Knusford Berhad

(Company No. 380100-D)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 December 2013

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2013

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 2013.

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 have been no other significant changes 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	23,226	2,121

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 single tier dividend of 5 sen per ordinary share totalling RM4,982,250 in respect of the financial year ended 31 December 2012 on 18 September 2013.

The final ordinary dividends recommended by the Directors in respect of the financial year ended 31 December 2013 is 5 sen per ordinary share, tax exempt under the single-tier tax system, totalling RM4,982,250.

Directors of the Company

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

DYAM Tunku Ismail Ibni Sultan Ibrahim (Appointed on 21.8.2013)
Tan Sri Dato' Lim Kang Hoo
Khoo Nang Seng @ Khoo Nam Seng
Tuan Haji Aznam bin Mansor
Bernard Hilary Lawrence
Dato' Daing A Malek bin Daing A Rahaman (Appointed on 21.8.2013)
Avinderjit Singh A/L Harjit Singh (Appointed on 21.8.2013)
Lim Chen Herng (Appointed on 21.8.2013)
Lim Jenq Kuan (Appointed on 21.8.2013)
Lee Wai Kuen (Appointed on 4.12.2013)
Lim Foo Seng (Appointed on 4.12.2013)
Mohd Salleh bin Othman (Appointed on 4.12.2013)
Datuk Halimah binti Mohd Sadique (Resigned on 16.5.2013)
Cho Joy Leong @ Cho Yok Lon (Resigned on 21.8.2013)
Dato' Lim Kang Swee (Resigned on 21.8.2013)
Datuk Lim Keng Cheng (Resigned on 21.8.2013)
Kang Hui Ling (Resigned on 21.8.2013)

Directors' interests

The interests and deemed interest in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2013	**Bought**	**Sold**	**At 31.12.2013**
Interests in the Company				
Tan Sri Dato' Lim Kang Hoo	615,749	-	-	615,749
Khoo Nang Seng @ Khoo Nam Seng	8,124,122	-	-	8,124,122
Tuan Haji Aznam bin Mansor	8,000	-	-	8,000
Deemed interests in the Company through				
i) Kinston Park Sdn. Bhd.				
Tan Sri Dato' Lim Kang Hoo	2,410,000	-	-	2,410,000
ii) Aman Setegap Sdn. Bhd.				
Tan Sri Dato' Lim Kang Hoo	30,000,000	-	-	30,000,000

Directors' interests (continued)

	Number of ordinary shares of RM1 each			
	At 1.1.2013	Bought	Sold	At 31.12.2013
Deemed interests in the subsidiary company				
Yasmin Marine Technology Sdn. Bhd.				
Tan Sri Dato' Lim Kang Hoo	80	-	-	80
Khoo Nang Seng @ Khoo Nam Seng	80	-	-	80
Tuan Haji Aznam bin Mansor	80	-	-	80

By virtue of their interests in the shares of the Company, Tan Sri Dato' Lim Kang Hoo, Khoo Nang Seng @ Khoo Nam Seng and Tuan Haji Aznam bin Mansor are 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 2013 had any interest in the ordinary 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) 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

There were no changes in the authorised, issued and paid-up capital of the Company 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:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) 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:

i) 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

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, except for the impairment loss on the property, plant and equipment of the Group and impairment loss on investment in a subsidiary of the Company as disclosed in Note 17 of the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 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.

Significant event

On 5 March 2013, the Group entered into a sale and purchase agreement with a third party to dispose of a freehold land for a total cash consideration of RM4,268,880. The transaction has not completed as of date of this report.

Subsequent event

On 12 February 2014, the Group acquired the entire issued and paid up share capital of Tetap Aman Kapital Sdn. Bhd. for a total cash consideration of RM2 from a third party.

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:

……………………………………………………………
Tan Sri Dato' Lim Kang Hoo

……………………………………………………………
Lim Chen Herng

Kuala Lumpur, Malaysia

Date: 24 April 2014

Knusford Berhad

(Company No. 380100-D)
(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets					
Property, plant and equipment	3	20,167	27,762	11	6
Investment property	4	77,123	77,559	25,001	25,275
Investments in subsidiaries	5	-	-	84,392	87,392
Investment in an associate	6	2,000	2,000	2,000	2,000
Deferred tax assets	7	3,204	2,810	-	-
Total non-current assets		102,494	110,131	111,404	114,673
Inventories	8	34,639	28,720	-	-
Trade and other receivables	9	187,661	155,419	37,088	20,374
Tax recoverable	10	3,079	707	40	51
Cash and cash equivalents	11	45,726	61,977	3,028	10,384
Total current assets		271,105	246,823	40,156	30,809
Total assets		373,599	356,954	151,560	145,482
Equity					
Share capital	12	99,645	99,645	99,645	99,645
Share premium	12	22,693	22,693	22,693	22,693
Retained earnings		148,736	130,492	7,053	9,914
Total equity attributable to owners of the Company		271,074	252,830	129,391	132,252
Liabilities					
Borrowings	13	1,547	1,481	-	-
Deferred tax liabilities	7	1,861	2,876	-	-
Total non-current liabilities		3,408	4,357	-	-
Trade and other payables	14	67,301	84,950	5,355	430
Borrowings	13	28,029	13,348	16,814	12,800
Current tax payable		3,787	1,469	-	-
Total current liabilities		99,117	99,767	22,169	13,230
Total liabilities		102,525	104,124	22,169	13,230
Total equity and liabilities		373,599	356,954	151,560	145,482

The notes on pages 13 to 70 are an integral part of these financial statements.

Knusford Berhad
(Company No. 380100-D)
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Statements of profit or loss and other comprehensive income for the year ended 31 December 2013

		Group		Company	
	Note	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Revenue	15	297,267	189,680	5,568	8,652
Cost of sales	16	(254,080)	(153,554)	(786)	(757)
Gross profit		43,187	36,126	4,782	7,895
Other income		7,585	6,234	1,125	-
Administrative expenses		(15,608)	(17,869)	(3,820)	(884)
Results from operating activities		35,164	24,491	2,087	7,011
Finance income		1,128	2,011	125	473
Finance costs		(1,527)	(706)	-	-
Profit before tax	17	34,765	25,796	2,212	7,484
Tax expense	18	(11,539)	(10,360)	(91)	(871)
Profit for the year/Total comprehensive income for the year attributable to owners of the Company		23,226	15,436	2,121	6,613
Basic earnings per ordinary share (sen)	20	23.31	15.49		

The notes on pages 13 to 70 are an integral part of these financial statements.

Knusford Berhad
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Statements of changes in equity for the year ended 31 December 2013

		<---Attributable to owners of the Company--->			
		Non-distributable		*Distributable*	
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2012		99,645	22,693	119,141	241,479
Total comprehensive income for the year		-	-	15,436	15,436
Distributions to owners of the Company					
Dividends to owners of the Company	21	-	-	(4,085)	(4,085)
Total transactions with owners of the Company		-	-	(4,085)	(4,085)
At 31 December 2012/1 January 2013		99,645	22,693	130,492	252,830
Total comprehensive income for the year		-	-	23,226	23,226
Distributions to owners of the Company					
Dividends to owners of the Company	21	-	-	(4,982)	(4,982)
Total transactions with owners of the Company		-	-	(4,982)	(4,982)
At 31 December 2013		99,645	22,693	148,736	271,074

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Statements of changes in equity for the year ended 31 December 2013 (continued)

		<---*Attributable to owners of the Company*--->			
		Non-distributable		*Distributable*	
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2012		99,645	22,693	7,386	129,724
Total comprehensive income for the year		-	-	6,613	6,613
Distributions to owners of the Company					
Dividends to owners of the Company	21	-	-	(4,085)	(4,085)
Total transactions with owners of the Company		-	-	(4,085)	(4,085)
At 31 December 2012/1 January 2013		99,645	22,693	9,914	132,252
Total comprehensive income for the year		-	-	2,121	2,121
Distributions to owners of the Company					
Dividends to owners of the Company	21	-	-	(4,982)	(4,982)
Total transactions with owners of the Company		-	-	(4,982)	(4,982)
At 31 December 2013		99,645	22,693	7,053	129,391

The notes on pages 13 to 70 are an integral part of these financial statements.

Knusford Berhad
(Company No. 380100-D)
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Statements of cash flows for the year ended 31 December 2013

		Group		Company	
		2013	**2012**	**2013**	**2012**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities					
Profit before tax		34,765	25,796	2,212	7,484
Adjustments for:					
Depreciation of property, plant and equipment	3	4,962	4,920	2	1
Depreciation of investment property	4	714	706	453	449
Impairment loss of property, plant and equipment		4,140	-	-	-
Dividend income		-	-	(4,985)	(8,178)
Gain on disposal of property, plant and equipment		(273)	(5,506)	-	-
Impairment loss on investment in a subsidiary		-	-	3,000	-
Interest expense		1,527	706	-	-
Interest income		(1,128)	(2,011)	(125)	(473)
Operating profit/(loss) before changes in working capital		44,707	24,611	557	(717)
Changes in working capital:					
Inventories		(5,919)	8,259	-	-
Trade and other receivables		(32,242)	(45,708)	56	(87)
Trade and other payables		(17,649)	3,484	200	163
Cash (used in)/generated from operations		(11,103)	(9,354)	813	(641)
Tax paid		(13,002)	(20,429)	(80)	(85)
Net cash (used in)/generated from operating activities		(24,105)	(29,783)	733	(726)

Company No. 380100-D

Statements of cash flows for the year ended 31 December 2013

(continued)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	*(i)*	(1,208)	(19,705)	(7)	-
Proceeds from disposal of property, plant and equipment		925	11,952	-	-
Acquisition of investment property	4	(278)	(14,731)	(179)	(57)
Proceeds from disposal of investment property		-	46	-	-
Capital repayment from a subsidiary	5	-	-	-	750
Advances to subsidiaries		-	-	(12,045)	(8,759)
Interest received		1,128	2,011	125	473
Dividend received		-	-	4,985	-
Deposits uplifted from licensed bank		7,204	7,550	7,204	3,891
Increase in investment in a subsidiary	5	-	-	-	(3,000)
Net cash generated from/ (used in) investing activities		7,771	(12,877)	83	(6,702)
Cash flows from financing activities					
Dividends paid to owners of the Company		(4,982)	(4,085)	(4,982)	(4,085)
Interest paid		(1,527)	(706)	-	-
Proceeds from borrowings, net		14,000	12,800	4,000	12,800
Repayment of finance lease liabilities		(776)	(939)	-	-
Net cash generated from/ (used in) financing activities		6,715	7,070	(982)	8,715

Company No. 380100-D

Statements of cash flows for the year ended 31 December 2013

(continued)

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents		(9,619)	(35,590)	(166)	1,287
Cash and cash equivalents at 1 January	*(ii)*	54,773	90,363	3,180	1,893
Cash and cash equivalents at 31 December	*(ii)*	45,154	54,773	3,014	3,180

i) Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM2,159,000 (2012: RM21,370,000), of which RM951,000 (2012: RM1,665,000) 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	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	11	33,936	15,726	148	197
Deposits with licensed banks	11	11,790	46,251	2,880	10,187
Bank overdraft	13	(572)	-	(14)	-
		45,154	61,977	3,014	10,384
Less: Deposits pledged	11	-	(7,204)	-	(7,204)
		45,154	54,773	3,014	3,180

Knusford Berhad
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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 addresses of the registered office and principal place of business of the Company are as follows:

Registered office
Ground Floor
Wisma Ekovest
No.118, Jalan Gombak
53000 Kuala Lumpur

Principal place of business
1st Floor
Wisma Ekovest
No.118, Jalan Gombak
53000 Kuala Lumpur

The consolidated financial statements as at and for the financial year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as "the Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the year ended 31 December 2013 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 24 April 2014.

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.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations 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 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 January 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014.

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

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

The Group and the Company is 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.

1. Basis of preparation (continued)

(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 7 - Recognition of deferred tax assets; and
- Note 9 - Valuation of trade and other receivables

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, 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 adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group 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. In the previous financial years, the Group did not consider *de facto* power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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) 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Associates (continued)

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.

(iv) 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.

(v) 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 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.

2. Significant accounting policies (continued)

(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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises receivables and cash and cash equivalents.

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.

(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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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.

2. Significant accounting policies (continued)

(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 de-recognised 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 are 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

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.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

Finance lease (continued)

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.

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.

(f) Investment property

Investment property 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.

2. Significant accounting policies (continued)

(g) Inventories

(i) Developed properties held for sale

Developed properties held for sale are stated at the lower of cost and net realisable value. Cost consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

(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 deferred income 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. For the purpose of the statements of cash flow, 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 and associates) 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, deferred tax assets and assets classified as held for sale) 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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

(k) Employee benefits

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.

2. Significant accounting policies (continued)

(k) Employee benefits (continued)

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) 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 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 expenses 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)

(m) 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) Interest income

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

2. Significant accounting policies (continued)

(n) 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.

(o) 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.

2. Significant accounting policies (continued)

(o) Income tax (continued)

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.

(p) 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.

(q) 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.

(r) Contingencies

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.

2. Significant accounting policies (continued)

(r) Contingencies (continued)

Contingent liabilities (continued)

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(s) Fair value measurements

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or liability 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 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.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurement of the Group's assets or liabilities other than the additional disclosures.

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
Cost					
At 1 January 2012	1,440	3,081	62,186	7,321	74,028
Additions	-	860	18,433	2,077	21,370
Disposals	-	(71)	(21,534)	(992)	(22,597)
At 31 December 2012/ 1 January 2013	1,440	3,870	59,085	8,406	72,801
Additions	-	287	755	1,117	2,159
Disposals	-	(259)	(932)	(1,630)	(2,821)
At 31 December 2013	1,440	3,898	58,908	7,893	72,139
Depreciation and impairment loss					
At 1 January 2012:					
Accumulated depreciation	44	1,842	48,623	4,761	55,270
Accumulated impairment loss	-	85	915	-	1,000
	44	1,927	49,538	4,761	56,270
Charge for the year	28	287	3,424	1,181	4,920
Disposals	-	(40)	(15,352)	(759)	(16,151)
At 31 December 2012/ 1 January 2013:					
Accumulated depreciation	72	2,089	36,695	5,183	44,039
Accumulated impairment loss	-	85	915	-	1,000
	72	2,174	37,610	5,183	45,039
Charge for the year	28	316	3,342	1,276	4,962
Disposals	-	(79)	(877)	(1,213)	(2,169)
Impairment	-	-	4,140	-	4,140
At 31 December 2013:					
Accumulated depreciation	100	2,326	39,160	5,246	46,832
Accumulated impairment loss	-	85	5,055	-	5,140
	100	2,411	44,215	5,246	51,972
Carrying amounts					
At 1 January 2012	1,396	1,154	12,648	2,560	17,758
At 31 December 2012/ 1 January 2013	1,368	1,696	21,475	3,223	27,762
At 31 December 2013	1,340	1,487	14,693	2,647	20,167

3. Property, plant and equipment (continued)

Company	**Equipment, furniture and fittings RM'000**
Cost	
At 1 January 2012/31 December 2012/1 January 2013	11
Addition	7
At 31 December 2013	18
Accumulated depreciation	
At 1 January 2012	4
Charge for the year	1
At 31 December 2012/1 January 2013	5
Charge for the year	2
At 31 December 2013	7
Carrying amounts	
At 1 January 2012	7
At 31 December 2012/1 January 2013	6
At 31 December 2013	11

3.1 Leased property, plant and equipment

At 31 December 2013, the net carrying amount of leased motor vehicles and plant and machinery of the Group was RM2,490,000 (2012: RM2,317,000).

3.2 Title of vessels

At 31 December 2013, included under plant and machinery of the Group are vessels with net carrying amount of RM3,214,000 (2012: RM4,544,000) which are registered under the name of a related party.

4. Investment property

Group	**Freehold land RM'000**	**Buildings RM'000**	**Total RM'000**
Cost			
At 1 January 2012	39,377	27,759	67,136
Additions	14,674	57	14,731
Disposal	-	(46)	(46)
At 31 December 2012/1 January 2013	54,051	27,770	81,821
Additions	-	278	278
At 31 December 2013	54,051	28,048	82,099
Depreciation			
At 1 January 2012	-	3,556	3,556
Charge for the year	-	706	706
At 31 December 2012/1 January 2013	-	4,262	4,262
Charge for the year	-	714	714
At 31 December 2013	-	4,976	4,976
Carrying amounts			
At 1 January 2012	39,377	24,203	63,580
At 31 December 2012/1 January 2013	54,051	23,508	77,559
At 31 December 2013	54,051	23,072	77,123

4. Investment property (continued)

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2012	12,794	15,096	27,890
Additions	-	57	57
At 31 December 2012/1 January 2013	12,794	15,153	27,947
Additions	-	179	179
At 31 December 2013	12,794	15,332	28,126
Depreciation			
At 1 January 2012	-	2,223	2,223
Charge for the year	-	449	449
At 31 December 2012/1 January 2013	-	2,672	2,672
Charge for the year	-	453	453
At 31 December 2013	-	3,125	3,125
Carrying amounts			
At 1 January 2012	12,794	12,873	25,667
At 31 December 2012/1 January 2013	12,794	12,481	25,275
At 31 December 2013	12,794	12,207	25,001

Included in freehold land of the Group with a carrying amount of RM16,110,000 (2012: RM16,110,000) is pending sub-division and has yet to be registered in the name of a subsidiary.

4. Investment property (continued)

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Rental income from external parties	994	695	536	378
Rental income from subsidiaries	-	-	48	96
Direct operating expenses:				
- income generating investment property	143	124	61	77
- non-income generating investment property	303	342	176	190

Fair value information

Fair value of investment property not carried at fair value are categorised as follows:

Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
2013					
Freehold land	-	-	129,033	129,033	54,051
Buildings	-	20,447	26,149	46,596	23,072
2012					
Freehold land	-	-	-	160,183*	54,051
Buildings	-	-	-	42,392*	23,508
Company					
2013					
Freehold land	-	-	18,205	18,205	12,794
Buildings	-	15,304	10,564	25,868	12,207
2012					
Freehold land	-	-	-	51,447*	12,794
Buildings	-	-	-	25,636*	12,481

* *Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.*

4. Investment property (continued)

Fair value information (continued)

Level 1 fair value
Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value
Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of buildings have been generally derived 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 input into this valuation approach is price per square foot of comparable properties.

Transfer between Level 1 and 2 fair value
There is no transfer between Level 1 and 2 fair values during the financial year.

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

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

	Company	
	2013	**2012**
	RM'000	**RM'000**
At cost:		
Unquoted shares in subsidiaries	71,392	68,392
Additions	-	3,000
Impairment	(3,000)	-
	68,392	71,392
Capital contribution:		
At 1 January	16,000	16,750
Repayment	-	(750)
At 31 December	16,000	16,000
	84,392	87,392

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 wholly-owned subsidiaries.

Details of the subsidiaries are disclosed in Note 26.

6. Investment in an associate

	Group and Company	
	2013	**2012**
	RM'000	**RM'000**
At cost:		
Unquoted shares in associate		
At 1 January/31 December	40	40
Capital contribution:		
At 1 January/31 December	1,960	1,960
	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	
			2013	**2012**
CBD Development Sdn. Bhd.	Malaysia	Town planner, developer and contractors	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:

	2013	2012
	RM'000	**RM'000**
Summarised financial information		
As at 31 December		
Non-current assets	1	-
Current assets	3,475	3,729
Current liabilities	(1,567)	(1,735)
Net assets	1,909	1,994

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6. Investment in an associate (continued)

	2013 RM'000	2012 RM'000
Year ended 31 December		
Loss from continuing operations/Total comprehensive loss	(86)	(81)

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.

7. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Group						
Property, plant and equipment	-	-	(1,391)	(2,484)	(1,391)	(2,484)
Investment properties	-	-	(1,032)	(1,032)	(1,032)	(1,032)
Provisions	702	734	-	-	702	734
Unabsorbed capital allowances	-	19	-	-	-	19
Unutilised tax losses	-	34	-	-	-	34
Deferred revenue, net of property development costs	3,064	2,663	-	-	3,064	2,663
Tax assets/(liabilities)	3,766	3,450	(2,423)	(3,516)	1,343	(66)
Set-off	(562)	(640)	562	640	-	-
Net tax assets/(liabilities)	3,204	2,810	(1,861)	(2,876)	1,343	(66)

7. 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 2013 RM'000	Group 2012 RM'000
Deductible temporary differences	25,692	25,227
Unabsorbed capital allowances	4,457	3,446
Unutilised tax losses	7,129	3,190
	37,278	31,863
Unrecognised deferred tax assets at 25%	9,320	7,966

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 1.1.2012 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2012/ 1.1.2013 RM'000	Recognised in profit or loss (Note 18) RM'000	At 31.12.2013 RM'000
Property, plant and equipment	(2,745)	261	(2,484)	1,093	(1,391)
Investment properties	(1,192)	160	(1,032)	-	(1,032)
Provisions	1,802	(1,068)	734	(32)	702
Unabsorbed capital allowances	725	(706)	19	(19)	-
Unutilised tax losses	34	-	34	(34)	-
Deferred revenue, net of property development costs	2,286	377	2,663	401	3,064
	910	(976)	(66)	1,409	1,343

8. Inventories

	Note	Group 2013 RM'000	2012 RM'000
Developed properties held for sale		2,273	2,273
Property development costs	8.1	32,366	26,447
		34,639	28,720

8.1 Property development costs

The detailed breakdown of property development costs is as follows:

	2013 RM'000	2012 RM'000
At 1 January		
Land	5,486	6,942
Development costs	20,961	27,764
	26,447	34,706
Development costs incurred during the year	15,192	5,786
Cost charged to profit or loss	(9,273)	(14,045)
	32,366	26,447
At 31 December		
Land	4,800	5,486
Development costs	27,566	20,961
	32,366	26,447

9. Trade and other receivables

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Trade					
Trade receivables	9.1	108,390	91,565	-	-
Less: Allowance for impairment loss		(3,079)	(4,576)	-	-
		105,311	86,989	-	-
Progress billings receivables	9.2	63,204	40,537	-	-
Less: Allowance for Impairment loss		(3,333)	(7,581)	-	-
		59,871	32,956	-	-
		165,182	119,945	-	-
Amount due from contract customers	9.3	15,524	33,379	-	-
Amount due from subsidiaries	9.4	-	-	37,000	20,230
		180,706	153,324	37,000	20,230
Non-trade					
Other receivables, deposits and prepayments		7,296	4,265	160	1,294
Less: Allowance for impairment loss		(341)	(2,170)	(72)	(1,150)
		6,955	2,095	88	144
		187,661	155,419	37,088	20,374

9.1 Trade receivables

Included in trade receivables of the Group are amounts due from companies deemed related to the Directors amounting to RM40,894,000 (2012: RM29,229,000).

9.2 Progress billings receivables

Included in the progress billings receivables are retention sums amounting to RM12,591,000 (2012: RM20,112,000). The retention sums are unsecured, interest-free and are expected to be collected within the normal operating cycle.

9. Trade and other receivables (continued)

9.3 Amount due from contract customers

	Note	Group 2013 RM'000	Group 2012 RM'000
Aggregate costs incurred to date		496,434	448,323
Add: Attributable profits		133,425	133,531
		629,859	581,854
Less: Progress billings		(592,774)	(533,291)
		37,085	48,563
Amount due to contract customers reclassified	14	-	2,128
Amount due from contract customers		37,085	50,691
Less: Allowance for impairment loss		(21,561)	(17,312)
		15,524	33,379

9.4 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest-free and is repayable on demand except for advances to a subsidiary amounting to RM16,800,000 (2012: RM12,800,000) which is subject to interest rates ranging from 5.53% - 5.63% per annum (2012: 5.63% - 5.82% per annum).

10. Tax recoverable

Tax recoverable is subject to approval by the Inland Revenue Board.

11. Cash and cash equivalents

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Deposits with licensed banks	11,790	46,251	2,880	10,187
Cash and bank balances	33,936	15,726	148	197
	45,726	61,977	3,028	10,384

Included in cash and bank balances of the Group is an amount of RM12,212,000 (2012: RM10,148,000), the utilisation of which is subject to the Housing Development (Housing Development Account) (Amendment) Regulations 2002.

Deposits with licensed banks pledged for bank facilities

In the previous financial year, included in deposits with licensed banks of the Group and of the Company were deposits amounted to RM7,204,000 which were pledged to banks to secure bank borrowings and facilities granted to the Company and certain subsidiaries (Note 13).

12. Share capital and reserves

12.1 Share capital

	Group and Company			
	Amount 2013 RM'000	**Number of shares 2013 '000**	**Amount 2012 RM'000**	**Number of shares 2012 '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	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Non-current				
Finance lease liabilities	1,547	1,481	-	-
Current				
Bank overdraft - unsecured	572	-	14	-
Revolving credits - unsecured	26,800	12,800	16,800	12,800
Finance lease liabilities	657	548	-	-
	28,029	13,348	16,814	12,800
	29,576	14,829	16,814	12,800

13. Borrowings (continued)

13.1 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2013 RM'000	Interest 2013 RM'000	Present value of minimum lease payments 2013 RM'000	Future minimum lease payments 2012 RM'000	Interest 2012 RM'000	Present value of minimum lease payments 2012 RM'000
Group						
Less than one year	745	88	657	634	86	548
Between one and five years	1,643	96	1,547	1,589	108	1,481
	2,388	184	2,204	2,223	194	2,029

13.2 Security and terms

In previous financial year, the bank overdraft and revolving credits were secured by way of pledged of fixed deposit (Note 11). For the current year ended 31 December 2013, the security to these borrowings has been waived by the bank except for RM10,000,000 (2012: Nil) revolving credit, which is secured through corporate guarantee by the Company (Note 25).

14. Trade and other payables

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Trade					
Trade payables	14.1	23,516	40,416	-	-
Deferred revenue	14.2	30,611	19,472	-	-
Amount due to contract customers	9.3	-	2,128	-	-
		54,127	62,016	-	-
Non-trade					
Other payables and accrued expenses	14.3	13,174	22,934	630	430
Amount due to subsidiaries	14.4	-	-	4,725	-
		67,301	84,950	5,355	430

14. Trade and other payables (continued)

14.1 Trade payables

Included in trade payables of the Group are amounts due to companies deemed related to certain Directors amounting to RM488,125 (2012: RM5,252,000).

14.2 Deferred revenue

Deferred revenue refers to progress billings net of discounts attributable to the sale of properties under development which the properties have yet to be delivered.

14.3 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group are construction-related costs amounting to RM5,600,000 (2012: RM9,819,000) and deposits received amounting to RM426,888 (2012: Nil) in respect of the sale and purchase agreement entered by a subsidiary to dispose of a freehold land (Note 28).

14.4 Amount due to subsidiaries

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

15. Revenue

	2013 RM'000	2012 RM'000
Group		
Sale of goods	221,764	103,253
Rental of motor vehicle and machinery	6,942	8,558
Contract revenue	48,005	57,025
Property development revenue	19,562	20,149
Rental income from investment properties	994	695
	297,267	189,680
Company		
Dividend income from unquoted subsidiaries	4,984	8,178
Rental income from investment properties	584	474
	5,568	8,652

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16. Cost of sales

	2013 RM'000	2012 RM'000
Group		
Cost of goods sold	183,170	96,440
Direct operating expenses	13,490	6,328
Contract costs recognised as an expense	48,111	36,741
Property development expenses	9,309	14,045
	254,080	153,554
Company		
Direct operating expenses	786	757

17. Profit before tax

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Profit before tax is arrived at after charging:				
Auditors' remuneration to KPMG:				
- Audit fees	211	211	60	60
- Non-audit fees	12	42	-	5
Depreciation of property, plant and equipment	4,962	4,920	2	1
Impairment loss on property, plant and equipment	4,140	-	-	-
Depreciation of investment property	714	706	453	449
Impairment loss on				
- Trade receivables	131	7,961	-	-
- Amount due from contract customers	4,249	-	-	-
- Other receivables	241	-	47	-
Impairment loss on investment in a subsidiary	-	-	3,000	-
Personnel expenses (including key management personnel)				
- Wages, salaries and others	10,905	11,485	71	49
- Contributions to Employees' Provident Fund	848	920	9	6
Provision for liquidated ascertained damages	72	-	-	-
Rental of motor vehicles	133	186	-	-
Rental of premises	741	1,002	-	-
Rental of equipment and machinery	3,643	4,377	-	-

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17. Profit before tax (continued)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
and after crediting:				
Dividend income from subsidiaries (unquoted)	-	-	4,984	8,178
Gain on disposal of property, plant and equipment	273	5,506	-	-
Rental income from investment property	994	695	584	474
Rental of motor vehicle	18	27	-	-
Reversal of impairment loss on:				
- Trade receivables	5,749	129	-	-
- Other receivables	1,139	-	1,125	-
Compensation received arising from compulsory acquisition	1,373	-	-	-

18. Tax expense

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current tax expense					
Malaysian - current year		11,874	9,263	25	858
- prior year		1,074	121	66	13
Total current tax		12,948	9,384	91	871
Deferred tax expense					
Reversal of temporary differences		(1,459)	851	-	-
Under provision in prior years		50	125	-	-
Total deferred tax	7	(1,409)	976	-	-
Total tax expense		11,539	10,360	91	871

18. Tax expense (continued)

Reconciliation of tax expense

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	34,765	25,796	2,212	7,484
Tax at Malaysian tax rate of 25%	8,691	6,449	553	1,871
Non-deductible expenses	370	1,183	718	205
Non-taxable income	-	-	(1,246)	(1,218)
Deferred tax not recognised during the year	1,354	2,482	-	-
	10,415	10,114	25	858
Under provision in prior years	1,124	246	66	13
	11,539	10,360	91	871

19. Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Directors				
- Fees	180	180	180	180
- Remuneration	733	907	-	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind	32	56	-	-
Total short-term employee benefits	945	1,143	180	180

20. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit attributable to ordinary shareholders

	Group	
	2013	**2012**
	RM'000	**RM'000**
Profit from continuing operations for the year attributable to owners	23,226	15,436

Weighted average number of ordinary shares

	Group	
	2013	**2012**
	'000	**'000**
Weighted average number of ordinary shares at 31 December	99,645	99,645

Basic earnings per ordinary share

	Group	
	2013	**2012**
	Sen	**Sen**
From continuing operations	23.31	15.49

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 effects of dilutive potential ordinary shares for the year ended 31 December 2013.

21. Dividends

Dividends recognised by the Company are as follows:

	Sen per share (net of tax)	**Total amount RM'000**	**Date of payment**
2013			
Final 2012 ordinary - Single tier dividend	5.00	4,982	18 September 2013

21. Dividends (continued)

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2012			
Final 2011 ordinary			
- Franked dividend	2.70	2,690	18 September 2012
- Single tier dividend	1.40	1,395	18 September 2012
Total amount		4,085	

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

	Sen per share (net of tax)	Total amount RM'000
Final 2013 ordinary (single tier dividend)	5.00	4,982

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 and provision of transportation services
Property development	Development of residential and commercial properties
Investment property	Rental of investment property
Construction	Civil works contracting

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 and liabilities

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.

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22. Operating segments (continued)

	Trading and services		Property development		Investment property		Construction		Eliminations		Consolidated	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Segment profit												
Total external revenue	228,706	111,811	19,562	20,149	994	695	48,005	57,025	-	-	297,267	189,680
Inter-segment revenue	12,731	13,150	-	-	5,032	8,274	-	-	(17,763)	(21,424)	-	-
Total segment revenue	241,437	124,961	19,562	20,149	6,026	8,969	48,005	57,025	(17,763)	(21,424)	297,267	189,680
Segment profit/(loss)	27,789	12,139	10,367	4,652	77	(350)	(2,985)	10,450	(1,437)	(700)	33,811	26,191
Unallocated other income/(expenses)											1,353	(1,700)
Results from operating activities											35,164	24,491
Finance income	219	299	631	48	184	1,034	94	630	-	-	1,128	2,011
Finance costs	(386)	(38)	(31)	-	(702)	(500)	(408)	(168)	-	-	(1,527)	(706)
Profit before taxation											34,765	25,796
Tax expense	(7,915)	(3,531)	(2,366)	(1,174)	(1,868)	(1,939)	(1,385)	(4,721)	1,995	1,005	(11,539)	(10,360)
Profit for the year											23,226	15,436
Included in measure of segment profit is:												
Depreciation, amortisation and impairment	7,871	3,629	16	19	714	707	1,215	1,271	-	-	9,816	5,626

22. Operating segments (continued)

	Trading and services		Property development		Investment property		Construction		Eliminations		Consolidated	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Segment assets	170,682	179,341	61,505	44,264	71,822	72,260	88,417	90,386	(32,245)	(47,805)	360,181	338,446
Unallocated assets											13,418	18,508
Total assets											373,599	356,954
Included in measure of segment assets are:												
Investment in associate	2,000	2,000	-	-	-	-	-	-	-	-	2,000	2,000
Capital expenditure	1,915	19,793	1	1	277	14,731	244	1,704	-	(128)	2,437	36,101
Segment liabilities	(51,211)	(80,287)	(37,063)	(26,982)	(15,886)	(15,177)	(37,996)	(32,996)	63,000	69,374	(79,156)	(86,068)
Unallocated liabilities											(23,369)	(18,056)
Total liabilities											(102,525)	(104,124)

23. Financial instruments

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R"); and
(b) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount RM'000	L&R/ (OL) RM'000
2013		
Financial assets		
Group		
Trade and other receivables	172,137	172,137
Cash and cash equivalents	45,726	45,726
	217,863	217,863
Company		
Trade and other receivables	37,088	37,088
Cash and cash equivalents	3,028	3,028
	40,116	40,116
Financial liabilities		
Group		
Trade and other payables	(36,690)	(36,690)
Borrowings	(29,576)	(29,576)
	(66,266)	(66,266)
Company		
Trade and other payables	(5,355)	(5,355)
Borrowings	(16,814)	(16,814)
	(22,169)	(22,169)
2012		
Financial assets		
Group		
Trade and other receivables	122,040	122,040
Cash and cash equivalents	61,977	61,977
	184,017	184,017
Company		
Trade and other receivables	20,374	20,374
Cash and cash equivalents	10,384	10,384
	30,758	30,758

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23. Financial instruments (continued)

23.1 Categories of financial instruments (continued)

2012	Carrying amount RM'000	L&R/ (OL) RM'000
Financial liabilities		
Group		
Trade and other payables	(65,478)	(65,478)
Borrowings	(14,829)	(14,829)
	(80,307)	(80,307)
Company		
Trade and other payables	(430)	(430)
Borrowings	(12,800)	(12,800)
	(13,230)	(13,230)

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net gains/(losses) on:				
Loans and receivables	7,644	(5,821)	1,203	473
Financial liabilities measured at amortised cost	(1,527)	(706)	-	-
	6,117	(6,527)	1,203	473

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 meets 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.

23. Financial instruments (continued)

23.4 Credit risk (continued)

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.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of trade receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

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
2013			
Not past due	28,132	-	28,132
Past due 1 - 90 days	17,223	-	17,223
Past due more than 90 days	126,239	(6,412)	119,827
	171,594	(6,412)	165,182
2012			
Not past due	55,296	(22)	55,274
Past due 1 - 90 days	33,462	(34)	33,428
Past due more than 90 days	43,344	(12,101)	31,243
	132,102	(12,157)	119,945

23. Financial instruments (continued)

23.4 Credit risk (continued)

Impairment losses (continued)

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
At 1 January	12,157	5,636
Impairment loss recognised	131	7,961
Impairment loss reversed	(5,749)	(129)
Impairment loss written off	(127)	(1,311)
At 31 December	6,412	12,157

Deposits with licensed banks

Risk management objectives, policies and processes for managing the risk

The Group's and the 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.

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.

23. Financial instruments (continued)

23.4 Credit risk (continued)

Inter-company balances (continued)

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.

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.

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
2013							
Non-derivative financial liabilities							
Revolving credit - unsecured	26,800	5.35 - 5.63	28,271	28,271	-	-	-
Finance lease liabilities	2,204	2.33 - 3.25	2,388	745	920	723	-
Bank overdraft	572	8.10	618	618	-	-	-
Trade and other payables	36,690	-	36,690	36,690	-	-	-
2012							
Non-derivative financial liabilities							
Revolving credit - unsecured	12,800	5.63 - 5.82	13,533	13,533	-	-	-
Finance lease liabilities	2,029	2.36 - 4.00	2,223	633	567	1,023	-
Trade and other payables	65,478	-	65,478	65,478	-	-	-

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23. Financial instruments (continued)

23.5 Liquidity risk (continued)

Company	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
2013							
Non-derivative financial liabilities							
Revolving credit - unsecured	16,800	5.53 - 5.63	17,737	17,737	-	-	-
Bank overdraft	14	8.10	15	15	-	-	-
Trade and other payables	5,355	-	5,355	5,355	-	-	-
2012							
Non-derivative financial liabilities							
Revolving credit - unsecured	12,800	5.63 - 5.82	13,533	13,533	-	-	-
Trade and other payables	430	-	430	430	-	-	-

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23. Financial instruments (continued)

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	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial asset				
Deposit with licensed banks	11,790	46,251	2,880	10,187
Financial liabilities				
Bank overdraft - unsecured	(572)	-	(14)	-
Finance lease liabilities	(2,204)	(2,029)	-	-
Net exposure	9,014	44,222	2,866	10,187
Floating rate instruments				
Revolving credit - unsecured	(26,800)	(12,800)	(16,800)	(12,800)

Interest rate risk sensitivity analysis

(a) 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. Financial instruments (continued)

23.6 Market risk (continued)

23.6.1 Interest rate risk (continued)

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss			
	Group		Company	
	100bp increase RM'000	100bp decrease RM'000	100bp increase RM'000	100bp decrease RM'000
2013				
Floating rate instruments	(201)	201	(126)	126
2012				
Floating rate instruments	(96)	96	(96)	96

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 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.

23. Financial instruments (continued)

23.7 Fair value information (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2013					
Financial liabilities					
Finance lease liabilities	-	-	2,388	2,388	2,204
2012					
Financial liabilities					
Finance lease liabilities	-	-	-	2,223*	2,029

* *Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.*

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2012: no transfer in either directions).

23. Financial instruments (continued)

23.7 Fair value information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The fair value within Level 3 of the finance lease liabilities is determined by using discounted cash flow at discount rate ranging from 2.33% to 3.25% (2012: 2.36% to 4.00%).

24. Capital management

The Group's objectives when managing capital is to maintain an optimal capital structure and to 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. The Group is not subject to externally imposed capital requirements.

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	
	2013	**2012**
	RM'000	**RM'000**
Guarantees and contingencies relating to borrowings of subsidiary (unsecured)	10,000	-

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26. Details of subsidiaries

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

Name of Company	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
Subsidiaries			
Wengcon Holdings Sdn. Bhd.	Investment holding	100	100
Wengcon Equipment Sdn. Bhd.	Rental of machinery and equipment, provision of transportation services and trading of building materials	100	100
Segi Tiara Sdn. Bhd.	Civil works contracting	100	100
D-Hill Sdn. Bhd.	Property development	100	100
Kota Ekspres Sdn. Bhd.	Has not commenced operations	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. (formerly known as Knusford Autohaus Sdn. Bhd.)	Has not commenced operations	100	100
Subsidiaries of Wengcon Holdings Sdn. Bhd.			
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.	Rental of machinery and equipment	100	100
Endau Prima Sdn. Bhd.	Has ceased operations	100	100
Subsidiaries of Wengcon 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	70	70

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 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. and Ekovest Properties 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., Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd., Pembinaan KS Tebrau Sdn. Bhd., Rampai Fokus Sdn. Bhd., Tebrau Teguh Berhad and its subsidiaries, Teras Hijaujaya Sdn. Bhd. and Wengcon Machinery Sdn. Bhd. are deemed related to Tan Sri Dato' Lim Kang Hoo and Datuk Lim Keng Cheng;

iii) Knight Auto Sdn. Bhd. and Lim Seong Hai Holdings Sdn. Bhd. are deemed related to Datuk Lim Keng Cheng;

iv) Palma Harta Sdn. Bhd. is deemed related to DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar and Tan Sri Dato' Lim Kang Hoo;

v) Lantas Setia Sdn. Bhd. is deemed related to Tan Sri Dato' Lim Kang Hoo, Dato' Lim Kang Swee and Datuk Lim Keng Cheng;

vi) Gemilang Lighting Sdn. Bhd., Lor Siew Hung and Lim Pak Lian are deemed related to Datuk Lim Keng Cheng.

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27. Related parties (continued)

The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 9 and 14.

Group		**2013**	**2012**
		RM'000	**RM'000**
Type of transactions	**Related parties**		
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Aramijaya Sdn. Bhd.	3,061	4,228
	Danga Bay Sdn. Bhd.	2,597	10,775
	Ekovest Berhad	71	28
	Ekovest Construction Sdn. Bhd.	8,989	3,804
	Rampai Fokus Sdn. Bhd.	12,680	9,728
	Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd.	54	146
	Pembinaan KS Tebrau Sdn. Bhd.	3,834	2,662
	Teras Hijaujaya Sdn. Bhd.	-	81
	Tebrau Teguh Bhd. and its subsidiaries	4,835	3,949
	Wengcon Machinery Sdn. Bhd.	5	-
	Iskandar Waterfront Sdn. Bhd.	260	-
	Ekovest Project Management Sdn. Bhd.	30	-
	Ekovest Properties Sdn. Bhd.	39	-
Sales of properties	Lantas Setia Sdn. Bhd.	2,705	-
	Gemilang Lighting Sdn. Bhd.	2,468	-
	Lim Sew Hua	950	-
	Lor Siew Hung & Lim Pak Lian	950	-
Purchase and rental of machinery and equipment and purchase of building materials	Aramijaya Sdn. Bhd.	809	743
	Ekovest Berhad	303	657
	Ekovest Construction Sdn. Bhd.	59	171
	Wengcon Machinery Sdn. Bhd.	-	25
	Danga Bay Sdn. Bhd.	88	6
	Knight Auto Sdn. Bhd.	-	11
	Palma Harta Sdn. Bhd.	5,784	-
Rental of premises paid	Ekovest Berhad	238	292
	Aramijaya Sdn. Bhd.	65	120
	Ekovest Holdings Sdn. Bhd.	22	22
	Lim Seong Hai Holdings Sdn. Bhd.	35	30
	Danga Bay Sdn. Bhd.	64	-

27. Related parties (continued)

Group		2013 RM'000	2012 RM'000
Type of transactions	**Related parties**		
Rental of premises received	Danga Bay Sdn. Bhd.	546	435
	Ekovest Construction Sdn. Bhd.	12	-
	Teras Hijaujaya Sdn. Bhd.	20	-
	Iskandar Waterfront Sdn. Bhd.	14	-
	Pembinaan KS Tebrau Sdn. Bhd.	17	-
	Aramijaya Sdn. Bhd.	14	-
Company	**Related parties**		
Rental of premises received	Danga Bay Sdn. Bhd.	360	360
	Iskandar Waterfront Sdn. Bhd.	24	-
	Subsidiaries		
Rental of premises received	Wengcon Marketing Sdn. Bhd.	48	48
	Segi Tiara Sdn. Bhd.	-	48

28. Significant event

On 5 March 2013, the Group entered into a sale and purchase agreement with a third party to dispose of a freehold land for a total cash consideration of RM4,268,880. The transaction has not completed as of date of this report.

29. Subsequent event

On 12 February 2014, the Group acquired the entire issued and paid up share capital of Tetap Aman Kapital Sdn. Bhd. for a total cash consideration of RM2 from a third party.

30. 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**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- Realised	192,932	181,298	7,053	9,914
- Unrealised	2,374	966	-	-
	195,306	182,264	7,053	9,914
Less: Consolidation adjustments	(46,570)	(51,772)	-	-
Total retained earnings	148,736	130,492	7,053	9,914

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.

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

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 6 to 69 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 2013 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 30 on page 70 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:

…………………………………………………………
Tan Sri Dato' Lim Kang Hoo

…………………………………………………………
Lim Chen Herng

Kuala Lumpur, Malaysia

Date: 24 April 2014

Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

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 6 to 70 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 24 April 2014.

……………………………………………….
Lee Mong Fang

Before me:

Independent auditors' report to the members of Knusford Berhad

(Company No. 380100-D)
(Incorporated in Malaysia)

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 2013 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 6 to 69.

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.

Company No. 380100-D

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 of 31 December 2013 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.

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 30 on page 70 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.

Company No. 380100-D

Other Matter

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

Johan Idris
Approval Number: 2585/10/14(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 24 April 2014