk Seri Lim Keng Cheng	1,533,000	1.54
18. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Kok Woon	1,271,700	1.28
19. Lim Sew Hua	1,221,000	1.23
20. Dato' Lim Kang Swee	1,088,354	1.09
21. Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Leak Goh	1,037,000	1.04
22. Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Mohamad Nor Bin Hamid	1,016,000	1.02
23. Choong Wai Foong	926,300	0.93
24. Tan Wen Shiew	871,800	0.87
25. Lim Seong Hai Holdings Sdn Bhd	773,700	0.78
26. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lye Sau Chee	735,600	0.74
27. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Kim Leng	699,500	0.70
28. Tan Sri Dato' Lim Kang Hoo	615,749	0.62
29. Lim Soo San	541,200	0.54
30. Lim Pei Tiam @ Liam Ahat Kiat	465,000	0.47

## PARTICULARS OF MATERIAL PROPERTIES

AS AT 31 DECEMBER 2015

Location	Age of Buildings	Tenure	Description/ Existing Use	Land Area (Hectares)#/ Built-up Area (sq.ft)*/(sq.m)^	Net Book Value (RM'000)	Date of Acquisition
1 Lot 2259 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	-	Freehold	Development Land	28.1419#	16,110	1-Nov-01
2 A piece of freehold land held under HSD 51799,PT43447, Mukim Klang, Negeri Selangor Darul Ehsan and bearing postal address of Lot 8, Jalan Kecapi 33/2, Section 33 Elite Industrial Estate, Shah Alam (with a 1 1/2 storey detached factory with an Annexed 3 Storey Office Building)	10	Freehold	Industrial Land and Premises	2.56#	15,066	20-Jun-07
3 Lot 942 Mukim Semenyih Daerah Ulu Langat Negeri Selangor	-	Freehold	Land	5.3874#	14,674	29-Feb-12
4 Tropez Residences Persiaran Danga Bay 80200 Johor Bahru	1	Freehold	Eleven (11) retail lots	1,003^	8,432	29-Apr-15
5 Diamond Square Lot 335,317 and 318 Jalan Gombak Mukim of Setapak District of Kuala Lumpur	19	Freehold	Seven (7) storey commercial buildings comprising one (1) retail & twelve (12) shop office	20,715 *	4,358	8-Jun-96
6 A piece of freehold land held under HSD 102446,PT17588, Mukim Semenyih, Daerah Hulu Langat, Selangor Darul Ehsan with a single storey building (previously Wet and Dry Market and now converted to Multipurpose Hall)	1	Freehold	Commercial land and one (1) commercial building	4,065^	2,286	1-Oct-15
7 Lot 3658 Jalan Genting Klang Mhkim of Setapak District of Kuala Lumpur	33	Freehold	Eight (8) two (2) storey workshop	0.304#	2,172	9-May-96

## PARTICULARS OF MATERIAL PROPERTIES

(continued)

AS AT 31 DECEMBER 2015

Location	Age of Buildings	Tenure	Description/ Existing Use	Land Area (Hectares)#/ Built-up Area (sq.ft)*/(sq.m)^	Net Book Value (RM'000)	Date of Acquisition
8 Lot 1600 to 1603 and 1916 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	-	Freehold	Development Land	1.52#	2,128	28-April-03
9 No. A-4-1, Sri Kenny Condominium 28, Jalan Tun Ismail 50480 Kuala Lumpur	5	Freehold	Condominium	2,324*	1,283	28-Jun-11
10 #G-01, Block 7 Danga Bay Jalan Skudai 80200 Johor Bahru Johor Darul Takzim	5	Freehold	Shop Lot	1,434*	917	22-Mar-11

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of the abovenamed Company hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing whom, \_\_\_\_\_  
of \_\_\_\_\_

or the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Twentieth Annual General Meeting of the Company to be held at **Danga Bay Convention Centre, Lot PTB21350, Batu 3½ Jalan Skudai, 80200 Johor Bahru, Johor Darul Takzim** on Thursday, 30 June 2016 at 3.00 p.m and, at any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X".

NO.	RESOLUTIONS		FOR	AGAINST
1.	Re-election of Directors:- i) Lim Jenq Kuan ii) Avinderjit Singh A/L Harjit Singh iii) Mohd Salleh Bin Othman	(Resolution 1) (Resolution 2) (Resolution 3)		
2.	Re-election of Datuk Ahmad Zaki Bin Zahid	(Resolution 4)		
3.	Approval of Directors' Fees	(Resolution 5)		
4.	Declaration of First and Final Dividend	(Resolution 6)		
5.	Re-appointment of Auditors	(Resolution 7)		
6.	Ordinary Resolution Authorisation pursuant to Section 132D	(Resolution 8)		
	Ordinary Resolution Proposed Renewal of Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	(Resolution 9)		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

Number of shares held

\_\_\_\_\_  
Signature (s) of Shareholder (s)

**Notes:**

- Only depositors whose names appear in the General Meeting Record of Depositors as at 23 June 2016 shall be entitled to attend and vote at the 20th Annual General Meeting.
- A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
- A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of a proxy.
- For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- To be valid, the proxy form, duly completed must be deposited at the Registered Office not less than 48 hours before the time for holding the meeting or any adjournment thereof.

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AFFIX  
STAMP

The Company Secretaries

**Knusford Berhad** (380100-D)

#C-G-03, Blok C, Tropez Residen  
Persiaran Danga Perdana  
80200 Johor Bahru, Johor

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## ***KNUSFORD BERHAD***

(380100-D)

#C-G-03 Blok C  
Trapez Residen  
Persiaran Danga Perdana  
80200 Johor Bahru, Johor

**Tel : (607) 2775555**

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