Knusford Berhad (380100-D)

(Incorporated in Malaysia)

ANNUAL REPORT 2017

Contents

CORPORATE INFORMATION

CHAIRMAN
DYAM Tunku Ismail Ibni Sultan Ibrahim - Non-Independent Non-Executive Director

MANAGING DIRECTOR
Datuk Ahmad Zaki Bin Zahid

DIRECTORS

Lim Chen Herng	- Executive Director
Lee Hun Kheng	- Executive Director
Bernard Hilary Lawrence	- Senior Independent Non-Executive Director
Lim Foo Seng	- Independent Non-Executive Director
Avinderjit Singh A/L Harjit Singh	- Independent Non-Executive Director
Mohd Salleh Bin Othman	- Independent Non-Executive Director
Lee Wai Kuen	- Independent Non-Executive Director
Mohamad Jaifuddin Bin Bujang Mohidin	- Alternate Director to DYAM Tunku Ismail Ibni Sultan Ibrahim

COMPANY SECRETARIES
Lim Thiam Wah, *ACIS*
Lim Aik Yong, *ACIS*

REGISTERED OFFICE
#C-G-03, Blok C, Tropez Residen
Persiaran Danga Perdana
80200 Johor Bahru, Johor
Tel : 07-2775555
Fax : 07-2772038

PRINCIPAL PLACE OF BUSINESS
#C-G-03, Blok C, Tropez Residen
Persiaran Danga Perdana
80200 Johor Bahru, Johor
Tel : 07-2775555
Fax : 07-2772038

LISTING STATUS
Listed on Bursa Malaysia Main Market

WEBSITE
www.knusford.com.my

REGISTRAR
Insurban Corporate Services Sdn Bhd
149, Jalan Aminuddin Baki
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : 03-77295529
Fax : 03-77285948

AUDITORS
KPMG PLT
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya, Selangor
Tel : 03-77213388
Fax : 03-77213399

PRINCIPAL BANKERS
AmBank (M) Berhad
Malayan Banking Berhad

NOTICE OF THE TWENTY-SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Second Annual General Meeting of the Company will be held at Thistle Johor Bahru, Jalan Sungai Chat, 80100 Johor Bahru, Johor Darul Takzim on Thursday, 7 June 2018 at 2.00 pm for the purpose of transacting the following businesses:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon. **Please refer Note A**

2. To re-elect the following Directors who retire by rotation pursuant to Article 82 of the Company's Articles of Association:-
   i) Lim Chen Herng **(Resolution 1)**
   ii) Avinderjit Singh A/L Harjit Singh **(Resolution 2)**
   iii) Bernard Hilary Lawrence **(Resolution 3)**

3. To approve the payment of Directors' Fees of RM180,000.00 for the financial year ended 31 December 2017. **(Resolution 4)**

4. To approve the payment of Directors' Benefits up to an amount of RM200,000.00 with effect from the Twenty-Second Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 5)**

5. To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. As Special Business, to consider and if thought fit, to pass the following ordinary resolutions:-

   PROPOSED RENEWAL OF THE AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES

   "THAT pursuant to Section 76 of the Companies Act 2016, the Directors be and are hereby given full authority to allot and issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being AND THAT the Directors be and are hereby given full authority to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required to be held in accordance with the provisions of the Companies Act 2016, whichever is the earlier." **(Resolution 7)**

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

   "THAT authority be and is hereby given pursuant to paragraph 10.09 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as stated in section 3.3 of the Circular to Shareholders dated 30 April 2018 with the related parties listed in section 3.2 of the Circular which are necessary for the day-to-day operations, in the ordinary course of business, made on at arm's length basis and on normal commercial terms which are not more favourable than those normally available to the public and are not to the detriment of the minority shareholders;

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

   a) the conclusion of the next Annual General Meeting of the Company at which time the authority will lapse, unless the authority is renewed by a resolution passed at that Annual General Meeting;

b) the expiration of the period within which the next Annual General Meeting is to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

c) revoke or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier". **(Resolution 8)**

7. To transact any other matter for which due notices have been given in accordance with the Company's Articles of Association and the Companies Act 2016.

By Order of the Board

Lim Thiam Wah, *ACIS*
Lim Aik Yong, *ACIS*
Chartered Secretaries
Johor Bahru
30 April 2018

Notes to the Notice of Annual General Meeting

Notes:
1. Only depositors whose names appear in the General Meeting Record of Depositors as at 31 May 2018 shall be entitled to attend and vote at the 22nd Annual General Meeting.
2. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of a proxy.
4. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. To be valid, the proxy form, duly completed must be deposited at the Registered Office not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof, in case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securites Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Explanatory Notes:
Note A:
The Audited Financial Statements is laid in accordance with Section 340(1)(a) of the Companies Act 2016 (CA 2016) and meant for discussion only as the Audited Financial Statements do not require shareholders' approval under the provision of Section 251(1) of the CA 2016. As such, this Agenda item is not to be put forward for voting.

Resolutions 1 to 3:
Article 82 of the Company's Memorandum and Articles of Association expressly states that at the annual general meeting in every subsequent year, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then, the number nearest to one-third shall retire from office and be eligible for re-election.

Pursuant to Article 82, Lim Chen Herng, Avinderjit Singh A/L Harjit Singh and Bernard Hilary Lawrence are standing for re-election at this Annual General Meeting.

The profiles of the Directors standing for re-election are set out in their respective profiles in the Annual Report.

The Nomination and Remuneration Committee (NRC) of the Company has assessed the criteria and contribution of Lim Chen Herng, Avinderjit Singh A/L Harjit Singh and Bernard Hilary Lawrence and recommended for their re-election. The Board endorsed the NRC recommendation that Lim Chen Herng, Avinderjit Singh A/L Harjit Singh and Bernard Hilary Lawrence be re-elected as Directors of the Company.

Resolutions 4 and 5:
Section 230(1) of the CA 2016 provides amongst others, that the fees of the directors, and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board wishes to seek shareholders' approval for the following payments to the Directors of the Company at the Annual General Meeting in two (2) separate resolutions as below:

Resolution 4 seeks approval for the payment of Directors' Fees of RM180,000.00 for the financial year ended 31 December 2017.

Notes to the Notice of Annual General Meeting (continued)

Resolutions 4 and 5 (continued)**:**
Resolution 5 seeks approval for the payment of Directors' Benefits up to an amount of RM200,000.00 with effect from the Twenty-Second Annual General Meeting until the next Annual General Meeting of the Company:

In determining the estimated total amount of Directors' Fees and Benefits payable for the Directors of the Company, the Board has considered various factors including the number of scheduled meetings for the Board, Board Committees, Board of Subsidiaries and Management Committees as well as the number of Directors involved in these meetings based on the current number of Directors and has included additional provisional sum for future appointment of Directors of the Company on the Boards of Subsidiaries and increase in number of Board and committee meetings due to business expansion.

In the event where the payment of Directors' Benefits payable with effect from the Twenty-Second Annual General Meeting until the next Annual General Meeting of the Company exceeds the estimated amount sought in the Annual General Meeting, a shareholders' approval is to be sought in the next Annual General Meeting of the Company in 2019 on the payment of the exceeded amount.

Resolution 6:
The Audit Committee and the Board have considered the re-appointment of Messrs. KPMG PLT (KPMG) as Auditors of the Company and collectively agreed that KPMG has met the relevant criteria prescribed under Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Explanatory Notes to Special Business
Resolution 7:
The Proposed Resolution 7 if passed, will empower the Directors of the Company to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the total number of issued shares of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting. As at the date of this notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual Meeting held on 15 June 2017 and which will lapse at the conclusion of the Twenty-Second Annual General Meeting. The general mandate will provide flexibility to the Company for any possible fund raising activities including but not limited for further placing of shares for purpose of funding future investment(s), working capital and/or acquisitions.

Resolution 8:
The Proposed Resolution 8, if passed, will authorise the Group to enter into recurrent related party transactions as specified in the Circular to Shareholders dated 30 April 2018, provided that such transactions are of a revenue or trading nature which are necessary for the Group's day-to-day operations and are in the ordinary course of business made at on arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PARTICULARS OF DIRECTORS WHO ARE STANDING FOR ELECTION AT THE TWENTY-SECOND ANNUAL GENERAL MEETING

There is no Director standing for election at the Twenty-Second Annual General Meeting.



General Steel Products **Formwork Timber Products**

Cement / Concrete

LAFARGE CEMENT · Holcim · Hume Cement (A Member of the Hong Leong Group) · Hanson · YTL CEMENT

Concrete Precast

Hume Concrete Precast Solutions · OKA · API · ICP PILES · CEPCO

Admixtures / Adhesives / Plaster Lime

cao (The Signature of Lime) · FOSROC · Davco

Bricks

BLACKTOP · BRICK DOTCOM SDN BHD

Roofing Solutions

AJIYA ("To build trust and commitment together") · BLUESCOPE LYSAGHT · MONIER · TERREAL TERRACOTTA

Bathroom Solutions

JohnsonSuisse Bathroom solutions · ECONAX · ORIN Bathroom Architecture · POTEX (POTEX SDN BHD) · DOE

Tiles / Floor and Wall Decorations

NIRO GRANITE · MML (QUALITY. GUARANTEED.) · KIMGRES · WHITE HORSE CERAMIC

Ironmongeries

St Guchi · DEXTROUS · MULTEC (making safer homes) · AKRON · ZONE

Paint

JOTUN · NIPPON PAINT · Colourland (Colour your home)

Knusford Marketing

KL OFFICE
Tel : 03-4023 2525
Fax : 03-4021 8499

JB OFFICE
Tel : 07-277 5555
Fax : 07-277 2038

YOUR BUILDING MATERIALS ONE-STOP CENTRE

Construction / Machineries

Landscaping

Property Development

Oasis Kajang - 112 Units of Double Storey Terrace House

PROFILE OF CHAIRMAN, MANAGING DIRECTOR AND DIRECTORS

DYAM TUNKU ISMAIL IBNI SULTAN IBRAHIM, male, aged 34, Malaysian, was appointed as Chairman and Non-Independent Non-Executive Director of Knusford Berhad on 21 August 2013. DYAM Tunku Ismail has completed his studies in Hale School, Australia. After completion of his studies in Hale School, Australia, DYAM Tunku Ismail enrolled into the Indian Military Academy. He was appointed as Tunku Mahkota Johor in 2010.

DATUK AHMAD ZAKI BIN ZAHID, male, aged 47, Malaysian, was appointed as Managing Director of Knusford Berhad on 10 June 2015. He graduated with a Bachelor of Law from the University of Bristol, England. Datuk Ahmad Zaki is currently the founder and director of Zulu Capital Sdn Bhd, a private equity management firm pursuing investment opportunities in the food and beverage, property and oil & gas sectors. Prior to that, he held executive positions in public listed companies and served the Malaysian Government in various capacities. Between 2009 and 2013, he was the Managing Director/ Executive Director of KFC Malaysia Holdings Berhad, QSR Brands Berhad, Kulim Malaysia Berhad, Damansara Realty Berhad and Malaysian Resources Corporation Berhad.

MR. LIM CHEN HERNG, male, aged 31, Malaysian, was appointed as Executive Director of Knusford Berhad on 21 August 2013. He graduated with a Degree in Business Management from Royal Holloway, University of London in 2008. He has been with the family business since 2008, with management exposure in the property development, construction, finance and oil & gas industry. He also sits in the board of several private limited companies, most notably the master developer Iskandar Waterfront Holdings Sdn Bhd. At present, he is the Group Executive Director in Iskandar Waterfront Holdings Sdn Bhd where he oversees the business development and investment for the group. Besides he is also an Executive Director in Ekovest Berhad and an Alternate Director in Iskandar Waterfront City Berhad.

MR. LEE HUN KHENG, male, aged 41, Malaysian, was appointed as Chief Executive Officer ("CEO") of Knusford Berhad on 30 January 2015 and subsequently also appointed as Executive Director of Knusford Berhad on 25 May 2016. He resigned as CEO of Knusford Berhad on 2 January 2018 but retain his Executive Director position. He graduated with a Degree in Mechanical Engineering from University of Monash, Melbourne, Australia in 2000. Upon his return to Malaysia, he commenced his career as a Sales Engineer in a public listed company specializing in rental, sales and reconditioning of heavy and light machineries.

During his 3 years service with the company, he had gained commercial knowledge and marketing skills while providing machinery technical support and training to many end users. Besides, he is also actively involved in new business development such as establishing machinery product distributorship and after sales service contract with new and existing clients. He then joined Aramijaya Sdn Bhd in 2003, a subsidiary of PLS Plantation Berhad as a Marketing Manager. He is responsible for setting up new accounts for timber products, both domestic and the export market. As part of plantation project research and development, he has explored various timber industries to increase product line as well as introducing modern timber processing systems to the Company. He was promoted as a Director and Chief Executive Officer in Aramijaya Sdn Bhd on 24 May 2004 and 1 July 2008 respectively. Mr Lee is a member of the Board of PLS Plantation Berhad.

MR. BERNARD HILARY LAWRENCE, male, aged 51, Malaysian, was appointed as Independent Non-Executive Director of Knusford Berhad on 12 April 2013. He holds a Bachelor Degree in Law (Hons) from the University of Warwick, Coventry, England, a Master Degree in Law from the University of Malaya and is a Barrister of Grays Inn, London. Since graduation from the University of Warwick, England in 1990, Mr. Bernard has garnered considerable experience having served as a Head of Legal Department for a local bank, as a Legal Adviser to a subsidiary of Telekom Malaysia Berhad and as a Group Legal Adviser to the Articulate Group of Companies. Since 2001, he has been the Managing Partner of Messrs B H Lawrence, Advocates & Solicitors. With his varied experience, Mr Bernard has knowledge of the corporate and legal, as well as a practicing advocate and solicitor. He is also an Independent Non-Executive Director of Iskandar Waterfront City Berhad.

MR. AVINDERJIT SINGH A/L HARJIT SINGH, male, aged 47, Malaysian, was appointed as Independent Non-Executive Director of Knusford Berhad on 21 August 2013. He has completed his education in Singapore Stamford College. He has been in the marketing industry for the past 20 years since the completion of his education in Singapore Stamford College. He has experience and exposure in several industries such as property development, oil & gas and auto sports industry. He also sits in the board of several other private limited companies. He is also an Independent Non-Executive Director of Redtone International Berhad.

PROFILE OF CHAIRMAN, MANAGING DIRECTOR AND DIRECTORS

MR. LIM FOO SENG, male, aged 48, Malaysian, was appointed as Independent Non-Executive Director of Knusford Berhad on 4 December 2013. He obtained his professional accounting certification from Malaysian Institute of Certified Public Accountants in 1997. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He started his career in Deloitte Kassim Chan, an international accounting firm, from 1989 till 1995 where he acquired knowledge, experience and exposure in management consultancy, taxation & accounting and auditing standards.

He left to join Arab-Malaysian Corporation Berhad Group ("Amcorp Group") in 1995 and was involved in the business planning, venture capital activities, corporate audit, corporate restructuring and monitoring of portfolio companies in his capacity as an Associate Director. He also served as a board member of various portfolio companies of Amcorp Group. He left Amcorp Group in 2003 where his last position with Amcorp Group was a Chief Financial Officer of MCM Technologies Berhad, an IT incubator and a subsidiary of Amcorp that was previously listed on the ACE Market of Bursa Malaysia Securities Berhad in which he played an instrumental role in its initial public offering.

Thereafter, he held various senior management positions and served as a board member of various established private limited and public listed companies in Malaysia. He joined Quest Technology Sdn Bhd in 2003 as a Chief Financial Officer and served as an Executive Director for Envair Holding Berhad, the holding company of Quest Technology Sdn Bhd, from 2005 to 2008. Envair Holding Berhad was involved in cleanroom engineering services and listed on ACE Market of Bursa Securities. From 2008 to 2009, he was an Executive Director of Asia Bioenergy Technologies Berhad ("Asia Bioenergy"), a technology incubator listed on ACE Market of Bursa Securities. Thereafter in late 2009, he set up and co-owned an investment holding company, LFS Holdings Sdn Bhd, which holds minority stakes in unquoted shares in few companies in producing parts of electrical and electronic products, in which he subsequently disposed of his stakes and resigned as director in 2011. Subsequently, he embarked into retail industry where he was the Head of Strategic Planning for Aivoria Group Sdn Bhd ("Aivoria") and Winn Worldwide Sdn Bhd ("Winn") from 2011 to 2017 respectively. Aivoria and Winn are mainly involved in the retail chain business of cosmetic and fashion segment respectively.

Currently he is the Chief Strategy Officer of Nova Pharma Solutions Berhad, a company involved in the provision of engineering services for pharmaceutical and biotechnology industries and listed on LEAP Market of Bursa Securities, in which he played an active role in its listing exercise.

He was appointed as Independent Non-Executive Director of Iskandar Waterfront City Berhad on 11 October 2013. He was the independent director of Asia Bioenergy from 2012 to 2015.

EN. MOHD SALLEH BIN OTHMAN, male, aged 66, Malaysian, was appointed as Independent Non-Executive Director of Knusford Berhad on 4 December 2013. He graduated with Bachelor of Science (Hons) Degree in Housing, Building and Planning from Universiti Sains Malaysia. After graduation, he joined Petroliam Nasional Berhad ("Petronas") in 1978 as a Management Executive of Property Department and he served in various departments and divisions for a span of approximately 15 years.

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

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

MR. LEE WAI KUEN, male, aged 52, Malaysian, was appointed as Independent Non-Executive Director of Knusford Berhad on 4 December 2013. He holds a Law Degree from London University and MBA Degree from Heriot-Watt University. He was an Executive Director of Protech Yu (Asia) Sdn Bhd, a subsidiary of Goldis Berhad from 2007 to 2010. He was involved in the day to day operation of the aquaculture business, in charge of farm development, farm operating and marketing.

Prior to his involvement in the aquaculture industry, he was attached with Bumi Hiway & Selia Group of Companies as Head of Legal Department. He has more than 22 years of legal and corporate experience serving companies involved in the field of property development, construction and road concession. He is currently the Executive Director of Aqua Genesis Sdn Bhd which is involved in the aquaculture and supply chain for quality seafood. He is also an Independent Non-Executive Director of Ekovest Berhad.

EN. MOHAMAD JAIFUDDIN BIN BUJANG MOHIDIN, male, aged 38, Malaysian, was appointed as an Alternate Director to DYAM Tunku Ismail Ibni Sultan Ibrahim on 15 January 2015. He holds a Bachelor of Commerce from University of Western Australia. Upon graduation, he started his career with KKB Engineering Berhad as an Accounting Executive. Thereafter he joined Nationlink Group of Companies in 2003 as a Quantity Surveyor Executive, where he was exposed to 3 business divisions of the Group, namely Property Management, Construction and Development. From 2004 to 2007, he moved to Exticom Sdn Bhd, an established company in telecommunication as Head of Business Development. Since 2008, he is attached with the Johor Royal Household as the Special Officer to DYAM Tunku Mahkota Johor.

Conflict of interest

There is no conflict of interest between the Directors and the Group except for the recurrent related party transactions where the Directors have interest, as disclosed in the Note 29 of the Audited Financial Statements.

Conviction for offences

None of the Directors have been convicted for any offences (except traffic offences) within the past 5 years or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Family Relationship

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

- Mr. Lim Chen Herng is a son of Tan Sri Dato' Lim Kang Hoo, nephew to Dato' Lim Kang Swee and cousin to Mr. Lee Hun Kheng.

- Mr. Lee Hun Kheng is a nephew of Tan Sri Dato' Lim Kang Hoo and Dato' Lim Kang Swee and cousin to Mr. Lim Chen Herng.

- Tan Sri Dato' Lim Kang Hoo is a major shareholder, by virtue of his shareholdings in Kinston Park Sdn Bhd and Aman Setegap Sdn Bhd. He is a brother to Dato' Lim Kang Swee, an uncle to Mr. Lee Hun Kheng and father to Mr. Lim Chen Herng.

- Dato' Lim Kang Swee is a major shareholder in Knusford Berhad. He is a brother to Tan Sri Dato' Lim Kang Hoo and uncle to Mr. Lim Chen Herng and Mr. Lee Hun Kheng.

KEY SENIOR MANAGEMENT

MR. TAN TEOW KEAT, male, aged 60, Malaysian, was appointed as Chief Executive Officer ("CEO") of Knusford Berhad on 2 January 2018. He holds a Diploma in Civil Engineering and possesses more than 30 years of experience in property development, construction and construction-related activities. He began his career in Singapore as Project Manager and was involved in many property developments in Singapore and Indonesia. In year 2002, he joined Mines Resort Berhad as Project Director and was subsequently promoted to Deputy CEO and also sits on the Board of Mines Resort Berhad. In 2008, he was appointed as the Deputy CEO of Danga Bay Sdn. Bhd. Prior to his appointment, he was the Chief Operating Officer of Iskandar Waterfront City Berhad, a public listed company with its principal activities in property development, construction and property management services. Mr. Tan does not hold any share in Knusford Berhad nor its subsidiaries.

MADAM LIM SEW HUA, female, aged 68, Malaysian, after completing her secondary school education and several years of working experience, Madam Lim joined Knusford Holdings Sdn Bhd, a subsidiary of Knusford Berhad, as a General Manager in 1994. She has more than 45 years of working experience in various industries, gaining exposure in the field of marketing, procurement, finance, human resource and corporate matters. She is one of the pioneer staff during the formative years of Knusford Berhad. She is also a Director of several private limited companies.

MR. HAN LOONG KWANG, male, aged 51, Singaporean, was appointed as Project Director- Construction division of Knusford Berhad on 1 June 2015. He graduated with a Bachelor of Science in Architectural Engineering degree from the University of Miami, Florida, USA. He has over 25 years of diverse professional experience in Construction, Property Development and Real Estate investments. He has worked in Singapore, Indonesia, China and now Malaysia. He was previously with Sato Kogyo (Singapore) Pte. Ltd., United Engineers (Singapore) Pte. Ltd. and Tropicana Berhad, holding different roles and responsibilities.

MS. JIANG MI, female, aged 32, Chinese, was appointed as Project Director- landscape division of Knusford Berhad on 22 June 2015. She is extensively involved in a few mega, award-wining township and high rise projects in China, as well as locally, as a landscape designer and project manager for landscape construction and maintenance. She has participated in designing and overseeing at least 120 landscape projects in China and Malaysia. Prior to her appointment, she was attached to Country Garden Holdings Company Limited, one of the top 10 property developers in China.

MS. LEE MONG FANG, female, aged 50, Malaysian, was appointed as Chief Financial Officer of Knusford Berhad on 22 April 2013. She has the Chartered Institute of Management Accountants ("CIMA") qualification and is also a member of the Malaysia Institute of Accountants ("MIA"). She has more than 20 years' experience in accounting and corporate finance areas. Prior to her appointment, she was a senior accountant with Iskandar Waterfront Holdings Sdn Bhd.

Conflict of interest

There is no conflict of interest between the Key Senior Management and the Group except for the recurrent related party transactions where the Key Senior Management have interest, as disclosed in the Note 29 of the Audited Financial Statements.

Conviction for offences

None of the Key Senior Management have been convicted for any offences (except traffic offences) within the past 5 years or any public sanction or penalty imposed by relevant regulatory bodies during the financial year.

Family Relationship

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

- Madam Lim Sew Hua is a sister of Tan Sri Dato' Lim Kang Hoo and Dato' Lim Kang Swee and aunt to Mr. Lim Chen Herng and Mr Lee Hun Kheng.

On behalf of the Board of Directors of Knusford Berhad ("KB"), I am pleased to present the Annual Report and Audited Financial Statements of the Group for the Financial Year Ended 31 December ("FYE") 2017.

Overview of Financial Performance

For FYE 2017, the Group reported revenue of RM140.851 million, representing an increase of approximately RM11.018 million as compared to revenue of RM129.833 million in FYE 2016. The increase in revenue was mainly due to increase in work done for our construction projects and sale completed development units.

The Group's loss before tax decreased from RM16.935 million to RM9.338 million in the current financial year. The decrease in the loss before tax was mainly attributable to lower impairment loss on trade receivables recognised in FYE 2017 of RM0.592 million as compared to RM10.963 million in FYE 2016.

2017 was a challenging year for the construction and property development industries, upon which the Group substantially relies. Rising construction costs, property cooling measures taken by the Government and the overall market's lower consumer sentiment have contributed to a sluggish property market. In addition, there has been a mismatch in demand and supply in the affordable mid-range housing segment due to rapid socio-economic changes, urbanisation and evolving population structures.

Moving Forward

KB will continue to focus on its core business segments in trading of building materials and construction equipment, civil construction and engineering, property development and investment.

The trading division is expected to continue to be a stable source to contribute to the Group's revenue. The Group has taken and will continue to take measures to be more cost effective and competitive in order to sustain its business in this market segment.

Our construction division is showing good signs of sustained progress in the new financial year. The Group had recently been awarded the following 2 projects: -

a) On 15 January 2018, the Group received a LOA for its appointment as Sub-Contractor for the construction and completion of Bored Piling Works at DUKE Highway with a contract value of RM63.0 million.

b) On 9 February 2018, the Group received a Letter of Award ("LOA") for the construction and completion of "552 Unit Rumah Teres 2 Tingkat" for Phases 1, 2 and 3A at Danga Sutera, Tampoi, Johor Bahru, with the LOA for Phase 3B to be awarded in due course. The total contract value for this project is RM90.5 million and this project is expected to be completed in 2019.

The awarded Projects are expected to contribute positively to KB's earnings and net assets for FYE 2018. The Group will continue to source and compete for good construction projects in the country.

In respect of property development, the Board is cautiously optimistic that the property market will improve, especially in the affordable segment. Market researches show that creative designs and innovative concept developments with moderate pricing stand a better chance to gain market share. The Group has begun to explore the development and construction of affordable housing projects, with the intention that such participation will deliver business sustainability while not compromising its income and profits margin.

The property division will continue to develop its land bank in Kajang. We are in the midst of exploring building various types of premium housing units to complement KB's existing property development in Kajang. Meanwhile, the Group will embark on constructing 304 units of Rumah Selangorku in the same locality, as mandated by the authorities based on current and past property projects. The Gorup expects that this low-cost project may result in significant losses for KB. We are aware of the inherent risks involved and will take numerous measures to mitigate the downside.

The Group will leverage on its experienced management team to pursue new projects, investments and joint ventures that match our business objectives. We will adopt a cautious approach to enhance its order book by exploring business opportunities through strategic alliances and partnerships with business partners and associates.

CHAIRMAN'S STATEMENT

Industry Overview and Prospects

In 2017, Malaysia's economic growth performed fairly well, driven by resilient domestic demand and an improvement in both investment and consumption in the country.

In the building and construction sectors, construction projects worth RM350 billion are expected to be awarded in the next 3 years with the announcement of Budget 2018. RM2.2 billion has been allocated for public housing such as PR1MA, and other projects such as MRT3 will definitely spur the domestic construction industry. Malaysia will also be one of the largest beneficiary countries from the "One Belt One Road" program initiated by the People's Republic of China.

The property market in Malaysia is looking to be stable and growing at a moderate pace in 2018. With a growing population and rising incomes, the current excess property units will be taken up over time, with robust property development activities returning in the near future. This is especially so in the affordable property segment.

As such, the Group will keep repositioning itself to take the advantage of and reap the benefits from opportunities made available by the Government, in order for KB to maximise its revenue in 2018 and beyond.

The Board will continue to seek and explore for new business opportunities and to tender for new projects in Malaysia as well in South East Asian countries in its endeavour to generate sustainable growth and income for the Group.

Corporate Governance

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

Acknowledgment

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

I would also like to extend my gratitude to the Directors for their undivided support and manifold contribution and my sincere appreciation to the Management and staff for their hard work and loyal dedication to the Group.

DYAM Tunku Ismail Ibni Sultan Ibrahim
Chairman

Introduction of Knusford Berhad's Business

Knusford Berhad is a Malaysian-based Company with diversified businesses in trading of building materials, rental of plant & machinery, construction-related works and property development. The trading division is the major contributor to the Group's revenue which is closely associated with the construction and property development industries.

Overview of Financial Performance

For FYE 2017, the Group reported revenue of RM140.851 million representing an increase of approximately RM11.018 million as compared to revenue of RM129.833 million in FYE 2016. The Group also reported a lower loss before tax of RM9.338 million for FYE 2017 as compared to a loss before tax of RM16.935 million in FYE 2016. The Group's FYE 2017 improved results were mainly attributable to the lower impairment loss on trade receivables, i.e. RM0.592 million in FYE 2017 compared to RM10.963 million in FYE 2016.

The trading and services division was the main revenue contributor to the Group, reporting a revenue of RM84.679 million and segmental loss of RM4.743 million. The performance has dropped compared to previous year's revenue of RM109.951 million and segmental loss of RM0.276 million. The decrease was mainly due to lesser demand for our building materials, as the ongoing projects of our major customers were near completion while new projects secured were yet to be active.

The construction division recorded a higher revenue of RM47.084 million and segmental loss of RM7.907 million for FYE 2017 compared to revenue of RM17.570 million and segmental loss of RM13.576 million for FYE 2016. The increase in revenue for FYE 2017 was principally due to improved site progress recorded on ongoing construction projects whilst the decrease in segmental loss was mainly due to the recognition of lower provision for impairment on trade receivables compared to the preceding financial year.

The Group has also started to extend its construction expertise in the area of landscaping works and has successfully secured numerous landscaping projects worth RM14.08 million in FYE 2017.

The property development division recorded a revenue of RM6.671 million and segmental profit of RM3.763 million for FYE 2017. The revenue was mainly derived from the sale of completed shop offices from inventory. No revenue was recognised from the recently completed development known as Oasis Kajang (112 units of Double Storey Terrace House) for both FYE 2017 and FYE 2016 as the Group opted for early adoption of IC interpretation 15 in the previous financial year whereby revenue arising from our property development division can only be recognised upon delivery of vacant possession to purchasers. The vacant possession for the Oasis Kajang project was delivered to purchasers on 15 January 2018, and will thus contribute positively to our revenue for the FYE 2018. However, the profit before tax for this project is expected to be significantly affected by the amortisation of provision for foreseeable losses owing to the mandatory development of affordable housing required by the authorities.

The investment property division's revenue showed improvement compared to the preceding year as revenue increased from RM2.312 million to RM2.417 million. This division recorded segmental profit of RM0.892 million for FYE 2017 compared to segmental profit of RM0.790 million in FYE 2016 substantially due to sale of investment property during FYE 2017.

The Group has also enhanced its order book through strategic alliances and partnership with business partners and associates. Our efforts have begun to bear fruit, contributing to the financial results in FYE 2017. The share of profit of equity accounted investments improved from RM0.947 million to RM2.251 million.

Overall, the equity attributable to the equity-holders of Knusford Berhad stood at RM261.117 million as at FYE 2017 versus RM272.504 million in FYE 2016.

Cash and cash equivalents reported an increase from RM15.060 million in FYE 2016 to RM38.151 million in FYE 2017. This was attributed to improved collection from trade and other receivables. The Group has also drawn down a revolving credit of RM10.8 million during FYE 2017 for working capital purpose.

The gearing ratio of the Group increased from 3.2% to 7.6%, comparing FYE 2016 to FYE 2017. Despite the increase in gearing, liquidity was still in a healthy position as deemed by management where net current assets stood at RM129.918 million.

Prospects

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

The trading and services division is expected to continue to be a stable source of revenue and income for the Group, while providing some room for further growth. On-going main projects undertaken by one of our customers, Ekovest Bhd, namely Setiawangsa- Pantai Expressway (Duke Phase 3), Eko- Cheras mixed development commercial hub and River of Life are expected to further enhance our revenue in the trading division in the following financial years.

Our construction division is showing good signs of sustained progress in the new financial year. The Group had recently been awarded 2 projects, namely Bored Piling Works at DUKE Highway and construction and completion of "552 Unit Rumah Teres 2 Tingkat" for Phases 1, 2 and 3A at Danga Sutera, Tampoi, Johor Bahru with total contract value of RM63.0 million and RM90.5 million respectively. These two projects are expected to contribute positively to the Group's earnings and net assets for the financial year ending 31 December 2018.

We are cognisant of our need to replenish our order book and will continue to bid for good projects. Our priority is to continue growing our existing businesses by increasing marketing and business development activities, especially with our existing clients. We are optimistic that we will be able to secure more construction works in the near future.

In respect of our property development division, the Group's upcoming development will be the launching of Rumah Selangorku at Kajang, in compliance with Government regulation on affordable housing. This is a loss making project and will hit our bottom line. The Group has started to amortise this loss in line with the current applicable accounting standard. We are in the midst of exploring other premium housing development to compliment the Group's existing property development at Kajang.

We are conscious that the year 2018 will continue to be a challenging year for the Group. The Group will strive to enhance its operational efficiencies, manage costs, cash flows and explore new business opportunities with the aim of achieving improved results and ensure sustainable long term growth for the Group. We are positive that with a stable and capable management team, coupled with our well-diversified business portfolio, the Group should be able to weather through the trials and tribulations.

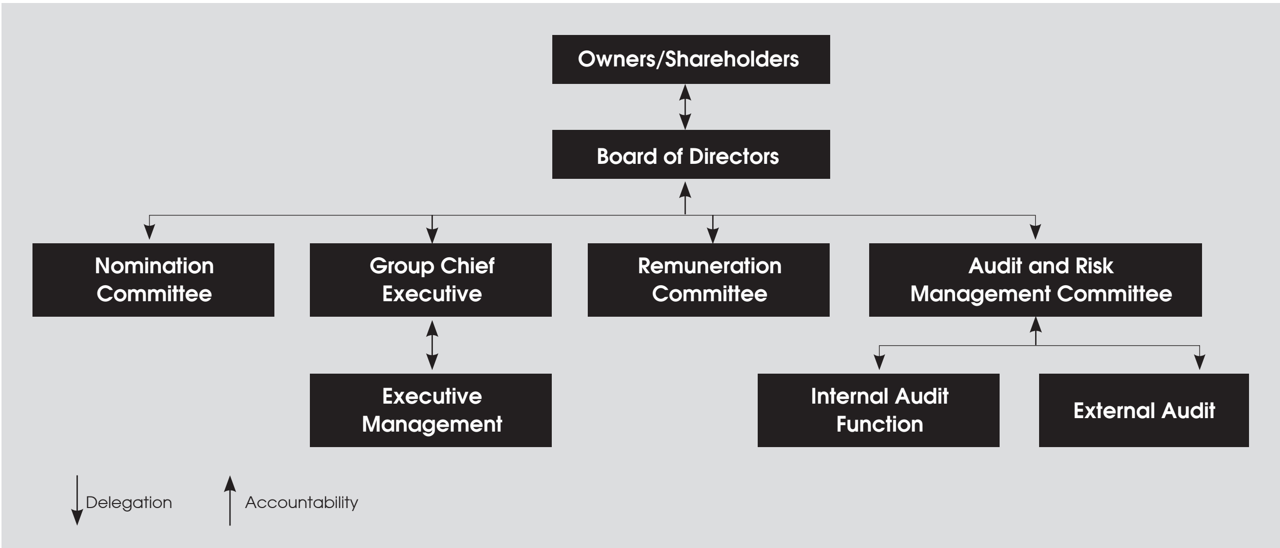
INTRODUCTION

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

Therefore, the Board is pleased to present the following report on the Company's application of the principles and compliance with best practices as set out in MCCG during the financial year ended 31 December 2017.

CORPORATE GOVERNANCE STRUCTURE

The Group's corporate governance structure is illustrated below.



The Group has established a system of governance structured around three lines of defence. This structure enables a more effective decision making process where all views are challenged and considered. In summary, the three lines of defence are as follows:

Executive Management

The first line of defence consists of Executive Management which manages the day to day operations and reports directly to the Group Chief Executive. Executive management sets out the execution of strategy and business plans in discussion with the Group Chief Executive, where specific action plans, initiatives and tasks are laid out to achieve those strategies.

Group Chief Executive and Board Committees

The Group Chief Executive ("GCE") oversees the execution of the strategy and business plans of the Group as approved by the Board. These matters are developed based on the input and action plans derived from the Executive Management, with oversight role from the GCE and the Board Committees. The Board Committees comprise of 3 committees, namely the Nomination Committee, the Remuneration Committee, and the Audit and Risk Management Committee. These Committees report directly to the Board.

Internal Audit and External Audit

The third line of defence comprises of internal and external auditors who report independently to the board committee. The internal and external auditors regularly review the governance structure and internal controls to ensure that the corporate governance arrangements and structures are appropriate and are discharging their roles and responsibilities completely and accurately. The results of these independent reviews are communicated to executive management and to the board of directors to ensure that appropriate action is taken to maintain and enhance the corporate governance framework.

Internal Audit and External Audit (continued)

Other governance components include:

Authority limits

The Group establishes authority limits across the Group covering all key processes such as procurement, tendering and contract award. The authority limits provide the line responsibility and accountability in decision-making processes, enabling a thorough consideration of factors prior to any business decisions being made.

Policies and procedures

The Group has established policy and procedures providing guidance on the operational aspects to the management of the Group. These include financial, human resource, procurement, construction management and property management.

Management meetings

The Executive management meets at least 6 times per year to discuss operational matters, key issues and strategic priorities. The Executive management monitors the execution of action plans and initiatives and the achievement of strategies in line with the business objectives of the Group.

Assurance function – internal and external audit

Independent oversight of the Group is provided through internal and statutory auditors. Internal audit focuses on operational matters, compliance, internal controls and general controls of the Group, while statutory auditors provide assurance in terms of financial management, accounting and internal controls.

Code of conduct and whistle blowing policy

The Board has formulated ethical standards through a Code of Conduct for the Directors, senior management and all employees. The Code of Conduct includes principles related to conflict of interest, dealings with confidential information, to ensure safety, security and adherence to Group's rules, dealing with suppliers, customers and third parties. Knusford Berhad also has in place a Whistle Blowing Policy which are implemented to provide well-defined and accessible channels for reporting possible improprieties, violations, improper conduct or wrongdoing within the Group. Further details pertaining to the Code of Ethics and Whistle Blowing Policy is available at Knusford Berhad's website at www.knusford.com.my.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is responsible for the overall corporate governance of the Group, including its ethical behaviour, strategic direction, establishing goals for management and monitoring the achievement of these goals with a view to optimising performance, maximizing shareholder value and safeguarding the stakeholders' interest. The responsibility for the operation and administration of the Group of Companies is delegated by the Board to the GCE.

The Board Charter, which clearly sets out the roles and responsibilities of the Board, the Board Committees and GCE, is available on the corporate website of Knusford Berhad at www.knusford.com.my for easy access by the stakeholders and the public alike. The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their roles and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good corporate governance are applied in all their dealings in respect, and on behalf of the Company.

The Board has appointed 2 Company Secretaries, who are Members of Chartered Secretaries Malaysia and have the competence to provide the necessary assistance to the Board.

II. Board Composition

The Board comprises of 9 members, out of which 5 are Independent Directors. The existing Board composition is in line with Principle (A) 4.1 of the MCCG which specifies that the board must comprise a majority of independent directors.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion in the selection of Board members. In addition, the Group believes it is of utmost importance that the Board is composed of the best-qualified individuals who possess the requisite knowledge, experience, competency, professionalism, independence, foresight and good judgement to ensure that the Board and management team function effectively and is able to discharge its duties in the best interests of the Group and shareholders. The Board consists of qualified individuals with diverse experiences, backgrounds and perspectives. Their combined expertise and business experience provides insights and diversity of perspective to lead and guide the Group in an increasing complex and competitive environment. The skills and experience of the Board are provided in details on pages 9 to 11 of this Annual Report.

The Board is supportive of gender diversity policy. In its selection of Board members, the Board provides equal opportunity to all candidates who meet the criteria (i.e. individual experience, knowledge and competency) and other qualities vis-a-vis the Group present business portfolios and prospective investment. Presently, there is no female Director and the Board strives to search and appoint a female board member.

The Board recognises the needs to attend trainings in order to enhance their skills and knowledge and keep abreast with the relevant change in laws, regulations and business environment enabling them discharge their duties effectively. During the financial year, the Group had organised a training course entitled "Changes and Implications of the Companies Act 2016", which was attended by all the Directors. The Group will continue to organise development and training programmes for the benefit of Directors and in addition, the Directors individually are encouraged to equip themselves on the new developments in the business environment by attending other relevant courses, trade fairs, seminars and conferences.

The Board Charter establishes a policy limiting the tenure of independent Directors to nine years. The policy allows exceptions, subject to the assessment of the Nomination Committee and on an annual basis subject to shareholders' approval. As of the date of this Annual Report, none of the Independent Directors of the Company have reached or exceeded a cumulative term of nine years.

The composition, number of Board and Committee Meetings held in financial year 2017 and the attendance of each member of the Board at the respective Board and Committee meetings are as follows:

Name	Designation	Meeting Attendance			
		Board	Nomination Committee[N1]	Remuneration Committee[N1]	Audit and Risk Management Committee[N2]
DYAM Tunku Ismail Ibni Sultan Ibrahim	Non-Independent Non-Executive Director	4/5[N3]	-	-	-
Datuk Ahmad Zaki Bin Zahid	Managing Director	5/5	-	-	-
Lim Chen Herng	Executive Director	4/5	-	-	-
Lee Hun Kheng	Executive Director	4/5	-	-	-
Bernard Hilary Lawrence	Senior Independent Non-Executive Director	5/5	1/1	2/2	5/5
Avinderjit Singh A/L Harjit Singh	Independent Non-Executive Director	4/5	1/1	2/2	3/5
Lim Foo Seng	Independent Non-Executive Director	5/5	1/1	2/2	5/5
Mohd Salleh Bin Othman	Independent Non-Executive Director	5/5	1/1	2/2	5/5
Lee Wai Kuen	Independent Non-Executive Director	5/5	1/1	2/2	5/5

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

N1 – The "Nomination Committee" and the "Remuneration Committee" were two separate committees during the financial year ended 31 December 2017. With effect from 1 March 2018, the Board has merged the committees into one, known as the "Nomination and Remuneration Committee".

N2 – The "Audit and Risk Management Committee" was a combined committee during the financial year ended 31 December 2017. With effect from 1 March 2018, the Board has separated the committee into two committees, known as the "Audit Committee" and the "Risk Management Committee".

N3 – One out of the five meetings, which was not attended by DYAM Tunku Ismail Ibni Sultan Ibrahim was attended by his Alternate Director, Mohamad Jaifuddin Bin Bujang Mohidin.

The Nomination Committee's Terms of Reference specifies the duties and functions of the Committee, which relate to the recruitment of directors and criteria used in their selection in terms of the appropriate balance of skills, expertise, attributes and core competencies and annual assessment. The Committee is responsible for reviewing candidates for appointment to the Board Committee and make appropriate recommendations thereon to the Board for approval and assessing the effectiveness of the Board and Board Committee and the performance of individual Directors in order to ensure that required mix of skills and experience are present of the Board. There is no new director appointed during the financial year ended 31 December 2017.

The Nomination Committee which comprising solely Independent Directors met once to review the mix of skills, independence and diversity required, the nomination and election process of directors and criteria used for the selection process and assessed the boards, its committees and individual directors based on the criteria established.

In respect of the assessment for the financial year ended 31 December 2017, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director is deemed satisfactory. The Board was also satisfied that the Board composition in terms of size, the balance between Executive, Non-Executive and Independent Directors and mix of skills was adequate.

III. Remuneration

The Remuneration Committee assists the Board in reviewing and making recommendations relating to the remuneration, terms of employment, reward structure and benefits in-kind for Directors and key senior management position of the Group. The authority and duties of the Remuneration Committee has been formalised in the Terms of Reference of the Remuneration Committee. During the financial year, the Remuneration Committee met twice and all members attended the meetings. During those meetings, the Remuneration Committee undertook its tasks in accordance with the MCCG and MMLR in relation to the remuneration of directors of listed companies. These tasks include:

- Determine the policy for the chairman, the executive directors and Senior Management for inclusion in the remuneration policy;
- Determine the remuneration, terms of engagements and other compensation;
- Advise the board on the remuneration policy; and
- Monitor the implementation of the policy.

Based on this policy, the remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments proposed for the year are as follows:

Group

Name	Fixed-Rate Fees (RM)	Salaries (RM)	Bonus (RM)	Other Remuneration (RM)	Benefits-in-kind (RM)	Total (RM)
DYAM Tunku Ismail Ibni Sultan Ibrahim	20,000	-	-	-	-	20,000
Datuk Ahmad Zaki Bin Zahid	20,000	416,613	22,500	187,104	24,600	670,817
Lim Chen Herng*	20,000	315,000	-	172,800	25,000	532,800
Lee Hun Kheng	20,000	216,000	54,000	32,400	-	322,400
Bernard Hilary Lawrence	20,000	-	-	-	-	20,000
Avinderjit Singh A/L Harjit Singh	20,000	-	-	-	-	20,000

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration (continued)

Group (continued)

Name	Fixed-Rate Fees (RM)	Salaries (RM)	Bonus (RM)	Other Remuneration (RM)	Benefits-in-kind (RM)	Total (RM)
Lim Foo Seng	20,000	-	-	-	-	20,000
Mohd Salleh Bin Othman	20,000	-	-	-	-	20,000
Lee Wai Kuen	20,000	-	-	-	-	20,000
Total	180,000	947,613	76,500	392,304	49,600	1,646,017

* Appointed on 21 August 2013 and started to draw salary from March 2017 onward.

Company

Name	Fixed-Rate Fees (RM)	Salaries (RM)	Bonus (RM)	Other Remuneration (RM)	Benefits-in-kind (RM)	Total (RM)
DYAM Tunku Ismail Ibni Sultan Ibrahim	20,000	-	-	-	-	20,000
Datuk Ahmad Zaki Bin Zahid	20,000	-	-	-	15,000	35,000
Lim Chen Herng*	20,000	-	-	-	25,000	45,000
Lee Hun Kheng	20,000	-	-	-	-	20,000
Bernard Hilary Lawrence	20,000	-	-	-	-	20,000
Avinderjit Singh A/L Harjit Singh	20,000	-	-	-	-	20,000
Lim Foo Seng	20,000	-	-	-	-	20,000
Mohd Salleh Bin Othman	20,000	-	-	-	-	20,000
Lee Wai Kuen	20,000	-	-	-	-	20,000
Total	180,000	-	-	-	40,000	220,000

* Appointed on 21 August 2013 and started to draw salary from March 2017 onward.

Details of the remuneration of the top 5 Senior Management (including salary, bonus, benefits in-kind and other emoluments) in each successive band of RM50,000 during the financial year 2017, are as follows:

Name	Designation	Range of Remuneration (RM)
Datuk Ahmad Zaki Bin Zahid	Managing Director	650,001 – 700,000
Lim Chen Herng*	Executive Director	500,001 – 550,000
Lim Sew Hua	General Manager	500,001 – 550,000
Han Loong Kwang	Project Director	400,001 – 450,000
Jiang Mi	Project Director	300,001 – 350,000

* Appointed on 21 August 2013 and started to draw salary from March 2017 onward.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Board acknowledges its overall responsibilities for maintaining a sound system of risk management and internal control and has delegated its role in the review process to the Audit and Risk Management Committee ("ARMC"). The ARMC comprises five (5) Independent Non-Executive Directors and the Chairman of the ARMC is distinct from the Chairman of the Board. It is a practice for the ARMC to require a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC and such practice has been formalised and incorporated in the Terms of Reference of the ARMC, which also includes the authority, duties and responsibilities of the committee.

The ARMC met 5 times during the year. The activities of the ARMC during the year are described at length in the Audit and Risk Management Committee Report in this Annual Report on pages 35 to 41.

II. Risk Management and Internal Control Framework

The Statement on Risk Management and Internal Control is set out on pages 24 to 27 of this annual report detailing the features of the risk management and internal control frameworks of the Group.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Board acknowledges the need for stakeholders to be informed of all material business matters affecting the Company and as such adopts an open and transparent policy in respect of its relationship with its stakeholders and investors. The Board will ensure the timely release of financial results on a quarterly basis to provide stakeholders with an overview of the Company's performance and operations in addition to the various announcements made during the year. These announcements are also available on the Group's website at www.knusford.com.my in the Investors relation section.

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

II. Conduct of General Meetings

The Board presents the progress and performance of the Group to provide shareholders with the opportunity to seek clarification on the Group's businesses and financial performance during the general meeting. Notices of each general meeting are issued in a timely manner to all shareholders to ensure that they have sufficient time to prepare and digest issue to be raised during the meeting. The Directors, Chairman of the Audit and Risk Management Committee, and External Auditors are available to respond to the questions of shareholders during the Annual General Meeting.

In the 21st Annual General Meeting held on 15 June 2017, notice was sent more than 28 days in accordance with the requirements of MCCG, enabling shareholders to review the details of the resolution being proposed timely for better decision. The notice included details of resolutions to be passed in the general meeting.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Board is pleased to report that during the year ended 31 December 2017, the Company has applied and adopted 32 of the 36 Practices (32 Practices and 4 Step Ups) encapsulated in the 3 Principles of MCCG. The breakdown of the status of application by Principle is provided below:

Principle	Practice			Step-up	
	Applied	Departure	Not Applicable	Adopted	Not Adopted
A - Board Leadership and Effectiveness	17	1	1	1	1
B - Effective Audit and Risk Management	8	-	-	2	-
C - Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders	4	1	-	-	-
Total	29	2	1	3	1

The summary of the 2 departed Practices is as follows:

Principal	Practice	Gap Summary
A - Board Leadership and Effectiveness	4.5 The board discloses policies on gender diversity (Departure)	No female Director on the Board of the Group. The Board is supportive of gender diversity and is reviewing action plans to have a female board member subject to the skills, experience and profile of the female directors.
C - Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders	11.2 Large Companies are encouraged to adopt Integrated Reporting based on a globally recognised framework (Departure)	The Group does not fall under the category of large companies and has yet to adopt Integrated Reporting. The Board and Senior Management will regularly review this practice requirement.

Further information about the Company's corporate governance practices, in the form of the Corporate Governance Report, is available on the Company's web site at www.knusford.com.my.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Company's key focus during the year was to comprehend the Principles and Practices introduced in the MCCG, for the subsequent application and disclosure in the annual report for the financial year ended 31 December 2017. Consequently, the Group's existing Board Charter, Terms of Reference of the Board Committees and Code of Conduct have been reviewed and revised to be in line with the MCCG.

In 2017, the Group has applied and adopted all the Practices under the MCCG, with the exceptions of 4 Practices. Nevertheless, the Board endeavours to achieve full application and adoption in the future.

This Corporate Governance Overview Statement was approved by the Board of Directors on 4 April 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

Pursuant to paragraph 15.26 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad ("Bursa Securities") for the Main Market and as guided by the Statement on Risk Management And Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors ("the Board") of Knusford Berhad is pleased to include a statement on the state of the Group's system of risk management and internal control in this annual report for the financial year ended 31 December 2017.

BOARD'S RESPONSIBILITY

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

The Board has delegated its role in the review process to the Audit and Risk Management Committee. However, the Board as a whole remains responsible for all the actions of the committee with regards to the execution of the delegated role and this includes the outcome of the review and disclosure on key risks and internal controls in the Group's annual report.

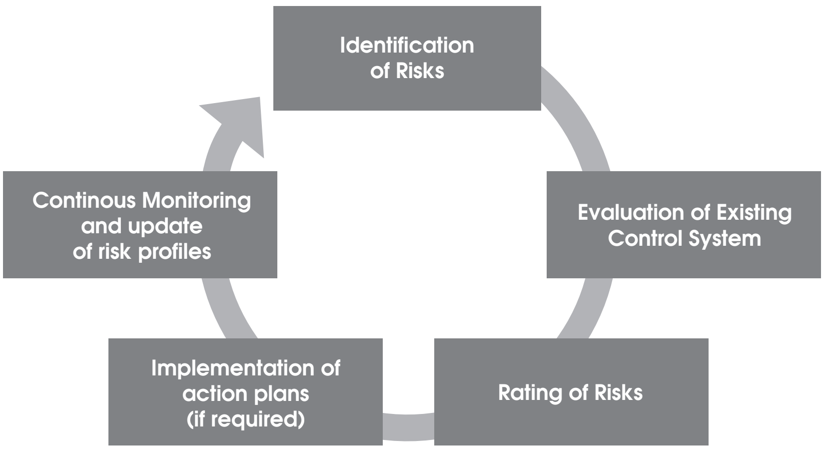
KEY FEATURES OF THE GROUP'S RISK MANAGEMENT SYSTEM

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

1. <u>RISK MANAGEMENT</u>

The Board acknowledges that the Group's business activities involve some degree of risk that may affect the achievement of its business objectives and an effective risk management framework should be an integral part of the Group's daily operation. The Group's established risk management framework is guided by ISO 31000: 2009 Risk Management – Principles and Guidelines.

The risk management process can be briefly summarised as follows:



The key elements of this risk management process are as follows:

- Identify key risks associated with the Group's external and internal risks;
- Identify the existing controls that manage the identified risks;
- Confirm ownership and timelines for managing and monitoring the identified risks;
- Rate the identified risks in terms of likelihood of occurrence and the resulting impact on the organisation. The rating takes into account the effectiveness of existing controls put in place to manage the risks;
- Decide on the risk treatment and develop risk response to manage residual risks (if any); and
- Quarterly monitoring and updating of the Group's existing key risk profile.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT SYSTEM (continued)

1. RISK MANAGEMENT (continued)

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

During the financial year under review, as facilitated by a professional services firm, the following risk management activities were carried out:

- Re-assessment of the impact and likelihood parameters to ensure that these parameters are still relevant to the Group on an annual basis;
- On a quarterly basis, risk assessment meetings with the Group MD and CFO ("participants") are conducted to update the Key Risk Profile ("KRP"). During the meetings, key risks identified will be rated and prioritised in terms of likelihood of the risk occurring and its impact should the risk occur. The risk ratings take into consideration the effectiveness of existing internal controls put in place to mitigate the key risks identified. Thereafter, risk management strategies or management action plans to be undertaken are considered to manage risks to the Group's acceptable level.
- Update of the Group's KRP based on risk assessment meetings conducted on a quarterly basis. The following KRPs were updated during the year:

  Business Divisions
  Quarter 1 - Knusford Berhad's Group
  Quarter 2 - Construction Division
  Quarter 3 - Trading Division
  Quarter 4 - Property Development Division

- Results of the risk assessment for the above business divisions are presented to the Group's Audit and Risk Management Committee.

KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM

2. INTERNAL CONTROL SYSTEM

Key features of the internal control system are as follows:

- Organisation Structure & Authorisation Procedures

  The Group maintains a defined organisational structure that sets out the relevant roles and responsibilities which comprises of planning, executing, controlling and monitoring works.

- Operating Policies

  Standard operating policies are in place to govern the Group's business operations and to set guidelines for employees on the workflow processes.

- Code of Conduct

  Code of conduct for the Group's Directors and senior management is in place to foster a culture of honesty and accountability. In addition, this serves as a guidance which is expected to be complied as a part of the Group's commitment to the shareholders. It is published on the corporate website of the Company (www.knusford.com.my), under the heading Investor Relations' sub-header, Corporate Governance for shareholders' reference.

- Monitoring and Review

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

KEY FEATURES OF THE GROUP'S INTERNAL CONTROL SYSTEM (continued)

2. **INTERNAL CONTROL SYSTEM** (continued)

- Monitoring and Review (continued)

  Budgeting process for the Group has also been implemented to monitor the management's performance. The whole process was approved by the Board during the Board Meeting held in November 2017. It serves as a guidance to understand where the Group and its' subsidiaries stand for the current year and for the year ahead. Targeted Key Performance Indicators are set for senior management in order to maintain satisfactory results.

- Whistle Blowing Policy

  The policy is set up in order to make disclosure of improper conduct and the protection accorded to such whistle blowers. The Group is committed to uphold accountability and transparency in the business affairs of the Group in tandem with its Core Values, Code of Conduct and good corporate governance.

3. **INTERNAL AUDIT FUNCTION**

The Group's internal audit function which reports directly to the Audit and Risk Management Committee is outsourced to a professional services firm, Axcelasia Columbus Sdn Bhd. The internal audit function provides the Audit and Risk Management Committee with an independent assessment on the adequacy and effectiveness of the Group's system of internal control.

During the financial year ended 31 December 2017, the outsourced internal audit function carried out audits in accordance with the risk-based internal audit plan reviewed and approved by the Audit and Risk Management Committee. The internal audit plan was developed taking into consideration the Group's risk profiles and concerns of senior management and the Audit and Risk Management Committee.

The entities and business processes reviewed were as follows:

Entity	Business Processes
Group Wide	Review of Recurrent Related Party Transactions
D-Hill Sdn Bhd	Sales and Marketing
Knusford Landscape Sdn Bhd	Project Management

The results of their review are presented in Internal Audit Reports, which include a summary of internal audit findings and management's responses, were discussed with senior management and subsequently presented to the Audit and Risk Management Committee. Follow up visits were also conducted by the Internal Auditors to ensure that management's action plans in respect of the matters highlighted in the internal audit reports have been adequately addressed.

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

CONCLUSION

For the period under review, the Managing Director and Chief Financial Officer have provided assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material respects.

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Based on the various procedures and controls put in place by the Group, the work performed and the reports submitted by the internal and external auditors, the Board has reviewed and is satisfied that the risk management and internal control systems put in place for the year under review and up to the date of approval of this statement are adequate and effective to safeguard the interest of all shareholders, the Group's assets and other stakeholders. The Board has deliberated and approved the recommendations brought forth by the Audit and Risk Management Committee. The Board will continue to monitor all major risks affecting the Group and take necessary measures to mitigate them and continue to enhance the adequacy and effectiveness of the risk management and internal control systems of the Group.

This statement was approved by the Board of Directors on 4 April 2018.

INTRODUCTION

Knusford Berhad ("KB") recognises the importance of developing its business in a sustainable and responsible manner. As a responsible corporation with diverse business investments, our aim is to integrate sustainability strategies into our business, ensure high standards of governance across KB's entire operations, promote responsible business practices within the organisation, manage the environmental impact of our businesses and provide a safe & caring workplace for our employees.

The preparation of this report has been guided by the guidelines provided by Bursa Securities. As this is the Company's first time preparing this Sustainability Report, the focus has been placed on establishing the necessary framework and laying the foundation for the Company's sustainability activities going forward.

The governance structure in place to manage the economic, environmental and social risks and opportunities ("Sustainability matters")

The Sustainability Working Committee ("SWC") comprise representatives from all business units. The Chairman of the SWC will update the Risk Management Committee ("RMC") on the key material sustainable issues identified and the planned follow up measures.

SUSTAINABILITY GOVERNANCE'S STRUCTURE

Board of Directors

↑

Risk Management Committee ("RMC")

↑

Managing Director/Chief Executive Officer

↑

**Sustainability Working Committee ("SWC")
Consists of various HODs and Managers**

The Board is overall responsible for the sustainability of KB. The Board has entrusted the RMC of KB to oversee the integration of sustainability of KB's Group and its subsidiaries.

The Board is responsible for:

- Reviewing the effectiveness of KB's strategies, policies, principles and practices relating to sustainability, including whether these strategies, policies, principles and practices promote the Group's sustainability agenda.
- Approving the Group's Sustainability Reporting.

The roles of RMC:

- Advising the Board and recommending to it, business strategies in the area of sustainability.
- Monitoring the implementation of sustainability strategies as approved by the Board.
- Recommending sustainability related policies for adoption to the Board, and monitoring the implementation of the policies.
- Recommending approval of sustainability matters to the Board.
- Overseeing the overall management of stakeholder engagement, including ensuring grievance mechanisms are in place.
- Overseeing the management of sustainability matters, with particular focus on matters material to the organisation; and
- Overseeing the preparation of sustainability disclosure as required by laws and /or rules, and recommending it for the Board's approval.

SWC

KB's SWC is chaired by the Managing Director of KB and comprises the company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and Head of Departments ("HODs"). The SWC meets quarterly to review and make decisions on material issues and strategies pertaining to KB and its subsidiaries.

SWC (continued)

The SWC is responsible for;

- Developing the sustainability vision, strategy and linkage to long-term business strategies.
- Advising the RMC on strategies in the area of sustainability and seeking Board endorsement on sustainability matters.
- Identifying sustainability risks and opportunities.
- Originating policy and initiatives to manage sustainability risks and opportunities.
- Overseeing the implementation of policies and initiatives including setting targets for initiatives, assessing effectiveness etc.
- Identifying and implementing the stakeholder engagement process.

The SWC will formally report to the RMC half-yearly.

The Scope of the Sustainability Statement

The scope of this report is limited to the sustainability impact of our business operations and initiatives of KB and its subsidiaries in Malaysia.

Management Approach to Sustainability

A formal assessment process was conducted by the SWC to determine which topics matter most to our business and our stakeholders. The process was led by the Managing Director. During the analysis, our SWC has identified a potential list of sustainability matters which are relevant for KB Group. These were identified by the SWC as matters which reflect KB's significant economic, environment and social ("EES") impacts. After extensive internal discussion with senior management, the SWC were able to anticipate stakeholder requirements and expectations, using the results for the purpose of this exercise.

SUSTAINABILITY FRAMEWORKS

Six sustainability management framework was identified, namely, Business development, Supply chain, Workforce management, Governance & responsible business conduct, Sustainable operation and Environment. Our aim is to create long term sustained value in these 6 areas, summarised as below;

Map EES area	Material EES Matters	Key Stakeholders	Stakeholder Concern
Economic/ Social	Business development	• Customers/ Community	• The quality and reliability of our products and services • Product/services satisfaction • Products safety • Affordable housing • Maintaining and securing new customers • Responsible marketing
Economic/ Social	Business development	• Joint venture partner	• Achieve business objective • Fair and mutually agreed contract term
Economic/ Social	Supply chain	• Suppliers/ Sub-contractor	• Procurement practice-encourage purchase from local suppliers • Timely payment • Product quality • Enhancing ethical and fair procurement system • Supply commitment
Economic/ Social	Workforce management	• Employee	• Workplace health and safety • Equipping workforce with skills and mind-set to deliver sustained performance. Regular training for employees, skills/career development programme • Non-discrimination, gender diversity and equally • Minimum wages • Job security

SUSTAINABILITY FRAMEWORKS (continued)

Map EES area	Material EES Matters	Key Stakeholders	Stakeholder Concern
Economic/ Social	Governance & responsible business conduct	• Shareholders/ Investor	• Board Charter • Code of conduct • Whistle-Blowing Policy • Adequate and reliable financial disclosure • Supplies and services are ethically sourced • Ethical business conduct
Economic/ Social	Sustainable operation	• Shareholders / Investors	• Financial performance and business strategy • Sustainable shareholder value • Return on investment • Business transparency and corporate governance to address stakeholders' demand for a transparent business environment • Investment portfolio of KB that achieve long term sustainable growth • Sustainability of KB's subsidiaries
Environment	Environment	• Community	• Improving Occupational Safety and Health ("OSH") Performance, in order to avoid and/or reduce the number of fatalities and major accidents • To commit to keep our environment clean to benefit the community and future generation • To strive to protect, conserve and enhance the surrounding environment and natural resources • Environment friendly and green awareness

Our Core Values

The KB Group's sustainability framework is supported by a set of core values which forms the basis of our culture. Our core values represent the way we conduct ourselves, outlines our responsibilities to our customers, our stakeholders, our employees and our community. Our core values are as follows;

- To become a PREFERRED PROVIDER in building materials and builder in Malaysia and to deliver sustainable value to all our stakeholders
- To provide QUALITY PRODUCTS AND SERVICES to our customers
- To a CARING AND FAIR working environment
- Upholding HIGH STANDARDS of sustainability governance
- Committed to quality standards with DEDICATION AND INTEGRITY

Materiality EES matters

Materiality issues were identified by the SWC through various discussions amongst the senior management to prioritise the material issues that would be of utmost concern and have impact on our stakeholders.

We expect the results of the materiality assessment to be valid for the next three years (2018-2020) before a review may be required, unless there are significant changes to the nature of reporting.

Arising from the process, 4 sustainability topics were identified as material to KB's stakeholders. The table below provides an overview of the material issues and their grouping under the sustainability structure.

SUSTAINABILITY FRAMEWORKS (continued)

EES Pillar	Material issues	EES category
Business development	• Proving high quality products and services • Maintaining and securing new customers • Customers' satisfaction • Project continuity • Maintain good relationship with joint venture partner	Economic/Social
Supply chain	• Procurement practice-encourage purchase from local suppliers • Timely payment • Timely delivery • Supply commitment • Project continuity • Product quality • Quality tenderers for the supply of goods and services or works to be undertaken • Enhancing ethical and fair procurement system • Procurement practice- encourage purchase from local suppliers	Economic/Social
Workforce management	• Workforce diversity • Equipping workforce with skills and mind-set to deliver sustained performance • Workplace health and safety	Economic/Social
Governance & responsible business conduct	• Adequate and reliable financial disclosure • Ethical and sustainable business conduct	Economic

Business Development

We strive to enhance our financial performance continuously to deliver value to all our stakeholders. In connection therewith, we have focused on improving the quality and reliability of our products that it is sourced from suppliers that operate ethically and implement sound business practices. As part of this effort, we also pursuing the ISO certification for construction and landscape divisions and successfully obtained the ISO 9001:2015 certification on 9 March 2017 and 28 February 2017 respectively.

We place great important in maintaining the synergy and business relationships with our joint venture partners. Communication and close collaboration are key to achieving our mutual business objectives and targets.

Supply Chain Management

As a responsible Company, the Group works to ensure that the materials and components we purchase in our entire supply chain are from reliable sources. We also strive to ensure that we source as much of our materials as possible from local suppliers so as to empower and boost the surrounding economy. In 2017, 100% of purchases were from local suppliers. We also ensure that our suppliers and services are ethically sourced. Our initiatives start at the suppliers' selection process, where various sustainability consideration including safety requirement and fair labour practices are embedded into our procurement practices.

Workforce Management

At KB, we understand that our successes are the result of our employees' collective energy and efforts at the workplace. The Group strives to be an attractive employer with the ability to recruit, develop and retain the best people. Being a responsible employer, efforts are continuously being made to improve the well-being of employees.

We also strictly comply with local labour regulations and have implemented national minimum wage rates throughout our operations.

SUSTAINABILITY FRAMEWORKS (continued)

Workforce Diversity

KB strongly believes in equal opportunity at work, embraces diversity and is against any and all forms of discrimination. The Group aspires to maintain a fair workplace by recruiting, developing, and retaining a diverse workforce in efforts to create an environment in which personnel can develop and apply the widest possible range of competencies and solutions without bias or coercion. In order to achieve this goal, the Company encourages the right to work and advancement on the basis of merit, ability, potential, and experience that is free from prejudice. When appointing an employee, the Company, through its management personnel, will always evaluate and match the criteria of employees based on experience, expertise, professionalism, technical skills, specialist knowledge, time commitment, character, integrity, potential contribution and perceived ability to work cohesively with other employees. Our Group workforce was 194 as at 31 December 2017 with the male to female employee and managerial level stood at ratio 6:4.

Workplace Safety

A conductive, safe and healthy working environment is provided by the Group for its employees at the workplace. The Group also ensures that appropriate resources and support are accessible to maintain high standards of safety and to cultivate a positive culture and awareness of safety.

We have established a Safety & Health Guidelines which are responsible for cultivating safe working practices and behaviour. Briefing on safety and health has also been conducted by CEO/Senior management. We are also in the midst of pursuing the Occupational Health and Safety Management ("OHSAS") certificate for construction and landscape divisions.

Training and Development

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

During the year 2017, we have sent our Senior and middle management to attend the following in house training and external seminars.

- Companies Act 2016
- 2017 Business and Tax Seminar
- 13th Arborist Certification Programme in Malaysia
- Employment Act 1955 & Proposed Amendments
- Kursus Memahami Salah Laku, Process Pengendalian Siasatan Domestik dan Hukuman
- Kursus Pengurusan Tapak Bina
- Kursus Memahami Pelan dan Menyediakan Anggaran Kos Projeck
- Seminar Membanteras Rasuah Dalam Industri Pembinaan
- Microsoft Project Training and Workshop 2017
- GST Seminar
- Construction Law Conference "Paving Progress in Construction Law"
- Employment Insurance Scheme 2018

Governance and Business Conduct

At KB, we conduct our business with integrity and strict compliance with the law. Good governance is an essential element of sustainability, and has been embedded throughout all our operations with policies in place to promote responsible business conduct.

We have established a clear and comprehensive Code of Conduct to govern the behaviour expected of all employees of KB Group; cover a wide range of topics, including insider trading, privacy laws, anti-bribery and business ethics. We communicate our Code to new and current employees to ensure they uphold and align themselves with our ethical standards. A copy of the Code of Conduct is made available at www.knusford.com.my.

KB has also established a Whistleblower Policy. The policy sets out procedures which enables employees, contractors, consultants and vendors to raise concerns regarding actual and suspected unethical, unlawful, illegal, wrongful and other improper conduct and also set out the process for managing any action or harassment against a whistle-blower.

Another element of good corporate governance is the mitigation of risks throughout our business operation. We do this by identifying various potential risks and threats to our operations, performing risk rating and impact analysis. Our internal audit reports submitted by outsourced internal auditor are diligently assessed by RMC and Board members to gauge the effectiveness of our internal controls and risk areas which warrant attention.

SUSTAINABILITY FRAMEWORKS (continued)

Corporate Social Responsibility

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

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

CONCLUSION

The Board expects our Sustainability Transformation Process to be a major paradigm shift for KB and as such change will not take place overnight. Our initial sustainability statement is in some ways a work in progress and we expect that the quality and extent of disclosure will increase as our plans and processes are implemented.

Progress of our achievement of sustainability objectives will be monitored by the SWC. The sustainability report of KB is reviewed by its Managing Director, endorsed by the RMC and approved by KB's Board.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is fully accountable to ensure that the financial statements are drawn up in accordance with Companies Act 2016 and the applicable approved accounting standards set by Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2017 and of the results and cash flows of the Group and Company for the financial year ended on that date.

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

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

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

The Board of Directors of Knusford Berhad is pleased to present the report of the Audit and Risk Management Committee ("ARMC") for the financial year ended 31 December 2017.

COMPOSITION AND ATTENDANCE OF MEETINGS

The ARMC comprises of five (5) Independent Non-Executive Directors and details of their attendance at meetings during the financial year ended 31 December 2017 are as follows:-

		Attendance of meetings
Chairman:	Lim Foo Seng (Independent Non-Executive Director, MIA member)	5/5
Members:	Bernard Hilary Lawrence (Senior Independent Non-Executive Director)	5/5
	Avinderjit Singh A/L Harjit Singh (Independent Non-Executive Director)	3/5
	Mohd Salleh bin Othman (Independent Non-Executive Director)	5/5
	Lee Wai Kuen (Independent Non-Executive Director)	5/5

TERMS OF REFERENCE OF THE ARMC

Composition

(1) The members of the ARMC shall be appointed by the Board of Directors ("Board") from among their members and shall consist of no fewer than three (3) members with a majority of them being Independent Directors.

(2) All members of the Committee should be financially literate and have the ability:-

(a) to read and understand financial statements;
(b) to analyse financial statements and ask pertinent questions about the Group's operations against internal controls; and
(c) to understand and interpret the application of approved accounting standards and other related requirements.

(3) At least one of the Committee members:

(a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
(b) if he is not a member of MIA, he must have at least three (3) years working experience and:
- He must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
- He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Bhd;

(4) No Alternate Director may be appointed as a member of the Committee.

(5) No former audit partner shall be appointed as a member of the Committee unless he/she has served a cooling off period of at least two years prior to his/her appointment.

(6) The Chairman of the ARMC shall be an Independent Non-Executive Director appointed by the Board, who is not the Chairman of the Board, and acts as the key contact between the committee members and Board members as well as Senior Management. The responsibilities of the ARMC Chairman, among others, are as follows:

(a) Planning and conducting meetings;
(b) Reporting to the Board on the matters being discussed and their recommendation;
(c) Encouraging open discussion during meetings;
(d) Developing and maintaining active on-going dialogue with Management, internal auditors and external auditors; and
(e) Ensuring the overall effectiveness and independence of the Committee.

TERMS OF REFERENCE OF THE ARMC (continued)

Composition (continued)

(7) Where the membership of the Committee falls below three (3) due to retirement or resignation or any other reasons, the vacancy must be filled within three (3) months to make up the minimum of three (3) members.

Authority

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

- Conduct investigation into any matters within their terms of reference;
- Seek any information it requires from any employee of the Group;
- Engage external, legal or professional advice at the cost and expense of the Group where necessary;
- Full and unrestricted access to any information pertaining to the Group and the Company;
- Direct communication with the external auditors and/or persons carrying out the internal audit functions or activities;
- Meet with the external auditors at least twice a year without management presence;
- Right to employ resources which are required to perform its duties; and
- Authorise an investigation where there is possible fraud, illegal acts or suspected violation of the Group's Code of Conduct involving members of the Board or Senior Management.

Duties and Responsibilities

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

(1) Internal audit

(a) To review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
(b) To review the internal audit plan and results and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function.
(c) To recommend the appointment of outsourced internal auditor.
(d) To evaluate the performance and decide on the remuneration of the outsourced internal audit function.
(e) To ensure that the outsourced internal audit is able to undertake its duties independently and objectively. The outsourced internal auditor will report directly to the ARMC.
(f) To review the internal audit reports prepared by outsourced internal auditors, discuss major audit findings and management response.
(g) To review the follow up action reports prepared by outsourced internal auditor, ensure appropriate action is taken on the recommendation provided on previous internal audit report.
(h) To review the assistance given to internal auditors by employees of the Group.
(i) To conduct annual review and periodic testing of the Group's internal control framework.

(2) External audit

(a) To consider the appointment of the external auditor, the audit fee and any question of resignation or dismissal.
(b) To review the external auditors' audit plan (scope of work), their evaluation of the system of internal controls and scope of their audits.
(c) To review and report on the assistance and co-operation given by the employees of the Group to the auditors.
(d) To assess and monitor the performance, suitability, objectivity and independence of the external auditor annually. The assessment is to be based on established policies and procedures that consider among others:-
   - The competence, audit quality and resource capacity of the external auditor in relation to the audit;
   - The nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
   - Obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

TERMS OF REFERENCE OF THE ARMC (continued)

Duties and Responsibilities (continued)

(2) External audit (continued)

(e) To discuss the following with the external auditor prior to commencement of the audit:
- the nature and scope of audit;
- the audit plan;
- co-ordination of audit where more than one audit firm is involved;
- evaluation of the system of internal controls; and
- the audit reports.

(f) To review with the external auditors the audited financial statements for the purpose of approval prior to presentation to the Board for adoption, for the following:
- whether the auditor's report contained any qualifications which must be properly discussed and acted upon;
- whether there is any significant changes and adjustments in the presentation of financial statements;
- whether it is in compliance with laws and accounting standards;
- whether there is any material fluctuations in balances;
- whether there is any financial anomalies or irregularities;
- whether there is any significant commitments or contingent liabilities; and
- whether the financial statements taken as a whole provide a true and fair view of the Group's financial position and performance.

(3) Financial Reporting

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

(a) Changes in or implementation of new accounting policies and practices;
(b) Significant matters highlighted including financial reporting issues, significant judgement made by Management, significant and unusual events or transactions, and how these matters are addressed;
(c) Going concern of entities within the group.
(d) Compliance with applicable approved accounting standards and other legal and regulatory requirements

(4) Related Party Transactions

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

(5) Risk Management

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

(6) Governance Oversight

(a) To drive the code of conduct across the Group with the assistance of the compliance function including ensuring that the code of conduct, which shall include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering, and 'whistleblower program' is implemented across the Group, and complied with.
(b) Review and endorse the code of conduct and ethics program for the Board's approval and monitor the progress of implementation.
(c) Assess the effectiveness of the code of conduct and the ethical climate of the entire organisation, and recommend to the Board necessary changes to the code of conduct.
(d) Review reports on violations of the code of conduct and whistleblowing issues, as well as breaches involving pivotal positions.

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

Duties and Responsibilities (continued)

(7) Other Matters

(a) To perform such other functions and responsibilities as may be agreed to by the Committee and the Board.
(b) To promptly report to Bursa Securities on any matter reported to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements.
(c) To review any major findings of internal investigations.
(d) To review the statement on risk management and internal control in the Group's Annual Report to ensure that relevant information as prescribed in the Main Market Listing Requirement of Bursa Malaysia Securities Berhad is disclosed.

RULES AND PROCEDURES AT MEETINGS

(1) Frequency of Meeting

At least four (4) meetings shall be held in a year. However, meetings may also be held as and when required or upon the request of the external auditors to consider any matters that they believe should be brought to the attention of the Directors and/or shareholders.

(2) Chairman of the Meeting

The members of ARMC shall elect amongst them an independent director to act as the Chairman of the ARMC.

(3) Notice and Agenda of Meeting

Meeting may be scheduled by the Committee or the Chairman. Meeting agenda shall be the responsibility of the Chairman with input from the Committee members. The Chairman may ask the Management to participate in this process. Unless all agreed, the notice and agenda of meeting shall be circulated at least five (5) business days before each meeting to the Committee members and all those who are required to attend the meeting. Written materials including information requested by the Committee from the Management or external consultants shall be received together with the agenda for the meeting.

(4) Quorum for the Meeting

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

(5) Secretary of the Meeting

The Company Secretary shall be the Secretary of the Committee.

SUMMARY OF ACTIVITIES OF THE ARMC

The following activities were carried out by the ARMC for the financial year ended 31 December 2017:

(1) Internal Audit

- Reviewed and approved the risk based internal audit plan.
- Reviewed the internal audit reports, recommendations and Management's response arising from the audit issues.
- Discussed with internal auditors during the ARMC Meeting on current issues highlighted during evaluation of internal control systems of the Group and follow up on issues highlighted previously to ensure that appropriate action plans had been carried out by Management on a timely basis.
- Conducted assessment on internal audit functions to evaluate its performance and effectiveness.
- Reviewed and recommended the appointment of outsourced Internal Auditors.

SUMMARY OF ACTIVITIES OF THE ARMC (continued)

(2) Financial Reporting

- Reviewed the unaudited quarterly reports on the consolidated results of the Group before recommending to the Board for their approval and release to Bursa Securities.
- Reviewed audited financial statements of the Company and the Group with the external auditors prior to tabling to the Board for their consideration and approval.
- Ensure that financial reporting and disclosure requirements are addressed and in accordance with latest accounting standards by reviewing the changes made in the financial reporting, with special focus on changes in or implementation of major accounting policies, as well as significant matters and unusual events or transactions.

(3) External Audit

- Reviewed the audit plan of the Group as proposed by the external auditors, in terms of the scope of audit, methodology and timetable, audit materiality, audit focus areas, significant accounting and audit issues, impact of new or proposed changes in the accounting standards and any other regulatory requirements.
- Considered if the nature and extent of the nature and extent of the non-audit services rendered and the appropriateness of the level of fees.
- Assessed on suitability, objectivity and independence of the external audit firm annually, among others include assessing their competence, audit quality and resource capacity of the external auditors.
- Obtained written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance to the terms of all relevant professional and regulatory requirements.
- Held private sessions on audit related matters at the scheduled meeting with external auditor without management presence.

(4) Related Party Transactions

- Reviewed the related party transactions and considered conflict of interest situations that may arise within the Group.

(5) Risk Management

- Reviewed and approved the risk management framework recommended by the Management.
- Reviewed the quarterly risk assessment reports.
- Presented the risk assessment reports to the Board at their quarterly meetings.

(6) Governance Practices

- Reviewed Corporate Governance Report, Corporate Governance Overview Statement, the Audit and Risk Management Committee's Report and Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Company and recommended their adoption to the Board.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional services firm, Axcelasia Columbus Sdn Bhd. The engagement Executive Director is Mr Mah Siew Hoong who has diverse professional experience in internal audits, risk management and corporate governance advisory. He is a Chartered Member of the Institute of Internal Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Mr Mah is a Certified Internal Auditors (USA) and has a Certification in Risk Management Assurance (USA).

The number of staff deployed for the internal audit reviews ranges from 5 to 6 staffs per visit including the engagement Executive Director. The staff involved in the internal audit reviews possesses professional qualification and/or a university degree. Most of them are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflicts of interest, which could impair their objectivity and independence.

The internal audit was conducted using a risk based approach and was guided by the International Professional Practice Framework ("IPPF").

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (continued)

The internal audit activities undertaken during the financial year ended 31 December 2017 were as follows:
- Presented and obtained approval from the ARMC the Internal Audit Plan which sets out the internal audit work expected to be carried out during the financial year.
- Carried out the internal audit reviews in accordance with the approved risk based Internal Audit Plan.
- Reviewed recurrent related party transaction to ascertain if the transactions were in accordance with prescribed procedures set out in the shareholders mandate
- Presented the Internal Audit Reports to ARMC highlighting audit findings, recommendations to improve and management responses at each quarter.
- Performed follow up audits on these findings and update status to the ARMC.

The costs incurred for outsourcing the internal audit function of the Group for the financial year ended 31 December 2017 is at RM83,107 (2016: RM78,962).

RISK MANAGEMENT

Based on the results of the risk assessment, the Group's principal risks can be summarised below:

- Market risk

  The Group's business is largely dependent on the performance of the construction and property development industry in which we operate. Such performance is affected by, among other factors, the state of the local and global economy and government regulations. Any slowdown in property demand will have an adverse impact on our business operations and financial performance. The Management constantly monitors the market conditions and has various measures put in place, amongst others, to maintain a good relationship with existing customers and sourcing for potential new customers.

- Operational risk

  The Group encountered a delay in obtaining the Certificate of Completion and Compliance for the Oasis Kajang project. The long processing time and ambiguity in the guidelines issued by the authorities may hamper the operation of the Group's property development division that leads to reputation damage and additional cost for liquidated ascertained damage. The Group addresses this risk by ensuring timely submission of all required information and maintaining good rapport with the authorities. This measure would mitigate the Group in suffering execution delays and cost overrun risk.

- Credit risk

  The Group has significant concentration of credit risk in terms of outstanding receivables with its customers and related parties which may result in cash flow problems. To mitigate the risk, the Group closely monitors debtor aging reports and its debt collection. Follow-up actions are taken on long outstanding debts, for example by sending reminder letters and monthly statements to customers, and pursuing legal action where necessary.

- Competition risk

  Property development division

  The Group faces competition from both local and international property developers during tendering for projects. The Group ensures pricing would be fair and sustainable by formulating effective marketing strategies and having competitive pricing for its products, keeping abreast with latest market developments, restructuring sales strategies when necessary, setting up a show unit for potential purchasers, taking part in property road shows and exhibitions to promote the project, etc. These measures allow the Group to maintain profits in its property development project despite the slowdown in the property market.

RISK MANAGEMENT (continued)

- Competition risk (continued)

  Trading division

  There were risks that the pricing of products offered were lower or of better quality from competitors. The Group's existing controls relate to monitoring local and global economic climate through economic reports and news media; continuous networking with suppliers and customers; careful selection of new customers; and endeavour to maintain good rapport with existing suppliers and customers.

- Project cost overrun

  The Group has a variety of projects on hand and upcoming. The risk of those projects having cost overruns is mitigated by formulating appropriate measures where each project's execution and costing is required to be approved by a Technical Assessment Committee ("TAC") prior to the commencement of each project; any additional budget required would need approval from the TAC; establishment of project timetable; assignment of project team with relevant experience; and close monitoring of project reports on progress and budget.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

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 28 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 28 to the financial statements.

Results

	Group RM'000	Company RM'000
Net (loss)/profit for the year attributable to owners of the Company	(11,393)	6,744

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

No dividend was paid during the financial year end and the Directors do not recommend any final dividend to be paid for the year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

DYAM Tunku Ismail Ibni Sultan Ibrahim
Datuk Ahmad Zaki Bin Zahid
Lim Chen Herng
Lee Hun Kheng
Lim Foo Seng
Bernard Hilary Lawrence
Lee Wai Kuen
Mohd Salleh Bin Othman
Avinderjit Singh A/L Harjit Singh
Mohamad Jaifuddin Bin Bujang Mohidin (alternate to DYAM Tunku Ismail Ibni Sultan Ibrahim)

Directors' interests

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

	Number of ordinary shares			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Interests in the Company:				
DYAM Tunku Ismail Ibni Sultan Ibrahim:				
- own (through Aman Setegap Sdn. Bhd.)	30,000,000	-	-	30,000,000

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

None of the other Directors holding office at 31 December 2017 had any interest in the ordinary shares and options over shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29 to the financial statements.

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

Issue of shares and debentures

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

Options granted over unissued shares

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

Indemnity and insurance costs

There were no indemnity and insurance costs effected for any Director, officer or auditor of the Group 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.

Other statutory information (continued)

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, the financial performance of the Group and the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

The auditors' remuneration is disclosed in Note 19 to the financial statements.

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

Datuk Ahmad Zaki Bin Zahid
Director

Lim Chen Herng
Director

Kuala Lumpur, Malaysia

Date: 13 April 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	19,380	19,337	2,977	3,153
Land held for future development	4	2,128	2,128	-	-
Investment properties	5	96,304	97,589	29,981	30,650
Investment in subsidiaries	6	-	-	105,881	105,396
Investment in associates	7	1,875	-	-	-
Investment in joint ventures	8	10,375	7,191	-	-
Deferred tax assets	9	4,398	2,808	-	-
Total non-current assets		134,460	129,053	138,839	139,199
Inventories	10	63,645	60,121	-	-
Trade and other receivables	12	127,384	153,887	13,358	5,824
Tax recoverable		5,427	6,457	-	2
Cash and cash equivalents	13	38,151	15,060	2,967	1,181
		234,607	235,525	16,325	7,007
Assets classified as held for sale	11	1,309	2,223	-	-
Total current assets		235,916	237,748	16,325	7,007
Total assets		370,376	366,801	155,164	146,206
Equity					
Share capital	14	122,338	99,645	122,338	99,645
Share premium	14	-	22,693	-	22,693
Translation reserve		6	-	-	-
Retained earnings		138,773	150,166	17,452	10,708
Total equity attributable to owners of the Company		261,117	272,504	139,790	133,046
Liabilities					
Borrowings	15	1,987	1,407	90	141
Deferred tax liabilities	9	1,274	1,298	-	-
Total non-current liabilities		3,261	2,705	90	141
Trade and other payables	16	87,484	84,006	6,141	12,971
Borrowings	15	17,910	7,261	9,051	48
Current tax payable		604	325	92	-
Total current liabilities		105,998	91,592	15,284	13,019
Total liabilities		109,259	94,297	15,374	13,160
Total equity and liabilities		370,376	366,801	155,164	146,206

The notes on pages 51 to 94 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	17	140,851	129,833	11,488	10,209
Cost of sales	18	(134,698)	(125,670)	(1,291)	(1,321)
Gross profit		6,153	4,163	10,197	8,888
Other income		2,551	4,355	150	62
Administrative and other operating expenses		(19,974)	(26,487)	(3,311)	(3,660)
Results from operating activities		(11,270)	(17,969)	7,036	5,290
Finance income		817	853	102	15
Finance costs		(1,136)	(766)	(51)	(130)
Share of profit of equity-accounted investments, net of tax		2,251	947	-	-
(Loss)/Profit before tax	19	(9,338)	(16,935)	7,087	5,175
Tax expense	20	(2,055)	798	(343)	(190)
Net (loss)/profit after tax		(11,393)	(16,137)	6,744	4,985
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		6	-	-	-
Other comprehensive income for the year, net of tax		6	-	-	-
Total comprehensive (loss)/profit for the year		(11,387)	(16,137)	6,744	4,985
Basic loss per ordinary share (sen)	22	(11.43)	(16.19)		

The notes on pages 51 to 94 are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

		< *Attributable to owners of the Group* >				
		Non-distributable			*Distributable*	
		Share capital	**Share premium**	**Translation reserve**	**Retained earnings**	**Total**
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2016		99,645	22,693	-	168,296	290,634
Total comprehensive loss for the year		-	-	-	(16,137)	(16,137)
Distributions to owners of the Company						
Dividends to owners of the Company	23	-	-	-	(1,993)	(1,993)
Total transactions with owners of the Company		-	-	-	(1,993)	(1,993)
At 31 December 2016/1 January 2017		99,645	22,693	-	150,166	272,504
Transfer in accordance with Section 618(2) of the Companies Act 2016		22,693	(22,693)	-	-	-
Foreign currency translation differences for foreign operations		-	-	6	-	6
Total other comprehensive income for the year		-	-	6	-	6
Net loss for the year		-	-	-	(11,393)	(11,393)
Total comprehensive loss for the year		-	-	6	(11,393)	(11,387)
At 31 December 2017		122,338	-	6	138,773	261,117
		Note 14	Note 14			

		< *Attributable to owners of the Company* >			
		Non-distributable		*Distributable*	
		Share capital	**Share premium**	**Retained earnings**	**Total**
Company	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2016		99,645	22,693	7,716	130,054
Total comprehensive income for the year		-	-	4,985	4,985
Distributions to owners of the Company					
Dividends to owners of the Company	23	-	-	(1,993)	(1,993)
Total transactions with owners of the Company		-	-	(1,993)	(1,993)
At 31 December 2016/1 January 2017		99,645	22,693	10,708	133,046
Transfer in accordance with Section 618(2) of the Companies Act 2016		22,693	(22,693)	-	-
Total comprehensive income for the year		-	-	6,744	6,744
At 31 December 2017		122,338	-	17,452	139,790
		Note 14	Note 14		

The notes on pages 51 to 94 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(9,338)	(16,935)	7,087	5,175
Adjustments for:					
Depreciation of property, plant and equipment		2,852	3,151	176	166
Depreciation of investment properties		1,289	1,299	673	670
Property, plant and equipment written off		-	6	-	-
Dividend income		-	-	(10,000)	(8,700)
Impairment loss on investment in subsidiary		-	-	2,325	2,470
Impairment loss on investment in associate		29	-	-	-
Gain on disposal asset held for sales		(586)	-	-	-
Gain on disposal of property, plant and equipment		(338)	(93)	-	-
Share of profit of equity-accounted investments, net of tax		(2,251)	(947)	-	-
Interest expense		1,136	766	51	130
Interest income		(817)	(853)	(102)	(15)
Operating (loss)/profit before changes in working capital		(8,024)	(13,606)	210	(104)
Changes in working capital:					
Inventories		(3,524)	(28,384)	-	-
Trade and other receivables		26,509	(3,915)	(12,669)	1,520
Trade and other payables		3,478	12,915	(6,830)	12,157
Cash generated from/(used in) operations		18,439	(32,990)	(19,289)	13,573
Tax paid		(2,360)	(3,078)	(249)	(206)
Tax refunded		-	-	-	9
Net cash generated from/(used in) operating activities		16,079	(36,068)	(19,538)	13,376
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(914)	(1,159)	-	(248)
Proceeds from disposal of property, plant and equipment		338	203	-	91
Proceeds from disposal of investment properties		1,500	167	-	167
Acquisition of investment properties		(4)	(252)	(4)	(388)
Investment in associates		(1,907)	-	-	-
Investment in joint venture		(930)	(3,825)	(675)	-
Interest received		817	853	102	15
Dividend received		-	-	10,000	8,700
Purchase of redeemable preference shares of subsidiaries		-	-	-	(19,520)
Net cash (used in)/generated from investing activities		(1,100)	(4,013)	9,423	(11,183)
Cash flows from financing activities					
Dividends paid to owners of the Company		-	(1,993)	-	(1,993)
Interest paid		(1,136)	(766)	(51)	(130)
Proceeds from borrowings	(ii)	10,800	6,000	9,000	-
Proceeds from redeemable preference shares of subsidiary		-	-	3,000	-
Repayment of finance lease liabilities	(ii)	(1,558)	(1,384)	(48)	(45)
Net cash generated from/(used in) financing activities		8,106	1,857	11,901	(2,168)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents	23,085	(38,224)	1,786	25
Exchange differences on translation of the financial statement of foreign subsidiaries	6	-	-	-
Cash and cash equivalents at 1 January	15,060	53,284	1,181	1,156
Cash and cash equivalents at 31 December	38,151	15,060	2,967	1,181

(i) Acquisition of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Paid in cash	914	1,159	-	248
In the form of finance lease assets	1,987	982	-	-
Total (see Note 3)	2,901	2,141	-	248

(ii) Reconciliation of movement of liabilities to cash flows arising from financing activities

The movement of borrowings in the statements of cash flows is as follows:

Group	**1.1.2017 RM'000**	**Net changes from financing cash flows RM'000**	**Acquisition of finance lease assets RM'000**	**31.12.2017 RM'000**
Finance lease liabilities	2,668	(1,558)	1,987	3,097
Revolving credits	6,000	10,800	-	16,800
Total liabilities from financing activities	8,668	9,242	1,987	19,897
Company				
Finance lease liabilities	189	(48)	-	141
Revolving credits	-	9,000	-	9,000
Total liabilities from financing activities	189	8,952	-	9,141

In accordance with the transitional provision of Disclosure Initiative *(Amendment to MFRS 107)* for the reconciliation of movement of liabilities to cash flows arising from financing activities, comparative information is not required for preceding periods.

The notes on pages 51 to 94 are an integral part of these financial statements.

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

Registered office and principal place of business
#C-G-03 Blok C
Tropez Residen
Persiaran Danga Perdana
80200 Johor Bahru, Johor

The consolidated financial statements as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 December 2017 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 28 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 4 April 2018.

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 2016 in Malaysia.

The following are the 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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

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

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

- from the annual period beginning on 1 January 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

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

(i) MFRS 15, *Revenue from Contract with Customers*

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

Upon adoption of MFRS 15, the Group will continue to recognise revenue from contracts with customers (excluding rental revenue and dividend income) on the basis upon performance of services.

The initial application of MFRS 15 is expected to increase the gross revenue relating to property development activities as a result of timing differences in revenue recognition based on the entity's progress towards performance obligations. Management is in the midst of quantifying the final impact to the Group's revenue.

(ii) MFRS 9, *Financial Instruments*

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

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The Group has assessed the estimated impact that the initial application of MFRS 9 will have on its consolidated financial statements as at 1 January 2018 as follows:

- The new impairment model requires entities to account for expected credit losses rather than incurred credit losses as is the case under MFRS 139. The model requires an entity to recognise expect credit losses at all times and update the amount of expect credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. It applies to financial assets classified at amortised cost, debt instruments measured at fair value after other comprehensive income, contract assets under MFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) MFRS 9, *Financial Instruments* *(continued)*

- The new impairment model may have an impact on the Group's financial results due to the Group's significant financial assets balances at each reporting date. Management is in the midst of assessing the final impact.

- The retrospective application of MFRS 9 does not require publication of restated 2017 comparative financial statements. Consequently, the Group will recognise any differences between the carrying amounts of financial instruments under MFRS 139 and the carrying amounts under MFRS 9 in the opening retained earnings (or other equity components) of the accounting period including the date of initial application.

- MFRS 9 does not have a significant impact at the Company level.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases* – Incentives and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

- Note 9 - Recognition of deferred tax assets
- Note 12 - Valuation of trade and other receivables; and
- Note 17 - Valuation of contract revenue: Significant estimation is involved in determining the costs to completion of the contracts of the Group as at the reporting date, which has bearing on the stage of completion. The stage of completion requires management to make reasonably dependable estimates of progress towards completion of projects. These works are subject to final approval by the respective customers. There is a time lag between the final approval and the completion of work done by the Group. Hence, as the actual costs could only be determined reliably on the completion of contracts, this may result in adjustments to the recognised profit of the contracts.

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Associates

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

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

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

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

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

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

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Non-controlling interests

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

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

(viii) Transactions eliminated on consolidation

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

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

(b) Foreign currency transactions

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

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

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

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(l)(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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the 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, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating lease (continued)

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 properties

Investment properties carried at cost

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

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

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

(g) Land held for future development

Land held for future development comprise land where development activities not being expected for the next twelve months and is carried at cost less any accumulated impairment losses. Freehold land is not depreciated.

(h) Inventories

(i) Developed properties held for sale

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

(ii) Property development costs

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

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

2. Significant accounting policies (continued)

(i) Construction work-in-progress

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

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

(j) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

(k) Cash and cash equivalents

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

(l) Impairment

(i) Financial assets

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

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

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

(ii) Other assets

The carrying amount of other assets (except for inventories, amount due from contract customers, deferred tax assets and non-current 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.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(ii) Other assets (continued)

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

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

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

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

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

(m) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(n) 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.

2. Significant accounting policies (continued)

(o) 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.

(p) 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, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(ii) Construction contracts

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

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

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

(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.

2. Significant accounting policies (continued)

(p) Revenue recognition (continued)

(v) Rental of investment property

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

(vi) Dividend income

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

(vii) Project management fees and landscaping maintenance services

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

(viii) Interest income

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

(q) 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.

(r) Equity instruments

(i) Issue expenses
Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares
Ordinary shares are classified as equity.

(s) 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.

2. Significant accounting policies (continued)

(s) Income tax (continued)

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

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

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

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

(t) Earnings per ordinary share

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

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

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

(u) 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.

(v) Fair value measurements

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

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

2. Significant accounting policies (continued)

(v) Fair value measurements (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

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

3. Property, plant and equipment

Group	Buildings RM'000	Equipment, furniture and fittings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 January 2016	8,591	5,533	62,894	6,575	83,593
Additions	162	611	150	1,218	2,141
Disposals	-	-	(568)	(35)	(603)
Transfer	-	(91)	-	-	(91)
Written off	-	(8)	(17)	-	(25)
At 31 December 2016/1 January 2017	8,753	6,045	62,459	7,758	85,015
Additions	-	379	1,377	1,145	2,901
Disposals	-	-	(13,781)	(245)	(14,026)
Written off	(30)	(3)	-	-	(33)
Translation differences	-	(6)	-	-	(6)
At 31 December 2017	8,723	6,415	50,055	8,658	73,851
Accumulated depreciation and impairment loss					
At 1 January 2016					
Accumulated depreciation	263	3,338	43,386	4,159	51,146
Accumulated impairment loss	-	39	11,945	-	11,984
	263	3,377	55,331	4,159	63,130
Charge for the year	187	532	1,579	853	3,151
Disposals	-	-	(553)	(31)	(584)
Written off	-	(7)	(12)	-	(19)
At 31 December 2016/1 January 2017					
Accumulated depreciation	450	3,863	44,400	4,981	53,694
Accumulated impairment loss	-	39	11,945	-	11,984
	450	3,902	56,345	4,981	65,678
Charge for the year	187	467	1,193	1,005	2,852
Reversal of impairment loss	-	-	(11,031)	-	(11,031)
Disposals	-	-	(2,750)	(245)	(2,995)
Written off	(30)	(3)	-	-	(33)

3. Property, plant and equipment (continued)

Group	Buildings RM'000	Equipment, furniture and fittings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation and impairment loss *(continued)*					
At 31 December 2017					
Accumulated depreciation	607	4,327	42,843	5,741	53,518
Accumulated impairment loss	-	39	914	-	953
	607	4,366	43,757	5,741	54,471
Carrying amounts					
At 1 January 2016	8,328	2,156	7,563	2,416	20,463
At 31 December 2016/1 January 2017	8,303	2,143	6,114	2,777	19,337
At 31 December 2017	8,116	2,049	6,298	2,917	19,380

Company	Buildings RM'000	Equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2016	2,520	434	300	3,254
Additions	-	248	-	248
Transfer	-	(91)	-	(91)
At 31 December 2016/1 January 2017/ 31 December 2017	2,520	591	300	3,411
Accumulated depreciation				
At 1 January 2016	38	29	25	92
Charge for the year	50	56	60	166
At 31 December 2016/1 January 2017	88	85	85	258
Charge for the year	50	66	60	176
At 31 December 2017	138	151	145	434
Carrying amounts				
At 1 January 2016	2,482	405	275	3,162
At 31 December 2016/1 January 2017	2,432	506	215	3,153
At 31 December 2017	2,382	440	155	2,977

Leased property, plant and equipment

At 31 December 2017, the carrying amounts of leased motor vehicles and plant and machinery of the Group and Company was RM3,421,000 (2016: RM4,449,000) and RM155,000 (2016: RM215,000) respectively.

3. Property, plant and equipment (continued)

Plant and machinery – reversal of impairment

During the financial year, an aircraft classified as plant and machinery in the Group, which was fully impaired in the previous financial year, has been reversed following a disposal for an amount of RM285,000.

4. Land held for future development

Land held for future development consists of freehold land held for future development and where no significant development has been undertaken. Land held for development is stated at cost.

5. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2016	48,750	44,144	92,894
Additions	-	15,169	15,169
Asset classified as held for sale	-	(2,416)	(2,416)
Transfer	-	(167)	(167)
At 31 December 2016/1 January 2017	48,750	56,730	105,480
Additions	-	4	4
At 31 December 2017	48,750	56,734	105,484
Accumulated depreciation			
At 1 January 2016	-	6,785	6,785
Charge for the year	-	1,299	1,299
Asset classified as held for sale	-	(193)	(193)
At 31 December 2016/1 January 2017	-	7,891	7,891
Charge for the year	-	1,289	1,289
At 31 December 2017	-	9,180	9,180
Carrying amounts			
At 1 January 2016	48,750	37,359	86,109
At 31 December 2016/1 January 2017	48,750	48,839	97,589
At 31 December 2017	48,750	47,554	96,304

Included in the freehold land is RM14,674,000 (2016: RM14,674,000) pledged for a bank facility granted to a subsidiary (see Note 15).

Certain buildings with aggregate carrying amount of RM2,192,000 (2016: RM4,310,000) are in the process of registering under the name of a subsidiary.

5. Investment properties (continued)

Company	Freehold land RM'000	Buildings RM'000	Total RM'00
Cost			
At 1 January 2016	12,794	22,533	35,327
Additions	-	388	388
Transfer	-	(167)	(167)
At 31 December 2016/1 January 2017	12,794	22,754	35,548
Additions	-	4	4
At 31 December 2017	12,794	22,758	35,552
Accumulated depreciation			
At 1 January 2016	-	4,228	4,228
Charge for the year	-	670	670
At 31 December 2016/1 January 2017	-	4,898	4,898
Charge for the year	-	673	673
At 31 December 2017	-	5,571	5,571
Carrying amounts			
At 1 January 2016	12,794	18,305	31,099
At 31 December 2016/1 January 2017	12,794	17,856	30,650
At 31 December 2017	12,794	17,187	29,981

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental income from external parties	2,416	2,312	1,010	1,010
Rental income from subsidiaries	-	-	499	499
Direct operating expenses:				
- income generating investment properties	541	473	262	332
- non-income generating investment properties	381	295	136	130

5. Investment properties (continued)

Fair value information

Fair value of investment properties are categorised as follows:

	Fair value of financial instruments not carried at fair value					
	2017			2016		
	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Group						
Freehold land	188,910	188,910	48,750	194,753	194,753	48,750
Buildings	78,763	78,763	47,554	77,411	77,411	48,839
	267,673	267,673	96,304	272,164	272,164	97,589
Company						
Freehold land	33,853	33,853	12,794	32,427	32,427	12,794
Buildings	28,469	28,469	17,187	25,461	25,461	17,856
	62,322	62,322	29,981	57,888	57,888	30,650

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

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

6. Investments in subsidiaries

	Company			
2017	Ordinary shares RM'000	Reedeemable preference shares RM'000	Capital contribution RM'000	Total RM'000
At cost:				
Unquoted shares in subsidiaries	68,392	37,004	-	105,396
Additions	-	675	5,135	5,810
Impairment	-	-	(2,325)	(2,325)
Redemption	-	(3,000)	-	(3,000)
	68,392	34,679	2,810	105,881
2016				
At cost:				
Unquoted shares in subsidiaries	71,392	19,954	-	91,346
Additions	-	19,520	-	19,520
Impairment	(3,000)	(2,470)	-	(5,470)
	68,392	37,004	-	105,396

6. Investments in subsidiaries (continued)

Capital contribution

The capital contribution is for working capital purposes and treated as quasi-capital in view of the intention of the holding Company to provide long term financial support to respective subsidiaries. The capital contribution has no fixed terms of repayment and amount payable is at the discretion of the subsidiaries.

Redemption of redeemable preference shares

During the current financial year, the Company redeemed its redeemable preference shares amounting to RM3,000,000 in its wholly owned subsidiary, D-Hill Sdn. Bhd.

Increase in investment in existing subsidiary

Additions in investment in subsidiaries during the current financial year was through issuance of redeemable preference shares, which are redeemable at the option of the issuer and do not carry the right to vote except for variation of holders' right to the class of shares and rank equally with regards to the subsidiary's residual assets.

Details of the subsidiaries are disclosed in Note 28.

Acquisition of subsidiaries

On 25 April 2017, Knusford Oil & Gas Sdn. Bhd., a wholly-owned subsidiary of the Company, acquired 2 ordinary shares of SGD1.00 each, representing 100% of the total issued and paid-up share capital of Knusford International Pte Ltd, a company incorporated in Singapore, for a total consideration of SGD2.00. As a result of the acquisition, Knusford International Pte Ltd became an indirect wholly-owned subsidiary of the Company.

On 13 November 2017, Knusford International Pte Ltd, a wholly-owned subsidiary of Knusford Oil & Gas Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, acquired 2 ordinary shares of SGD1.00 each, representing 100% of the total issued and paid-up share capital of Knusford Venture Pte Ltd, a company incorporated in Singapore, for a total consideration of SGD2.00. As a result of the acquisition, Knusford Venture Pte Ltd became an indirect wholly-owned subsidiary of the Company.

7. Investment in associates

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unquoted shares, at cost	1,947	40	40	40
Capital contribution	1,960	1,960	1,960	1,960
	3,907	2,000	2,000	2,000
Less: Impairment loss	(2,029)	(2,000)	(2,000)	(2,000)
Share of post-acquisition reserves	(3)	-	-	-
	1,875	-	-	-

Capital contribution

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.

Impairment in associates

During the current financial year, an impairment loss amounting to RM29,000 was recognised on investment in an associate as the intended business plan of the associate did not materialise.

7. Investment in associates (continued)

Details of the associates are as follows:

Name of company	Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2017	2016
Held by Knusford Berhad: CBD Development Sdn. Bhd. ("CBD")	Malaysia	Town planners, developers and contractors having no transactions with the Group	40%	40%
Held through Knusford Project Management Sdn. Bhd.: Signature Office Property Inc. ("SOPI")	Philippines	Investment holding	30%	-
CREC Knusford (Philippines) Inc. ("CREC")	Philippines	General contracting and construction management	30%	-

On 13 July 2017, the Group through its wholly-owned subsidiary, Knusford Project Management Sdn. Bhd. had subscribed for 2,999,999 ordinary shares of PHP1.00 each for the incorporation of Signature Office Property Inc. representing 30% of the issued and fully paid share capital of Signature Office Property Inc. for a total purchase consideration of RM1,878,000.

On 31 August 2017, the Group through its wholly-owned subsidiary, Knusford Project Management Sdn. Bhd. had subscribed for 3,750 ordinary shares of PHP100.00 each for the incorporation of CREC Knusford (Philippines) Inc. representing 30% of the issued and fully paid share capital of CREC Knusford (Philippines) Inc. for a total purchase consideration of RM29,000.

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

	2017 CBD RM'000	SOPI RM'000	CREC RM'000	Total RM'000
Summarised financial information				
As at 31 December				
Non-current assets	-	-	-	-
Current assets	24	6,312	101	6,437
Current liabilities	(71)	(63)	-	(134)
Net (liabilities)/assets	(47)	6,249	101	6,303
Year ended 31 December				
Loss from continuing operations/ Total comprehensive loss	(16)	(11)	-	(27)

	2016 CBD RM'000	Total RM'000
Summarised financial information		
As at 31 December		
Non-current assets	-	-
Current assets	40	40
Current liabilities	(448)	(448)
Net liabilities	(408)	(408)
Year ended 31 December		
Loss from continuing operations/Total comprehensive loss	(335)	(335)

8. Investment in joint ventures

	GKC RM'000	Group KCOM RM'000	Total RM'000
2017			
At cost:			
Unquoted shares	6,188	-	6,188
Additions	675	255	930
Share of post-acquisition reserves	2,309	948	3,257
	9,172	1,203	10,375
2016			
At cost:			
Unquoted shares	2,363	-	2,363
Additions	3,825	-	3,825
Share of post-acquisition reserves	1,003	-	1,003
	7,191	-	7,191

Details of the joint ventures are as follows:

Names of joint ventures	Country	Principal activities	Effective ownership interest and voting interest 2017 %	2016 %
Held through KESB: Greenland Knusford Construction Sdn. Bhd. ("GKC")	Malaysia	Construction	45	45
Held through KCSB: Knusford Compass Sdn. Bhd. ("KCOM")	Malaysia	Integrated facility management services	51	-

Increase in investment in joint ventures

Additions in investment in joint ventures during the current financial year was through issuance of ordinary shares and redeemable preference shares, which are redeemable at the option of the issuer and do not carry the right to vote except for variation of holders' right to the class of shares and rank equally with regards to the joint venture's residual assets.

Greenland Knusford Construction Sdn. Bhd. ("GKCSB") and Knusford Compass Sdn Bhd ("KCOM") are structured as separate vehicles and provides the Group rights to the net assets of the respective entities. Accordingly, the Group has classified the investments in GKCSB and KCOM as joint ventures.

8. Investment in joint ventures (continued)

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

Summary financial information

	2017 GKC RM'000	 KCOM RM'000	 Total RM'000
Group			
As at 31 December			
Non-current assets	5,207	503	5,710
Current assets	40,141	68,026	108,167
Non-current liabilities	(372)	-	(372)
Current liabilities	(25,317)	(76,600)	(101,917)
Cash and cash equivalents	724	10,430	11,154
Total net current assets	20,383	2,359	22,742
Year ended 31 December			
Profit from continuing operations/ Total comprehensive income	2,902	1,860	4,762
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	9,172	1,203	10,375
Group's share of results for year ended 31 December			
Group's share of profit or loss	1,306	949	2,255

	2016 GKC RM'000
Group	
As at 31 December	
Non-current assets	5,798
Current assets	29,995
Non-current liabilities	-
Current liabilities	(19,813)
Cash and cash equivalents	7,131
Total net current assets	23,111
Year ended 31 December	
Profit from continuing operations/Total comprehensive income	2,105
Reconciliation of net assets to carrying amount as at 31 December	
Group's share of net assets	7,191
Group's share of results for year ended 31 December	
Group's share of profit or loss	947

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group						
Property, plant and equipment	-	-	(12)	(24)	(12)	(24)
Investment properties	-	-	(848)	(872)	(848)	(872)
Trade and other receivables	-	-	(419)	(419)	(419)	(419)
Inventories	4,403	2,825	-	-	4,403	2,825
Tax assets/(liabilities)	4,403	2,825	(1,279)	(1,315)	3,124	1,510
Set-off	(5)	(17)	5	17	-	-
Net tax assets/(liabilities)	4,398	2,808	(1,274)	(1,298)	3,124	1,510

Movement in temporary differences during the year

	At 1.1.2016 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2016/ 1.1.2017 RM'000	Recognised in profit or loss (Note 20) RM'000	At 31.12.2017 RM'000
Group					
Property, plant and equipment	(1,355)	1,331	(24)	12	(12)
Investment properties	(872)	-	(872)	24	(848)
Trade and other receivables	517	(936)	(419)	-	(419)
Inventories	-	2,825	2,825	1,578	4,403
	(1,710)	3,220	1,510	1,614	3,124

Unrecognised deferred tax assets

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

	Group	
	2017 RM'000	2016 RM'000
Deductible temporary differences	43,436	35,327
Unabsorbed capital allowances	7,320	3,276
Unutilised tax losses	24,459	16,407
	75,215	55,010

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.

10. Inventories

	Group 2017 RM'000	Group 2016 RM'000
Finished goods (net of provision)	61	66
Developed properties held for sale	636	1,587
Properties under development	62,948	58,468
	63,645	60,121
Recognised in profit or loss:		
- Inventories recognised as cost of goods sold	956	40

Properties under development

Included in properties under development of the Group are foreseeable losses amounting to RM5,368,000 (2016: RM5,368,000) in respect of the development of affordable housing and provision for certain identified land as school reserves to the state authority in relation to a development by a subsidiary, D-Hill Sdn. Bhd. (see Note 16).

The provision for present obligation to develop affordable housing and provide certain identified land as school reserves has been accounted for costs in the construction and sales of premium housing. Such costs shall be allocated to individual items on a rational and consistent basis.

11. Assets classified as held for sale

	Group 2017 RM'000	Group 2016 RM'000
Buildings	1,331	2,416
Less: Accumulated depreciation	(22)	(193)
	1,309	2,223

In the previous year, the abovementioned buildings of the Group are classified as held for sale as the Group's management is committed to a plan to sell the buildings within the next twelve months. Efforts to sell the buildings have commenced as the Group has entered into Sale and Purchase Agreements with third parties for the sale of two three-storey shop offices located at Danga Walk – Street Mall for a total consideration of RM1,500,000 (2016: RM3,000,000).

During the financial year, a gain on disposal of RM586,000 has been recognised in other income for the sale of one three-storey shop office.

As of the date of this report, certain conditions precedent of the Sale and Purchase Agreements have not been fulfilled and therefore the sale of properties have yet to be completed.

The carrying amounts of the buildings are the same as the carrying amounts before being reclassified to current assets.

12. Trade and other receivables

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current					
Trade					
Trade receivables		123,447	153,953	312	497
Less: Allowance for impairment loss		(14,644)	(14,397)	-	-
	12.1	108,803	139,556	312	497
Prepayments		19,574	19,574	-	-
Less: Allowance for impairment loss		(19,574)	(19,574)	-	-
	12.2	-	-	-	-

12. Trade and other receivables (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current					
Trade					
Amount due from contract customers		31,241	24,552	-	-
Less: Allowance for impairment loss		(18,635)	(18,635)	-	-
	12.3	12,606	5,917	-	-
		121,409	145,473	312	497
Non-trade					
Amounts due from subsidiaries	12.4	-	-	11,730	558
Other receivables, deposits and prepayments	12.5	5,975	11,612	1,316	4,769
Less: Allowance for impairment loss	12.5	-	(3,198)	-	-
		5,975	8,414	13,046	5,327
		127,384	153,887	13,358	5,824

12.1 Trade receivables

Included in trade receivables of the Group are amounts due from related parties amounting to RM39,454,052 (2016: RM52,025,000) and retention sums amounting to RM2,164,793 (2016: RM905,000). The retention sums are unsecured, interest-free and are expected to be collected within the normal operating cycle. During the year, trade receivables of Nil (2016: RM1,887,000) were written off against allowance for impairment loss.

12.2 Prepayments

The entire amount in prepayments represents advanced payments to an external supplier of a subsidiary, Knusford Marketing Sdn. Bhd. (secured by a performance guarantee), for purchase of building materials for a corresponding purchase commitment by a related party (see Note 16.2).

In the previous financial year, the subsidiary commenced winding up action against the external supplier for non-delivery of the building materials. As a result, the entire amount in prepayments has been provided for impairment loss.

12.3 Amount due from contract customers

	Note	Group 2017 RM'000	Group 2016 RM'000
Aggregate costs incurred to date		285,877	238,033
Add: Attributable profits		44,946	41,980
Less: Foreseeable loss		(2,893)	(74)
		327,930	279,939
Less: Progress billings		(296,952)	(255,389)
		30,978	24,550
Amount due to contract customers reclassified	16	263	2
Amount due from contract customers		31,241	24,552
Less: Allowance for impairment loss		(18,635)	(18,635)
		12,606	5,917
Contract revenue recognised during the financial year	17	47,083	17,570
Contract cost recognised during the financial year	18	46,025	20,426

12. Trade and other receivables (continued)

12.3 Amount due from contract customers (continued)

The costs incurred to date on construction contracts include the following charges made during the financial year:

	Group	
	2017 RM'000	2016 RM'000
Wages and salaries		
- Direct	110	100
- Seconded	370	306
Staff costs	4,576	3,147
Depreciation	208	547
Consultancy and professional fees	250	1,157
Rental of plant and machinery	1,710	22

12.4 Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

12.5 Other receivables, deposits and prepayments

As at the end of the previous financial year, other receivables, deposits and prepayments consisted of RM513,000 written off against allowance for impairment loss.

13. Cash and cash equivalents

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	21,104	9,419	2,781	223
Cash and bank balances	17,047	5,641	186	958
	38,151	15,060	2,967	1,181

Included in cash and bank balances of the Group is an amount of RM4,296,000 (2016: RM1,191,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

14. Share capital and reserves

14.1 Share capital

	← Group and Company →			
	Amount 2017 RM'000	Number of shares 2017 '000	Amount 2016 RM'000	Number of shares 2016 '000
Ordinary shares				
Issued and fully paid:				
At 1 January	99,645	99,645	99,645	99,645
Transfer from share premium account in accordance with Section 618(2) of the Companies Act 2016	22,693	-	-	-
At 31 December	122,338	99,645	99,645	99,645

14. Share capital and reserves (continued)

14.1 Share capital (continued)

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.

The Companies Act 2016, which came into effect on 31 January 2017, has abolished the concept of authorised share capital and par value of share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of the transition.

14.2 Share premium

Group and Company	2017 RM'000	2016 RM'000
At 1 January	22,693	22,693
Transfer from share premium account in accordance with Section 618(2) of the Companies Act 2016	(22,693)	-
At 31 December	-	22,693

Notes

(i) In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise the credit.

(ii) Included in share capital is share premium amounting to RM22,693,000 that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74 of the Companies Act 2016).

15. Borrowings

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current					
Finance lease liabilities	15.2	1,987	1,407	90	141
Current					
Revolving credits	15.1	16,800	6,000	9,000	-
Finance lease liabilities	15.2	1,110	1,261	51	48
		17,910	7,261	9,051	48
		19,897	8,668	9,141	189

15.1 Revolving credits

A freehold land in investment properties is pledged for the bank facility granted to a subsidiary (see Note 5).

15. Borrowings (continued)

15.2 Finance lease liabilities

	2017			2016		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Group						
Less than one year	1,240	130	1,110	1,360	99	1,261
Between one and five years	2,105	118	1,987	1,511	104	1,407
	3,345	248	3,097	2,871	203	2,668
Company						
Less than one year	56	5	51	56	8	48
Between one and five years	94	4	90	150	9	141
	150	9	141	206	17	189

16. Trade and other payables

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade					
Trade payables	16.1	69,119	59,701	-	-
Advanced payments	16.2	-	944	-	-
Amount due to contract customers	12.3	263	2	-	-
		69,382	60,647	-	-
Non-trade					
Other payables and accrued expenses		18,102	23,359	717	4,832
Amount due to subsidiaries	16.3	-	-	5,424	8,139
		87,484	84,006	6,141	12,971

16.1 Trade payables

Included in trade payables of the Group are retention sums amounting to RM5,680,091 (2016: RM3,263,262) and foreseeable losses amounting to RM10,408,486 (2016: RM7,176,000) arising mainly from the following:

a) RM7,176,000 (2016: RM7,176,000) in respect of the development of affordable housing and provision for certain identified land as school reserves to the state authority in relation to a development project by the subsidiary, D-Hill Sdn. Bhd. (see Note 10); and,

b) RM2,967,903 in regards of cost escalation due to delay in two projects by the subsidiary, Knusford Construction Sdn. Bhd.

16.2 Advanced payments

As at the end of the previous financial year, the entire amount in the advanced payments was from a related party paid to a subsidiary, Knusford Marketing Sdn. Bhd. for the purchase of building materials from an external supplier. The related party had indemnified the subsidiary against any losses or damages arising from the external supplier.

16. Trade and other payables (continued)

16.2 Advanced payments (continued)

During the previous financial year, the subsidiary commenced winding up action against the external supplier for non-delivery of the building materials as disclosed in Note 12.2. As a result, the advance payments of RM19.6 million from the related party have been derecognised in view of the above said indemnity from the related party. As the transactions were carried out on a back-to-back basis, the recovery of the advanced payments of RM19.6 million, if any, by the related party is contingent upon the outcome of the legal proceedings by the subsidiary against the external supplier.

16.3 Amount due to subsidiaries

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

17. Revenue

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods		79,082	103,376	-	-
Contract revenue	12.3	47,083	17,570	-	-
Property development revenue		6,671	-	-	-
Rental of motor vehicle and machinery		2,400	4,491	-	-
Rental income from investment properties		2,417	2,312	1,488	1,509
Project management fees and landscaping maintenance services		3,198	2,084	-	-
Dividend income from unquoted subsidiary		-	-	10,000	8,700
		140,851	129,833	11,488	10,209

18. Cost of sales

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost of goods sold/services rendered		81,436	97,867	-	-
Contract costs recognised as an expense	12.3	46,025	20,426	-	-
Property development expenses		1,265	439	-	-
Direct operating expenses		5,972	6,938	1,291	1,321
		134,698	125,670	1,291	1,321

19. (Loss)/Profit before tax

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/Profit before tax is arrived after charging:				
Auditors' remuneration:				
KPMG				
- Audit fees	248	227	95	75
- Non-audit fees	12	12	8	8
Firm other than KPMG				
- Audit fees	9	-	-	-
Depreciation of property, plant and equipment	2,852	3,151	176	166
Depreciation of investment properties	1,289	1,299	673	670

19. (Loss)/Profit before tax (continued)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit before tax is arrived after charging:				
Finance costs	1,136	766	51	130
Impairment loss on:				
- Trade receivables	592	10,963	-	-
- Investment in subsidiary	-	-	2,325	2,470
- Investment in associate	29	-	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	1,249	954	37	51
- Wages, salaries and others	14,619	12,600	509	679
Property, plant and equipment written off	-	6	-	-
Rental of motor vehicles	195	139	-	-
Rental of premises	1,038	251	6	-
Rental of equipment and machinery	1,577	281	-	-
and after crediting:				
Dividend income from subsidiaries (unquoted)	-	-	10,000	8,700
Gain on disposal of property, plant and equipment	338	93	-	-
Gain on disposal of asset held for sale	586	-	-	-
Rental income from investment properties	2,416	2,312	1,488	1,509
Interest income	817	853	102	15
Reversal of impairment loss on:				
Trade receivables	345	3,286	-	-
Other receivables	-	540	-	-

20. Tax expense

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current tax					
Current year		3,597	2,452	278	177
Under/(over) provision in prior year		72	(30)	65	13
		3,669	2,422	343	190
Deferred tax					
Origination and reversal of temporary differences		(1,544)	(2,476)	-	-
Over provision in prior year		(70)	(744)	-	-
	9	(1,614)	(3,220)	-	-
		2,055	(798)	343	190

Reconciliation of tax expense

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit before tax	(9,338)	(16,935)	7,087	5,175
Tax at Malaysian tax rate of 24% (2016: 24%)	(2,241)	(4,064)	1,701	1,242
Non-deductible expenses	3,322	889	1,013	1,038
Non-taxable income	(2,694)	(458)	(2,436)	(2,103)
Recognition of previously unrecognised deferred tax assets	(1,183)	-	-	-
Amount of unrecognised deferred tax assets during the year	4,849	3,609	-	-
	2,053	(24)	278	177
Under/(Over) provision in prior years	2	(774)	65	13
	2,055	(798)	343	190

21. Key management personnel compensation

The key management personnel compensation are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Directors				
- Fees	180	180	180	180
- Remuneration	1,636	1,112	-	349
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	50	49	40	40
Total short-term employee benefits	1,866	1,341	220	569

22. Loss per ordinary share

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

Loss attributable to ordinary shareholders

	Group	
	2017	2016
	RM'000	RM'000
Loss for the year attributable to owners	(11,393)	(16,137)

Weighted average number of ordinary shares

	Group	
	2017	2016
	'000	'000
Weighted average number of ordinary shares at 31 December	99,645	99,645

	Group	
	2017	2016
	Sen	Sen
Basic loss per ordinary share	(11.43)	(16.19)

Diluted loss per ordinary share

The diluted loss per ordinary share is the same as the basic loss per ordinary share of the Group, as there were no dilutive potential ordinary shares for the year ended 31 December 2017.

23. Dividends

Dividends recognised by the Company are as follows:

	Sen per share	Total amount RM'000	Date of payment
2016			
Final 2015 ordinary	2.00	1,993	20 September 2016

The Directors do not recommend any dividends for the year under review.

24. Operating segments

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

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

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

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

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

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

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

24. Operating segments (continued)

	Trading and services		Property development		Investment property		Construction		Eliminations		Consolidated	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total external revenue	84,679	109,951	6,671	-	2,417	2,312	47,084	17,570	-	-	140,851	129,833
Inter-segment revenue	4,760	1,054	-	-	611	545	2,471	-	(7,842)	(1,599)	-	-
Total segment revenue	89,439	111,005	6,671	-	3,028	2,857	49,555	17,570	(7,842)	(1,599)	140,851	129,833
Segment (loss)/profit	(4,743)	(276)	3,763	(3,515)	892	790	(7,907)	(13,576)	(730)	(94)	(8,725)	(16,671)
Unallocated other expenses											(2,545)	(1,298)
Results from operating activities											(11,270)	(17,969)
Finance income	232	242	292	27	179	109	114	475	-	-	817	853
Finance costs	(788)	(312)	(117)	(173)	(75)	(163)	(156)	(118)	-	-	(1,136)	(766)
Share of profit of equity accounted investments net of tax	2,251	947	-	-	-	-	-	-	-	-	2,251	947
Loss before tax											(9,338)	(16,935)
Tax expense	(703)	(91)	(972)	1,127	(404)	(238)	-	-	24	-	(2,055)	798
Net loss for the year											(11,393)	(16,137)
Included in measure of segment profit is:												
Depreciation, amortisation and impairment	2,023	19,033	110	74	1,625	891	370	11,703	13	-	4,141	31,701
Segment assets	155,393	183,713	69,236	63,321	101,898	102,867	46,615	39,793	(32,414)	(58,154)	340,728	331,540
Unallocated assets											29,648	35,261
Total assets											370,376	366,801
Included in measure of segment assets are:												
Investment in associate/ joint venture	12,250	7,191	-	-	-	-	-	-	-	-	12,250	7,191
Capital expenditure	1,957	1,229	398	60	4	15,364	643	484	(101)	-	2,901	17,137
Segment liabilities	(62,766)	(84,533)	(41,642)	(35,501)	(600)	(2,094)	(35,745)	(16,731)	44,682	57,703	(96,071)	(81,156)
Unallocated liabilities											(13,188)	(13,141)
Total liabilities											(109,259)	(94,297)

24. Operating segments (continued)

Geographical information

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

All non-current assets of the Group were maintained within Malaysia except for an amount of RM254,000 (2016: Nil) which was maintained in Singapore as at the end of the current and previous financial periods.

Major customers

Revenue from four customers (2016: three customers) of the Group amounted to RM71,505,000 (2016: RM65,545,000) which contributed to 51% (2016: 50%) of the Group's revenue.

25. Financial instruments

25.1 Categories of financial instruments

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

	Carrying amount 2017 RM'000	L&R/ (OL) 2017 RM'000	Carrying amount 2016 RM'000	L&R/ (OL) 2016 RM'000
Group				
Financial assets				
Trade and other receivables, excluding prepayments and amount due from contract customers	114,778	114,778	147,970	147,970
Cash and cash equivalents	38,151	38,151	15,060	15,060
	152,929	152,929	163,030	163,030
Financial liabilities				
Borrowings	(19,897)	(19,897)	(8,668)	(8,668)
Trade and other payables, excluding advanced payments and amount due to contract customers	(87,221)	(87,221)	(83,060)	(83,060)
	(107,118)	(107,118)	(91,728)	(91,728)
Company				
Financial assets				
Trade and other receivables, excluding prepayments and amount due from contract customers	13,358	13,358	5,824	5,824
Cash and cash equivalents	2,967	2,967	1,181	1,181
	16,325	16,325	7,005	7,005
Company				
Financial liabilities				
Borrowings	(9,141)	(9,141)	(189)	(189)
Trade and other payables, excluding advanced payments and amount due to contract customers	(6,141)	(6,141)	(12,971)	(12,971)
	(15,282)	(15,282)	(13,160)	(13,160)

25. Financial instruments (continued)

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net (losses)/gains on:				
Loans and receivables	572	(6,284)	102	15
Financial liabilities measured at amortised cost	(1,136)	(766)	(51)	(130)
	(564)	(7,050)	51	(115)

25.3 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

25.4 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.

Trade receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

As at 31 December 2017, the Group has significant concentration of credit risk in the form of outstanding balances from two customers (2016: two customers) which amounted to RM48,904,435 (2016: RM53,484,000) representing 45% (2016: 32%) of total trade receivables and outstanding balances from three related parties amounting to RM31,072,749 (2016: RM46,545,000) representing 29% (2016: 28%) of the total trade receivables. The Directors are of the opinion that the outstanding balances from these customers and related parties are fully recoverable based on the following:

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

25. Financial instruments (continued)

25.4 Credit risk (continued)

Trade receivables (continued)

Impairment losses

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

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	13,266	-	13,266
Past due 1 - 90 days	18,875	-	18,875
Past due 91 - 180 days	18,026	(151)	17,875
Past due more than 180 days	73,280	(14,493)	58,787
	123,447	(14,644)	108,803
2016			
Not past due	12,925	-	12,925
Past due 1 - 90 days	31,267	-	31,267
Past due 91 - 180 days	24,793	(19)	24,774
Past due more than 180 days	84,968	(14,378)	70,590
	153,953	(14,397)	139,556

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

	Group	
	2017 RM'000	2016 RM'000
At 1 January	14,397	8,607
Impairment loss recognised	592	10,963
Impairment loss reversed	(345)	(3,286)
Impairment loss written off	-	(1,887)
At 31 December	14,644	14,397

Deposit 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.

25. Financial instruments (continued)

25.4 Credit risk (continued)

Inter-company balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

25.5 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.

25. Financial instruments (continued)

25.5 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
2017						
Non-derivative financial liabilities						
Finance lease liabilities	3,097	2.31-3.55	3,345	1,231	1,107	1,007
Financial guarantee	-	-	12,329	12,329	-	-
Revolving credit	16,800	3.83-5.91	16,859	16,859	-	-
Trade and other payables, excluding advanced payments and amount due to contract customers	87,221	-	87,221	87,221	-	-
2016						
Non-derivative financial liabilities						
Finance lease liabilities	2,668	2.31-3.55	2,839	1,360	591	888
Financial guarantee	-	-	5,074	5,074	-	-
Revolving credit	6,000	3.81-5.30	6,022	6,022	-	-
Trade and other payables, excluding advanced payments and amount due to contract customers	83,060	-	83,060	83,060	-	-
Company						
2017						
Non-derivative financial liabilities						
Trade and other payables	6,141	-	6,141	6,141	-	-
Finance lease liabilities	141	2.56	150	56	56	38
Financial guarantee	-	-	23,424	23,424	-	-
Revolving credit	9,000	5.91	9,045	9,045	-	-
2016						
Non-derivative financial liabilities						
Trade and other payables	12,971	-	12,971	12,971	-	-
Finance lease liabilities	189	2.56	207	56	56	95
Financial guarantee	-	-	7,524	7,524	-	-

25.6 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.

25.6.1 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.

25. Financial instruments (continued)

25.6.1 Interest rate risk (continued)

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Fixed rate instruments				
Financial asset				
Deposit with licensed banks	21,104	9,419	2,781	223
Financial liabilities				
Finance lease liabilities	(3,097)	(2,668)	(141)	(189)
Revolving credit	(16,800)	(6,000)	(9,000)	-
	(19,897)	(8,668)	(9,141)	(189)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

25.7 Fair value information

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

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

	Level 3 RM'000	**Total fair value RM'000**	**Carrying amount RM'000**
Group			
2017			
Financial liabilities			
Finance lease liabilities	3,345	3,345	3,097
2016			
Financial liabilities			
Finance lease liabilities	2,839	2,839	2,668
Company			
2017			
Financial liabilities			
Finance lease liabilities	150	150	141
2016			
Financial liabilities			
Finance lease liabilities	207	207	189

Level 3 fair value

Level 3 fair value is estimated using inputs for the financial assets or liabilities that are not based on observable market data (unobservable inputs). The fair value within Level 3 of the finance lease liabilities is determined by using estimated future cash flows discounted using market related rate for a similar instrument at the reporting date. The interest rate used to discount the estimated cash flows for the finance lease of the Group and the Company is 2.31% to 3.55% (2016: 2.31% to 3.55%) and 2.56% (2016: 2.56%), respectively.

26. Capital management

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

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

27. 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		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Guarantees and contingencies relating to borrowings of subsidiary (unsecured)	12,329	5,074	23,424	7,524

28. Details of subsidiaries

The principal activities of the subsidiaries, which are all incorporated in Malaysia except for Knusford International Pte. Ltd. and Knusford Venture Pte. Ltd., which are both incorporated in Singapore, and the effective ownership and voting interest of Knusford Berhad are shown below:

Name of company	Principal activities	Effective ownership interest and voting interest 2017 %	2016 %
Subsidiaries			
Knusford Holdings Sdn. Bhd.	Investment holding	100	100
Knusford Equipment Sdn. Bhd.	Rental of machinery and equipment, provision of transportation services and trading of building materials	100	100
Knusford Construction Sdn. Bhd.	Civil works contracting	100	100
D-Hill Sdn. Bhd.	Property development	100	100
Kota Ekspres Sdn. Bhd.	Investment holding	100	100
Lakaran Cahaya Sdn. Bhd.	Has not commenced operations	100	100
Knusford Oil & Gas Sdn. Bhd.	Has not commenced operations	100	100
Knusford Project Management Sdn. Bhd.	Project management services	100	100
Subsidiary of Knusford Project Management Sdn. Bhd.			
Tetap Aman Kapital Sdn. Bhd.	Has not commenced operations	100	100
Subsidiaries of Knusford Holdings Sdn. Bhd.			
Knusford Marketing Sdn. Bhd.	Trading in building materials	100	100

28. Details of subsidiaries (continued)

Name of company	Principal activities	Effective ownership interest and voting interest 2017 %	2016 %
Subsidiaries			
Subsidiaries of Knusford Holdings Sdn. Bhd.			
Segi Gemilang Sdn. Bhd.	Rental of machinery and equipment	100	100
Hi-Plus Development Sdn. Bhd.	Dormant	100	100
Knusford Landscape Sdn. Bhd.	Landscape construction and maintenance activities	100	100
Subsidiaries of Knusford Equipment Sdn. Bhd.			
Radiant Seas Sdn. Bhd.	Sand trading and rental of machinery and equipment	100	100
Yasmin Marine Technology Sdn. Bhd.	Rental of machinery and equipment	80	80
Subsidiaries of Knusford Oil & Gas Sdn. Bhd.			
Knusford International Pte. Ltd.*	Investment or resale shares, stocks, debenture & etc, manufacturers and general wholesale trade including general importers and exporters	100	-
Subsidiaries of Knusford International Pte. Ltd.			
Knusford Venture Pte. Ltd.*	General wholesale trade	100	-

** - All entities are audited by KPMG PLT except for Knusford International Pte. Ltd. and Knusford Venture Pte. Ltd.*

29. 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 21.

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

i) Ekovest Berhad, Ekovest Construction Sdn. Bhd., Ekovest Project Management Sdn. Bhd., Ekovest Properties Sdn. Bhd., Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd., Ekoriver Construction Sdn. Bhd., Ekovest Land Sdn. Bhd., Ekovest Capital Sdn. Bhd. and Ekovest Energy Sdn. Bhd. are deemed related to Tan Sri Dato' Lim Kang Hoo and Khoo Nang Seng @ Khoo Nam Seng;

ii) Aramijaya Sdn. Bhd., Danga Bay Sdn. Bhd., Ekovest Holdings Sdn. Bhd., Iskandar Waterfront Sdn. Bhd., Pembinaan KS Tebrau Sdn. Bhd., Rampai Fokus Sdn. Bhd., Iskandar Waterfront City Bhd. and its subsidiaries, Teras Hijaujaya Sdn. Bhd., Para Impiana Sdn. Bhd., Casa Green City Sdn. Bhd., Riverside Terra Sdn. Bhd. and Tebrau Bay Construction Sdn. Bhd. are deemed related to Tan Sri Dato' Lim Kang Hoo; and,

iii) WCM Machinery Sdn. Bhd. is deemed related to Tan Sri Dato' Lim Kang Hoo and Dato Lim Kang Swee.

29. Related parties (continued)

Significant related party transactions

The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 12 and 16.

		Group	
		2017	**2016**
Type of transactions	**Related parties**	**RM'000**	**RM'000**
Sale and rental of machinery and equipment, transportation charges and sale of building materials	Aramijaya Sdn. Bhd.	1,960	1,866
	Danga Bay Sdn. Bhd.	5	1,550
	Ekovest Construction Sdn. Bhd.	20,517	17,548
	Rampai Fokus Sdn. Bhd.	2,652	2,567
	Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd.	12	19
	Pembinaan KS Tebrau Sdn. Bhd.	-	596
	Iskandar Waterfront City Bhd. and its subsidiaries	215	260
	Iskandar Waterfront Sdn. Bhd.	15	207
	Ekoriver Construction Sdn. Bhd.	54	125
	Para Impiana Sdn. Bhd.	-	100
	Ekovest Land Sdn. Bhd.	-	11
	Ekovest Capital Sdn. Bhd.	29	-
	Nodedua Sdn. Bhd.	15	9
	Teras Hijaujaya Sdn. Bhd.	13	-
	Ekovest Project Management Sdn. Bhd.	13	-
Contract and maintenance income	Casa Green City Sdn. Bhd.	-	38
	Danga Bay Sdn. Bhd.	329	1,804
	Ekovest Construction Sdn. Bhd.	51	282
	Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd.	8	25
	Rampai Fokus Sdn. Bhd.	195	288
	Iskandar Waterfront City Bhd. and its subsidiaries	1,668	10,321
	Teras Hijaujaya Sdn. Bhd.	8	8
	Ekoriver Construction Sdn. Bhd.	2,124	-
	Ekovest Project Management Sdn. Bhd.	38	-
Purchase and rental of machinery and equipment and purchase of building materials	Teras Hijaujaya Sdn. Bhd.	44	17
	Aramijaya Sdn. Bhd.	958	774
	Ekovest Berhad.	45	75
	Ekovest Construction Sdn. Bhd.	95	70
	Danga Bay Sdn. Bhd.	98	251
	Rampai Fokus Sdn. Bhd.	3	52
	Iskandar Waterfront Sdn. Bhd.	227	33
	Pembinaan KS Tebrau Sdn. Bhd.	204	35
	Ekovest Energy Sdn. Bhd.	-	3
	Ekovest Project Management Sdn. Bhd.	-	133
	Ekovest Holdings Sdn. Bhd.	107	26
	Karib Industri Sdn. Bhd.	18	50
Project management fees	Ekovest Project Management Sdn. Bhd.	133	-
Rental of premises paid	Aramijaya Sdn. Bhd.	18	9
	Danga Bay Sdn. Bhd.	56	78
	Ekovest Energy Sdn. Bhd.	6	6
	Ekovest Properties Sdn. Bhd.	164	171
	Ekovest Construction Sdn. Bhd.	7	-
Rental of premises received	Danga Bay Sdn. Bhd.	323	398
	Ekovest Construction Sdn. Bhd.	18	18
	Iskandar Waterfront Sdn. Bhd.	67	264
	Rampai Fokus Sdn. Bhd.	5	-
	Tebrau Bay Construction Sdn. Bhd.	36	36

29. Related parties (continued)

Significant related party transactions (continued)

Type of transactions	Related parties	Company 2017 RM'000	Company 2016 RM'000
Rental of premises received	Danga Bay Sdn. Bhd.	188	232
	Iskandar Waterfront Sdn. Bhd.	60	60
	Rampai Fokus Sdn. Bhd.	5	-
	Subsidiaries		
Rental of premises received	Knusford Construction Sdn. Bhd.	164	137
	Knusford Marketing Sdn. Bhd.	87	60
	Radiant Seas Sdn. Bhd.	112	93
	Knusford Landscape Sdn. Bhd.	82	72
	Knusford Project Management Sdn. Bhd.	79	81
	Knusford Equipment Sdn. Bhd.	10	8
	Tetap Aman Sdn. Bhd.	18	-

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

In the opinion of the Directors, the financial statements set out on pages 46 to 94 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of their financial performance and cash flows for the year ended.

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

Datuk Ahmad Zaki Bin Zahid
Director

Lim Chen Herng
Director

Kuala Lumpur, Malaysia

Date: 13 April 2018

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

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 46 to 94 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lee Mong Fang, NRIC: 680128-04-5374, MIA CA 10605, in Kuala Lumpur, Wilayah Persekutuan on 13 April 2018.

Lee Mong Fang

Before me:

Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KNUSFORD BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Knusford Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 94.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and their 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 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">1. Recoverability of trade receivables</th></tr>
<tr><td colspan="2">Refer to Note 12 – Trade and Other Receivables of the financial statements.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has significant concentration of credit risk in terms of outstanding receivables with its customers and related parties.

The recoverability of trade receivables is a key audit matter as the recoverability and the level of impairment loss of trade receivables are considered to be significant risks due to the pervasive nature of these balances to the financial statements. The level of impairment loss involves Director's judgment based upon the debtors' credit risk evaluation, historical payment trends, subsequent to year end collections and the existence of collaterals. There is a risk that the Group's assessment of the level of these impairment loss is insufficient or inaccurate.</td><td>We performed the following audit procedures, amongst others, around the recoverability of trade receivables:

• We checked the accuracy of trade receivables ageing, quantum of contract assets, contract performance, disputes with customers and past payment and credit history of the customers;

• We checked the adequacy of impairment loss of trade receivables by recalculating the impairment loss for significantly aged balances, considered receivables where the ageing profile had deteriorated or where there is evidence that the credit quality of the debtor is considered a risk, checking to cash receipts received subsequent to year end and reviewing the material litigation with a customer which resulted in delays in payments;</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><th colspan="2">1. Recoverability of trade receivables</th></tr>
<tr><td colspan="2">Refer to Note 12 – Trade and Other Receivables of the financial statements.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td></td><td>• We evaluated the Directors' conclusion on the level of impairment loss of trade receivables, specifically significant outstanding balances which are past due but assessed as not impaired, by assessing the cash receipts during the year and subsequent to year end collections and considered the actions taken by management to recover the debts;

• We compared the historical impairment loss of trade receivables against the actual recoverability of the debts to ascertain the accuracy of forecasting the impairment loss; and,

• We have considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the impairment loss of trade receivables.</td></tr>
</table>

<table>
<tr><th colspan="2">2. Revenue recognition - trading</th></tr>
<tr><td colspan="2">Refer to Note 2(p) – Revenue accounting policy and Note 17 – Revenue of the financial statements.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group mainly derived its revenue from trading of building materials.

Revenue recognition for trading is a key audit matter as the Group is involved in voluminous transactions, whereby there is a risk that revenue may be over or understated intentionally or un-intentionally.</td><td>We performed the following audit procedures, amongst others, around revenue recognition of trading:

• We evaluated the design and implementation of key controls over the accuracy and timing of revenue recognition in the financial statements, and tested their effectiveness;

• We selected the sales prior and subsequent to the year-end and inspected the relevant underlying documents for services rendered and goods delivered and checked that these transactions were recognised in the appropriate financial year;

• We analysed the trend of credit note issuance and revenue adjustments after the year-end date to determine if there were any indicators that revenue was recognised in the incorrect period; and,

• From samples selected, we checked the sales recognised to the respective sales invoices and underlying documents.</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><th colspan="2">3. Revenue recognition – construction contract</th></tr>
<tr><td colspan="2">Refer to Note 2(p) – Revenue accounting policy and Note 17 – Revenue of the financial statements.</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Construction contract revenue and margin is accounted for based on the percentage of completion of each individual contract, calculated on the proportion of total costs incurred at the reporting date compared to management's estimation of total costs of the contract.

The accurate recording of revenue is highly dependent on judgment exercised by management in assessing the valuation of contract variations, claims and liquidated damages, the completeness and accuracy of forecast costs to complete, and the ability to deliver contracts within the forecast timelines.

Revenue recognition for construction contracts is a key audit matter due to the degree of management judgment involved in the estimation of revenue over the course of the contract period. Changes in judgment and the related estimates throughout a contract period can result in material adjustments to revenue and margin recognised on contracts, which can be either positive or negative.</td><td>We performed the following audit procedures, among others, around revenue recognition of construction contracts:
We evaluated the design and implementation of key controls over the approval of contracts and forecast costs for respective projects;
We recalculated the percentage of completion based on the approved contract sums, actual costs incurred to date and latest revised budgets to ascertain that the revenue was appropriately recognised;
We assessed the reasonableness of provision for foreseeable loss recognised for the projects by checking with the project teams on their rationale of forecast loss for respective projects and we obtained the relevant correspondences and documents, if any, to support the provisions made during the financial year;
We assessed the reasonableness of the provision for liquidated damages by inspecting the delivery timeframe, comparing the costs incurred in relation to budgeted costs and the extension of time, if any, granted by the contract customer on any delayed projects; and,
For samples selected, where appropriate, we performed the following procedures in relation to the key judgments used in the calculation of contract revenue:
we read the contract terms and conditions to evaluate whether the individual characteristics of each contract were reflected;
we assessed the estimations of costs to complete by checking to actual costs incurred to-date and performed inquiry with project teams over the preparation of budgets;
we assessed the contract progress and percentage of completion through discussions with project teams;
we tested the existence and valuation of variations and claims both within contract revenue and contract costs to underlying records, including expert reports supporting contentious positions; and,
we assessed the Group's ability to deliver contracts within budgeted margins by analysing the historical accuracy of margins and the relationship of cost versus billing status on contracts.</td></tr>
</table>

Key Audit Matters (continued)

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 28 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Foo Siak Chung
Approval Number: 03184/02/2020 J
Chartered Accountant

Petaling Jaya, Malaysia

Date: 13 April 2018

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

Save as disclosed below as at 31 December 2017, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board are not aware and do not have any knowledge of any proceedings, pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and its subsidiaries:

The wholly-owned subsidiary of Knusford Berhad ("KB"), Knusford Marketing Sdn Bhd ("KMKSB") had served a notice under Section 218(1)(e) & 218(2)(a) of the Companies Act 1965 (collectively "Notices") on Kinsteel Berhad ("KINSB") and Kin Kee Marketing Sdn Bhd ("KKMSB") on 25 November 2016 for failing to deliver steel bars ("Agreement") for an outstanding sum of RM19,574,186.09 (after netting off the RM500,000 collected on 23 September 2016).

A winding up petition had subsequently been served on both Companies, KINSB and KKMSB on 22 December 2016. The Notice of Appointment pursuant to Rule 32 Companies (Winding Up) Rules 1972 was fixed on 8 March 2017.

The winding up petition hearing continue to be postponed several times due to multiple Restraining Orders ("ROs") filed in different states.

The following is a summary of the latest winding up petition hearing on 18 January 2018 and 22 January 2018 at the Kuantan High Court:-

<u>KMKSB v KKMSB, Winding Up Petition No. 28NCC-49-12/2016</u>

The Court proceeded with the Hearing in the absence of the KKMSB and/or its solicitors, and granted as follows:-

a) KKMSB be wound up pursuant to winding up petition
b) Baltasar bin Maskor appointed as the private liquidator

<u>KMKSB v KINSB, Winding Up Petition No. 28NCC-50-12/2016</u>

KINSB's Chief Executive Officer ("CEO") sought for an adjournment of the hearing due to KINSB appointing new solicitors. The Court, in the interest of justice, had adjourned the hearing to 22 January 2018.

On 22 January 2018, the Court rejected KINSB's CEO request for another adjournment to appoint new solicitors, and thereafter proceeded to hear the winding up petition hearing proper. The Court ordered as follows:

a) KINSB be wound up pursuant to the winding up petition;
b) Duar Tun Kiat be appointed as Private Liquidator of KINSB as he gathers the majority creditors' consent.

KINSB has filed a Notice of Motion to stay the Winding Up Order. The hearing of the Notice of Motion is fixed on 8 March 2018. The decision for the hearing of the Notice of Motion to stay the Winding Up Order has been deferred from 8 March 2018 to 3 April 2018.

KINSB has also lodged an appeal to the Court of Appeal against the Winding Up Order and the Case Management for the Appeal is now fixed on 16 April 2018 at the Court of Appeal, Putrajaya, pending KINSB to file record of Appeal with grounds of judgement by the High Court.

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

- **UTILISATION OF PROCEEDS**

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

- **NON AUDIT FEES**

The amount of non-audit fee incurred for services rendered to the Company and Group by the External Auditor for the financial year ended 31 December 2017 amounted to RM8,000 and RM12,000 respectively.

There is no non-audit fee incurred for services rendered to the Company and Group by a firm or corporation affiliated to the External Auditor for the financial year ended 31 December 2017.

MATERIAL LITIGATION AND OTHER INFORMATION OF KNUSFORD BERHAD AND ITS SUBSIDIARIES

For The Year Ended 31 December 2017

- **MATERIAL CONTRACTS**

  Save as disclosed below as at 31 December 2017, neither the Company nor its subsidiaries has entered into any material contracts or material loans, not being contracts entered into the ordinary course of business, within two 2 years immediately preceding the date of this Report.

  i. On 14 April 2017, Knusford Construction Sdn Bhd entered into a Joint Venture Agreement with Compass Group Malaysia Sdn Bhd in respect of proposed joint venture for the purpose of:

     a) providing services to Petroliam Nasional Berhad and other third parties in the State of Johor; and

     b) seeking additional business through bidding on multiservice food and support services opportunities in the State of Johor (collectively "Works").

     For the purpose of undertaking this joint venture, a joint venture company with the name of "Knusford Compass Sdn Bhd" has been established to jointly undertake the Works.

     None of the Directors or Chief Executive or Major Shareholders or persons connected to them has/have any interest or indirect in the transaction.

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

  Pursuant to paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company will be seeking shareholders' mandate and additional mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature, at the forthcoming Annual General Meeting of Knusford Berhad scheduled to be held on 7 June 2018.

Date of Annual Report : 30 April 2018
Statement Date : 30 March 2018

1. SUBSTANTIAL SHAREHOLDERS

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

2. DIRECTORS' AND CHIEF EXECUTIVE'S SHAREHOLDINGS

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

° Deemed interest by virtue of their shareholdings in Aman Setegap Sdn Bhd
* Deemed interest by virtue of his shareholdings in Aman Setegap Sdn Bhd and Kinston Park Sdn Bhd
# Deemed interest by virtue of his shareholding in WCM Ventures Sdn Bhd

3. CLASS OF EQUITY SECURITY

Issued and Fully Paid-Up : RM 99,645,002.00
Class of Shares : Ordinary shares

There is only one class of equity security in the Issued and Paid-up share capital of the Company.
There were 920 shareholders holding 99,645,002 ordinary shares as at 30 March 2018.
Each share entitles the holder to 1 vote.

4. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	Shareholdings	%
Less than 100 shares	15	1.63	253	0.00
100 - 1,000 shares	421	45.76	168,600	0.17
1,001 - 10,000 shares	340	36.96	1,547,200	1.55
10,001 - 100,000 shares	88	9.56	2,847,151	2.86
100,001 to less than 5% of issued shares	53	5.76	49,813,676	49.99
5% and above of issued shares	3	0.33	45,268,122	45.43
TOTAL	920	100	99,645,002	100

5. THIRTY (30) LARGEST SHAREHOLDERS

	Name	Shareholdings	%
1.	Aman Setegap Sdn Bhd	30,000,000	30.11
2.	Khoo Nang Seng @ Khoo Nam Seng	8,124,122	8.15
3.	Dato' Lim Kang Swee	7,144,000	7.17
4.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ngai Sok Fong	4,500,946	4.52
5.	Wong Khai Shiuan	3,139,000	3.15
6.	Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Suhaizi Bin Hamid	3,001,800	3.01
7.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Gary Lee Seaton	2,669,300	2.68
8.	Wung Earn Lee	2,458,500	2.47
9.	Kinston Park Sdn Bhd	2,410,000	2.42
10.	Dato' Lim Kang Swee	2,372,000	2.38
11.	Soh Hui Fung	2,022,500	2.03
12.	Lim Seong Hai Holdings Sdn Bhd	1,966,900	1.97
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mohamad Nor Bin Hamid	1,800,000	1.81
14.	Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Pang Piu Fong	1,687,599	1.69
15.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Lai Leng	1,618,500	1.62
16.	Mayban Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Meow Yen	1,571,600	1.58
17.	Tan Sri Datuk Seri Lim Keng Cheng	1,533,000	1.54
18.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yap Kok Woon	1,295,000	1.30
19.	Lim Sew Hua	1,221,000	1.23
20.	Dato' Lim Kang Swee	1,088,354	1.09
21.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Mohamad Nor Bin Hamid	1,051,000	1.05
22.	Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Leak Goh	1,037,000	1.04
23.	Choong Wai Foong	926,300	0.93
24.	Tan Wen Shiow	871,800	0.87
25.	Lim Seong Hai Holdings Sdn Bhd	773,700	0.78
26.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lye Sau Chee	735,600	0.74
27.	Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Kim Leng	699,500	0.70
28.	Tan Sri Dato' Lim Kang Hoo	615,749	0.62
29.	Lim Soo San	541,200	0.54
30.	Icon Sejati Sdn Bhd	464,000	0.47

	Location	Age of Buildings	Tenure	Description/ Existing Use	Land Area (Hectares)#/ Built-up Area (sq.ft)*/(sq.m)^	Net Book Value (RM'000)	Date of Acquisition
1	Lot 2259 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	-	Freehold	Development Land	28.1419#	16,110	1-Nov-01
2	A piece of freehold land held under HSD 51799,PT43447, Mukim Klang, Negeri Selangor Darul Ehsan and bearing postal address of Lot 8, Jalan Kecapi 33/2, Section 33 Elite Industrial Estate, Shah Alam (with a 1 1/2 storey detached factory with an Annexed 3 Storey Office Building)	12	Freehold	Industrial Land and Premises	275,833*	14,959	20-Jun-07
3	Lot 942 Mukim Semenyih Daerah Ulu Langat Negeri Selangor	-	Freehold	Vacant Land	5.3874#	14,674	29-Feb-12
4	26 units of Danga Walk Shoplots Danga Bay Jalan Skudai 80200 Johor Bahru Johor Darul Takzim	9	Freehold	Shop Lot	2,994^	14,042	18-Mar-16
5	23 units of Danga Walk Shoplots Danga Bay Jalan Skudai 80200 Johor Bahru Johor Darul Takzim	9	Freehold	Shop Lot	2,580^	10,743	29-Dec-14
6	Tropez Residences Persiaran Danga Bay 80200 Johor Bahru	3	Freehold	Eleven (11) retail lots	1,003^	8,089	29-Apr-15
7	11 units Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	13	Freehold	Apartment	29,546*	6,106	21-Dec-06
8	Diamond Square Lot 335, 317 and 318 Jalan Gombak Mukim of Setapak District of Kuala Lumpur	21	Freehold	Seven (7) storey commercial buildings comprising one (1) retail & twelve (12) shop office	20,715 *	4,312	8-Jun-96
9	5 units Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	13	Freehold	Apartment	14,619*	2,923	01-Oct-05
10	9 units of Danga Walk Shoplots Danga Bay Jalan Skudai 80200 Johor Bahru Johor Darul Takzim	9	Freehold	Shop Lot	10,096*	2,767	25-Mar-09

Knusford Berhad (380100-D)
(Incorporated in Malaysia)

Form of Proxy

I/We (Full Name) ______________________ NRIC / Company No. ______________________

of (Full Address) ______________________

being a member of Knusford Berhad ("Company"), do hereby appoint (Full Name) ______________________

______________________ NRIC/Company No. ______________________ of (Full Address) ______________________

____

or failing him/her (Full Name), ______________________ NRIC/Company No. ______________________

of (Full Address) ______________________

or the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Second Annual General Meeting of the Company to be held at **Thistle Johor Bahru, Jalan Sungai Chat, 80100 Johor Bahru, Johor Darul Takzim** on Thursday, 7 June 2018 at 2.00 pm and, at any adjournment thereof.

My/Our proxy is to vote on a poll as indicated below with an "X".

NO.	RESOLUTIONS		FOR	AGAINST
1.	Re-election of Directors:- i) Lim Chen Herng ii) Avinderjit Singh A/L Harjit Singh iii) Bernard Hilary Lawrence	 (Resolution 1) (Resolution 2) (Resolution 3)		
2.	Approval of Directors' Fees	(Resolution 4)		
3.	Approval of Directors' Benefits	(Resolution 5)		
4.	Re-appointment of Auditors	(Resolution 6)		
5.	Ordinary Resolution Proposed Renewal Of the Authority for the Directors to Allot and Issues Shares	(Resolution 7)		
	Ordinary Resolution Proposed Renewal of Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	(Resolution 8)		

Dated this ______________ day of ______________________ 2018.

Number of shares held [ ]

____
Signature (s) of Shareholder (s)

Notes:
1. Only depositors whose names appear in the General Meeting Record of Depositors as at 31 May 2018 shall be entitled to attend and vote at the 22nd Annual General Meeting.
2. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting provided that where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of a proxy.
4. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. If the appointor is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. To be valid, the proxy form, duly completed must be deposited at the Registered Office not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof, in case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securites Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Cut Here

Fold Here

AFFIX
STAMP

The Company Secretaries

Knusford Berhad (380100-D)
#C-G-03, Blok C, Tropez Residen
Persiaran Danga Perdana
80200 Johor Bahru, Johor

Fold Here

KNUSFORD BERHAD
(380100-D)

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

Tel : (607) 2775555
Fax : (607) 2772038