KNUSFORD BERHAD (380100-D)

Notes to the interim financial report – 31 December 2018

A1 Basis of preparation

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

The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 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 and Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 2, *Share-based payment*
- Amendments to MFRS 3, *Business combination*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendment to MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendment to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendment to MFRS 138, *Intangible Assets*
- Amendments to IC Interpretation 12, *Service Concession Arrangements*
- Amendments to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to IC Interpretation 132, *Intangible Assets - Web Site Costs*

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

- from the annual period beginning on 1 January 2020 for the accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2020.

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 year and prior year financial statements of the Group and the Company except as mentioned below:

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.

A2 Significant accounting policies

The significant accounting policies and methods adopted for the interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2017, except for changes arising from the adoption of MFRS 15 “Revenue from Contracts with Customers” as described below:

(a) Adoption of MFRS 15 “Revenue from contracts with customers”

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 supersede the revenue recognition guidance including MFRS 118, *Revenue* and MFRS 111, *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer in substance obtains control of the asset.

The Group recognises revenue over time using the input method, which is based on the level of completion in proportion of cost incurred to date against the expected total construction costs.

The Group adopts the new standards on the required effective date using the full retrospective method. The affected areas upon the application of the new standards are as follows:

(i) <u>Property development revenue</u>

Under IFRIC 15, property development revenue is only recognised when 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.

Under the current MFRS 15, property development revenue from sale of residential properties is to recognise over time. Contract works stated above are performed progressively, revenue recognition point is as at when performance obligation are satisfied overtime.

(ii) <u>Recognition of provision for foreseeable losses for low cost housing</u>

The Group has existing obligations in respect of the development of affordable housing for rumah Selangorku and the school reserve in relation to Phase 1 Kajang development.

The Group is required to develop 304 units of rumah Selangorku and assign certain identified land as school reserves to comply with local authorities requirements.

This Standard defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract.

The Group recognises the losses as an onerous contract due to the existence of contractual obligation to build the affordable homes.

A2 Significant accounting policies (“continued”)

(iii) Adoption of MFRS 9 “Financial Instruments”

The Group adopted MFRS 9, Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparative. Adjustments arising from the initial application of the new impairment model has been recognised in the opening balance of the retained earnings and the carrying amount of the financial assets as at 1 January 2017.

Restatement of comparative figures

(i) Reconciliation of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Current 3 months ended 31 December 2017			
	Previously	**Effects of adoption MFRS 15**	**Effects of adoption MFRS 137**	**Restated**
	RM’000	**RM’000**	**RM’000**	**RM’000**
Revenue	34,609	4,543	-	39,152
Cost of sales	(35,730)	(3,033)	-	(38,763)
Interest expense	(293)	-	(936)	(1,229)
Tax expense	(142)	150	(1,979)	(1,971)

	Cumulative 12 months ended 31 December 2017			
	Previously	**Effects of adoption MFRS 15**	**Effects of adoption MFRS 137**	**Restated**
	RM’000	**RM’000**	**RM’000**	**RM’000**
Revenue	140,851	20,603	-	161,454
Cost of sales	(134,698)	(13,766)	-	(148,464)
Interest expense	(1,136)	-	(936)	(2,072)
Tax expense	(2,055)	71	(1,430)	(3,414)

(ii) Reconciliation of Consolidated Statement of Financial Position as at 31 December 2017

	Previously	**Effects of adoption MFRS 9**	**Effects of adoption MFRS 15**	**Effects of adoption MFRS 137**	**Restated**
	RM’000	**RM’000**	**RM’000**	**RM’000**	**RM’000**
Land held for future development	2,128	-	(2,128)	-	-
Investment properties	96,304	-	(16,110)	-	80,194
Deferred tax assets	4,398	-	-	(4,398)	-
Inventories	63,645	-	(10,267)	(5,770)	47,608
Trade and other receivables	127,384	-	8,182	-	135,566
Retained earnings	138,773	-	15,222	(32,362)	121,633
Trade and other payables	87,484	-	(35,217)	22,350	74,617
Deferred tax liabilities	1,274	-	(484)	-	790

A3 Auditors’ report

There was no qualification on the audited report of the Group’s preceding annual financial statements.

A4 Seasonal or cyclical factors

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

A5 Unusual items due to their nature, size or incidence

There were no unusual items for the year ended 31 December 2018.

A6 Changes in estimates

Not applicable.

A7 Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and 12 months ended 31 December 2018.

A8 Dividends paid

No dividend was paid for the current quarter and 12 months ended 31 December 2018.

A9 Segmental information

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

Current quarter ("4Q 2018") against preceding year corresponding quarter ("4Q 2017")

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	31 December 2018 Revenue	31 December 2017 Revenue (Restated)	Amount	%
	RM'000	RM'000	RM'000	
Trading and services	36,269	17,181	19,088	111.1
Property development	-	4,543	(4,543)	(100.0)
Construction	73,099	18,745	54,354	290.0
Investment property	657	713	(56)	(7.9)
	110,025	41,182	68,843	167.2
Inter-segment elimination	(8,053)	(2,030)	(6,023)	(296.7)
	101,972	39,152	62,820	160.5

	Current Year Quarter	Preceding Year Corresponding Quarter	Changes	
	31 December 2018 Profit/(Loss) before tax	31 December 2017 Profit/(Loss) before tax (Restated)	Amount	%
	RM'000	RM'000	RM'000	
Trading and services	(1,684)	(346)	(1,338)	(386.7)
Property development	2,600	5,121	(2,521)	(49.2)
Construction	(7,860)	(6,890)	(970)	(14.1)
Investment property	309	709	(400)	(56.4)
	(6,635)	(1,406)	(5,229)	(371.9)
Elimination	34	(171)	205	119.9
Unallocated income	2,287	1,539	748	48.6
Unallocated expenses	(1,533)	(2,030)	497	24.5
	(5,847)	(2,068)	(3,779)	(182.7)

A9 Segmental information (continued)

Current year to date (“YTD 2018”) against preceding year to date (“YTD 2017”)

	12 months ended	12 months ended	Changes	
	31 December 2018 Revenue	31 December 2017 Revenue (Restated)	Amount	%
	RM’000	RM’000	RM’000	
Trading and services	101,144	89,440	11,704	13.1
Property development	4,707	27,274	(22,567)	(82.7)
Construction	118,653	49,555	69,098	139.4
Investment Property	2,694	3,028	(334)	(11.0)
	227,198	169,297	57,901	34.2
Inter-segment elimination	(18,084)	(7,843)	(10,241)	(130.6)
	209,114	161,454	47,660	29.5

	12 months ended	12 months ended	Changes	
	31 December 2018 Profit/(Loss) before tax	31 December 2017 Profit/(Loss) before tax (Restated)	Amount	%
	RM’000	RM’000	RM’000	
Trading and services	(5,054)	(4,901)	(153)	(3.1)
Property development	334	11,419	(11,085)	(97.1)
Construction	(23,606)	(7,907)	(15,699)	(198.5)
Investment Property	529	1,050	(521)	(49.6)
	(27,797)	(339)	(27,458)	(8,099.7)
Elimination	(451)	(1,550)	1,099	70.9
Unallocated income	3,262	3,069	193	6.3
Unallocated expenses	(3,491)	(4,617)	1,126	24.4
	(28,477)	(3,437)	(25,040)	(728.5)

A10 Valuation of property, plant and equipment

Valuation of property, plant and equipment has been brought forward, without amendment from the preceding annual financial statements.

A11 Event subsequent to the balance sheet date

There were no material events subsequent to the balance sheet date.

A12 Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter and 12 months ended 31 December 2018.

A13 Changes in contingent liabilities

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	As at 31 December 2018
	RM'000
Guarantees and contingencies relating to Borrowings of subsidiaries (unsecured)	11,850
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A14 Significant Related Party Transactions

The group has significant related party transactions with companies in which certain directors of the Company have interest, as follows: -

	12 months ended 31 December 2018
	RM'000
With companies in which certain Directors of the Company, have interests:	
Aramijaya Sdn Bhd	1,848
Danga Bay Sdn Bhd	424
Ekoriver Construction Sdn Bhd	12,873
Ekovest Capital Sdn Bhd	470
Ekovest Construction Sdn Bhd	52,209
Ekovest Project Management Sdn Bhd	975
Ekovest Properties Sdn Bhd	(205)
Iskandar Waterfront City Berhad and its subsidiaries	21,317
Iskandar Waterfront Sdn Bhd	5,230
Rampai Fokus Sdn Bhd	1,823
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B1 Detailed analysis of the performance of all operating segment of the Group in 4Q 2018

Current quarter ("4Q 2018") against preceding year corresponding quarter ("4Q 2017")

	Individual Period (4th Quarter)		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter (Restated)	Amount	%
	31 December 2018 RM'000	31 December 2017 RM'000	RM'000	
Revenue	101,972	39,152	62,820	160.5
Gross Profit/(loss)	(29)	389	(418)	(107.5)
Result from operating activities	(7,097)	(2,377)	(4,720)	(198.6)
Share of profit/ (loss) of equity-accounted investments, net of tax	2,222	1,374	848	61.7
Loss before Tax	(5,847)	(2,068)	(3,779)	(182.7)
Loss After Tax	(7,099)	(4,039)	(3,060)	(75.8)
Loss Attributable to Ordinary Equity Holders of Parent	(7,101)	(4,033)	(3,068)	(76.1)

For the 4Q 2018, the Group registered revenue of RM101.972 million and loss before tax of RM5.847 million as compared to revenue of RM39.152 million and loss before tax of RM2.068 million reported in the 4Q 2017. The increase in the Group revenue was mainly due to higher contribution from trading and construction sectors. Despite an increase in revenue of RM62.820 million, the loss before tax for 4Q 2018 as compared to 4Q 2017 has increased by RM3.779 million, mainly due to additional loss incurred on a construction project.

The performance of the respective operating business segments for the 4Q 2018 under review as compared to the 4Q 2017 is analysed as follow:

Trading and services
The trading sector reported higher revenue of RM36.269 million in 4Q 2018 as compared to RM17.181 million in 4Q 2017. Although the revenue has increased by RM19.088 million (111.1%) in 4Q 2018, the loss before tax has increased by RM1.338 million (386.7%), mainly due to provision for impairment on trade receivables and property, plant and equipment of RM2.085 million.

Property development
No revenue was recognised in 4Q 2018 as compared to RM4.543 million in 4Q 2017, mainly due to no sale of development units in 4Q 2018 in view of soft property market sentiment.

The profit before tax of RM2.600 million in 4Q 2018 is mainly due to reversal of provision made on onerous contract in the current quarter pursuant MFRS 137. The loss on onerous contract was retrospectively recognized in the financial year ended 2016 when the obligation to build affordable home existed. The profit before tax of RM5.121 million for 4Q 2017 inclusive of reversal of provision for foreseeable loss on affordable housing project amounted to RM3.908 million.

Construction
The construction sector registered a higher revenue of RM73.099 million in 4Q 2018 as compared to RM18.745 million in 4Q 2017. The increase in revenue for 4Q 2018 was mainly due to increase in work done for our construction projects. Despite an increase in the revenue by 290.0%, the loss before tax for 4Q 2018 as compared to 4Q 2017 increased by 14.1%, mainly due to recognition of additional losses for a construction project located in Johor of RM14.264 million.

Investment property
The investment property sector reported a lower revenue of RM0.657 million compared to RM0.713 million in 4Q 2017. Correspondingly, the profit before tax for 4Q 2018 has decreased from RM0.709 million to RM0.309 million as compared to 4Q 2017.

Financial review for financial year to date

	Cumulative Period		Changes	
	Current Year To-Date	Preceding Year To-Date	Amount	%
	31 December 2018 RM'000	31 December 2017 RM'000	RM'000	
Revenue	209,114	161,454	47,660	29.5
Gross Profit/(loss)	(9,353)	12,990	(22,343)	(172.0)
Result from operating activities	(29,755)	(4,433)	(25,322)	(571.2)
Share of profit/ (loss) of equity-accounted investments, net of tax	2,375	2,251	124	5.5
Loss before Tax	(28,477)	(3,437)	(25,040)	(728.5)
Loss After Tax	(29,189)	(6,851)	(22,338)	(326.1)
Loss Attributable to Ordinary Equity Holders of Parent	(29,192)	(6,845)	(22,347)	(326.5)

Current year to date ("YTD 2018") against preceding year corresponding period ("YTD 2017")

For the YTD 2018, the Group recorded revenue of RM209.114 million, an increase of RM47.660 million or 29.5% from RM161.454 million in YTD 2017. The Group also recorded loss before tax of RM28.477 million in YTD 2018. The increase in total revenue was mainly due to increase in work done for our construction projects. The increase in the Group's loss before tax by RM25.040 million compared to YTD 2017 was mainly due to losses incurred by a construction project for YTD 2018.

The performance of the respective operating business segments for the YTD 2018 under review as compared to the YTD 2017 is analysed as follow:

<u>Trading and services</u>
The trading sector reported an increase revenue of RM11.704 million for the YTD 2018 as compared to RM89.440 million in YTD 2017. The increase in revenue was mainly due to the increase in demand from our existing key customers. Despite an increase in revenue of RM11.704 million, the sector has registered higher loss before tax of RM5.054 million compared to RM4.901 million in YTD 2017, mainly due to provision of impairment on trade receivables and property, plant and equipment. The losses was mitigated by the improved revenue for YTD 2018.

<u>Property development</u>
The property development sector registered a lower revenue of RM4.707 million in YTD 2018 as compared to RM 27.274 million in YTD 2017, mainly due to lesser units sold in YTD 2018. The decrease in the profit before tax of RM0.334 million in YTD 2018 as against RM11.419 million in YTD 2017 is in tandem with the decrease in revenue.

<u>Construction</u>
The construction sector registered a higher revenue of RM118.653 million in YTD 2018 as compared to RM49.555 million in YTD 2017. Despite an increase in revenue of RM69.098 million, the sector has registered loss before tax of RM23.606 million compared to RM7.907 million in YTD 2017 mainly due to losses incurred by a construction project in Johor of RM27.036 million.

<u>Investment property</u>
The investment property sector recorded a lower revenue of RM2.694 million in YTD 2018 as compared to RM3.028 million in YTD 2017. The decrease in the profit before tax of RM0.521 million in YTD 2018 is mainly due to recognition of gain on disposal of investment property of RM0.586 million in YTD 2017.

B2 Comparison with preceding quarter results

Current quarter ("4Q 2018") against immediate preceding quarter ("3Q 2018")

	Current Quarter	Immediate Preceding Quarter (Restated)	Changes	
	31 December 2018	30 September 2018	Amount	%
	RM'000	RM'000	RM'000	
Revenue	101,972	53,960	48,012	89.0
Gross Profit/(loss)	(29)	2,771	(2,800)	(101.0)
Result from operating activities	(7,097)	(1,611)	(5,486)	(340.5)
Share of profit/ (loss) of equity-accounted investments, net of tax	2,222	(957)	3,179	332.2
Loss before Tax	(5,847)	(2,707)	(3,140)	(116.0)
Loss After Tax	(7,099)	(2,930)	(4,169)	(142.3)
Loss Attributable to Ordinary Equity Holders of Parent	(7,101)	(2,931)	(4,170)	(142.3)

For 4Q 2018, the Group recorded revenue of RM101.972 million, an increase of RM48.012 million or 89.0% from RM53.960 million in 3Q 2018. The Group also recorded loss before tax of RM5.847 million as compared to loss before tax of RM2.707 million in 3Q 2018. The increase in revenue is mainly due to higher contribution from construction sector. Despite an increase in revenue, the loss before tax was increased mainly due to losses incurred on a construction project and additional provision for impairment on receivables in 4Q 2018.

B3 Prospects

The sluggish outlook for the construction and property development industry where the Group business substantially rely on, is expected to prolong and remain challenging to the Group's performance. Nonetheless, moving forward, the Group aim to increase its construction order book, with current order book estimated at RM407.111 million and enhance its trading activities. The Group will continue to look for new business opportunities in Malaysia and abroad, in its effort to strive for a commendable performance for the next financial year.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Taxation

	Current quarter ended 31 December 2018 RM '000	**12 months ended 31 December 2018 RM '000**
Income tax		
Current provision	741	761
Deferred tax	511	(49)
	1,252	712

B6 Corporate proposals

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

B7 Group borrowings

	As at 4th Quarter ended 2018		
	Long term RM'000	**Short Term RM'000**	**Total borrowings RM'000**
Secured			
Revolving credit	-	-	-
Unsecured			
Revolving credit	-	9,000	9,000
Finance lease liabilities	1,608	1,121	2,729
	1,608	10,121	11,729

	As at 4th Quarter ended 2017		
	Long term RM'000	**Short Term RM'000**	**Total borrowings RM'000**
Secured			
Revolving credit	-	500	500
Unsecured			
Revolving credit	-	16,300	16,300
Finance lease liabilities	1,987	1,110	3,097
	1,987	17,910	19,897

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

B8 Changes in material litigation

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

The wholly-owned subsidiary of Knusford Berhad ("KB"), Knusford Marketing Sdn Bhd ("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 winding up petition status:-

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

<u>High Court</u>

On 18 January 2018, the Court proceeded with winding up hearing in absence of the KKMSB's directors and/or its solicitors and granted as follows:-

a) KKMSB be wound up pursuant to Section 218(1)(e) and/or Section 218(2)(a) of the Companies Act 1965.
b) Baltasar bin Maskor was appointed as private liquidator of KKMSB.

No appeal whatsoever was filed by KKMSB against the winding up order and the order appointing the private liquidator.

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

<u>High Court</u>

On 18 January 2018, KINSB's Chief Executive Officer ("CEO") sought for an adjournment of winding up hearing after the Court allowed KINSB's recent solicitors', Messrs Chooi, Saw & Lim application to discharge themselves from acting on behalf of KINSB on the very same day. The Court, in the interest of justice, allowed KINSB's adjournment application and fixed next hearing on 22 January 2018 to enable KINSB to engage new counsels to act on their behalf.

On 22 January 2018, KINSB failed to get any solicitors to represent them. KINSB, vide its CEO, sought for a further adjournment of the winding up hearing on the same pretext of getting a legal representation. The Court rejected KINSB's CEO's request for another adjournment, proceeded to hear the winding up petition and ordered as follows:

a) KINSB be wound up pursuant to Section 218(1)(e) and/or Section 218(2)(a) of the Companies Act 1965.
b) Duar Tuan Kiat be appointed as private liquidator of KINSB as he gathers the majority creditors' consent.

On 5 February 2018, KINSB filed a motion to stay the winding up order. The decision for the same was deferred from 8 March 2018 to 3 April 2018. On 3 April 2018, the High Court dismissed KINSB's application for stay of the winding up order.

<u>Court of Appeal</u>
KINSB has subsequently filed a further motion at the Court of Appeal to stay the winding up order on 12 April 2018.

KMKSB filed a motion on 2 May 2018 to seek for security for costs of the appeal proper in the sum of RM200,000.00. On 27 July 2018, KMKSB, vide its solicitors, received offer from KINSB that it agreed to pay security at a reduced amount of RM100,000.00 which was to be shared among four respondents (KMKSB, AmBank (M) Islamic Berhad, AmBank (M) Berhad and AmBank (M) Berhad in its capacity as agent for multiple lenders). KMKSB agreed with the arrangement if it received RM25,000.00 by 3 August 2018.

On 8 August 2018, the motion for security for costs were struck out with no order as to costs as the respondents had received the sum RM25,000 from KINSB on 3 August 2018.

B8 Changes in material litigation (cont'd)

Court of Appeal (cont'd)

During a Case Management on 12 November 2018, the Court fixed Hearing for the appeal proper on 26.11.2018.

However, 22 days before the appeal proper, on 4 November 2018, KINSB's solicitors, Messrs Chooi, Saw & Lim ("CSL") filed a motion to discharge themselves from acting for KINSB. The motion was heard on 10.1.2019. The Court dismissed the motion on the basis that the supporting affidavit which was affirmed by Chow Siew Wai on 5.11.2018 merely contained bare assertions that CSL was not able to obtain instructions from KINSB. No proof was forwarded by CSL to show CSL's efforts in obtaining KINSB's instruction.

During a Case Management before the Registrar on 10.1.2019, CSL sought a date to file a new motion to discharge. Despite being objected to by solicitors for KMKSB, AmBank (M) Islamic Berhad, AmBank (M) Berhad and AmBank (M) Berhad in its capacity as agent for multiple lenders, the Registrar fixed a Case Management on 4.3.2019 for CSL to file the new motion.

There was no date fixed for the appeal proper.

B9 Dividends declared

No interim dividend has been declared for the current quarter ended 31 December 2018.

B10 Earnings per share

	Current quarter ended 31 December 2018	**Preceding year corresponding quarter ended 31 December 2017 (Restated)**	**Cumulative 12 months ended 31 December 2018**	**Cumulative 12 months ended 31 December 2017 (Restated)**
Net loss attributable to ordinary shareholders (RM'000)	(7,101)	(4,033)	(29,192)	(6,845)
Weighted average number of ordinary shares in issue ('000)	99,645	99,645	99,645	99,645
Basic loss per share (sen)	(7.13)	(4.05)	(29.30)	(6.87)
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

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

	Current quarter ended 31 December 2018 RM'000	**12 months ended 31 December 2018 RM'000**
Loss before tax is arrived at after (crediting)/charging :		
Interest income	(44)	(860)
Other income including investment income	(184)	(957)
Interest expense	1,016	1,957
Depreciation and amortisation	1,088	4,163
Provision for and write off of receivables	3,202	3,235
(Reversal of)/Provision for foreseeable loss	(6,577)	(2,968)
Unwinding of interest	992	992

B12 Fair value information

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

Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical financial assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liabilities, either directly or indirectly

Level 3 – Inputs for the financial asset or liabilities that are not based on observable market data

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

	Level 1 RM’000	Level 2 RM’000	Level 3 RM’000	Total fair value RM’000	Carrying amount RM’000
31 December 2018					
Financial liabilities					
Finance lease liabilities	-	-	2,847	2,847	2,729
31 December 2017					
Financial liabilities					
Finance lease liabilities	-	-	3,255	3,255	3,097