Knusford Berhad (380100-D)

(Incorporated in Malaysia)

ANNUAL REPORT 2018

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
Lim Chen Thai	- 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-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting of the Company will be held at DoubleTree by Hilton Hotel Johor Bahru, 12 Jalan Ngee Heng, 80000 Johor Bahru, Johor Darul Takzim on Thursday, 20 June 2019 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 2018 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) Mohd Salleh Bin Othman **(Resolution 1)**
   ii) DYAM Tunku Ismail Ibni Sultan Ibrahim **(Resolution 2)**
   iii) Lee Wai Kuen **(Resolution 3)**

3. To re-elect Lim Chen Thai who retires in accordance with Article 89 of the Company's Articles of Association. **(Resolution 4)**

4. To approve the payment of Directors' Fees of RM180,000.00 for the financial year ended 31 December 2018. **(Resolution 5)**

5. To approve the payment of Directors' Benefits up to an amount of RM200,000.00 with effect from the Twenty-Third Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 6)**

6. To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

7. As Special Business, to consider and if thought fit, to pass the following Ordinary and Special Resolutions:-

   ORDINARY RESOLUTION 1
   PROPOSED RENEWAL OF THE AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES

   "THAT pursuant to Section 75 and 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 8)**

   ORDINARY RESOLUTION 2
   PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND ADDITIONAL MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Mandate")

   "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 2019 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".

FURTHER THAT the Directors and/or any of them be and are hereby authorized to complete and do all such acts and things including executing such documents as may be required to give effect to the transactions contemplated and/or authorized by this Ordinary Resolution." **(Resolution 9)**

SPECIAL RESOLUTION

PROPOSED ALTERATION OF THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION BY REPLACING WITH A NEW CONSTITUTION ("PROPOSED ALTERATION")

"THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution enclosed herewith as Annexure A with effect from the date of passing this special resolution.

THAT the Directors of the Company be hereby authorized to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full power to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities." **(Resolution 10)**

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

By Order of the Board

Lim Thiam Wah, *ACIS*
Lim Aik Yong, *ACIS*
Chartered Secretaries
Johor Bahru
30 April 2019

Notes:
1. Only depositors whose names appear in the General Meeting Record of Depositors as at 31 May 2019 shall be entitled to attend and vote at the Twenty-Third 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 Securities 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 4:
Article 82 of the Company's Memorandum and Articles of Association expressly states that at the Annual General Meeting ("AGM") 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. Whereas Article 89 provides that any Directors so appointed shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Pursuant to Article 82, Mohd Salleh Bin Othman, DYAM Tunku Ismail Ibni Sultan Ibrahim and Lee Wai Kuen are standing for re-election at this AGM. Lim Chen Thai is standing for re-election pursuant to Article 89 at this AGM.

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 Mohd Salleh Bin Othman, DYAM Tunku Ismail Ibni Sultan Ibrahim, Lee Wai Kuen and Lim Chen Thai, and recommended for their re-election. The Board endorsed the NRC's recommendation that Mohd Salleh Bin Othman, DYAM Tunku Ismail Ibni Sultan Ibrahim, Lee Wai Kuen and Lim Chen Thai be re-elected as Directors of the Company.

Resolutions 5 and 6:
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 AGM in two (2) separate resolutions as below:

i) Resolution 5 seeks approval for the payment of Directors' Fees of RM180,000.00 for the financial year ended 31 December 2018; and

ii) Resolution 6 seeks approval for the payment of Directors' Benefits up to an amount of RM200,000.00 with effect from the Twenty-Third AGM until the next AGM 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-Third AGM until the next AGM of the Company exceeds the estimated amount sought in the AGM, a shareholders' approval is to be sought in the next AGM of the Company in 2020 on the payment of the exceeded amount.

NOTICE OF THE TWENTY-THIRD ANNUAL GENERAL MEETING

Resolution 7:
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 8:
The Proposed Resolution 8 if passed, will empower the Directors of the Company to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the 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 AGM. 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 AGM held on 7 June 2018 and which will lapse at the conclusion of the Twenty-Third AGM. 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 9:
The Proposed Resolution 9, if passed, will authorise the Group to enter into recurrent related party transactions as specified in the Circular to Shareholders dated 30 April 2019, 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 AGM of the Company.

Resolution 10:
This Proposed Special Resolution no. 10, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other provisions of laws and regulations that are applicable to the Company.

For further information on the Proposed Alteration, please refer to the Annexure A enclosed together with this Notice of General Meeting of the Company dated 30 April 2019.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

Construction

Landscaping

Machineries

Property Development

PROFILE OF CHAIRMAN, MANAGING DIRECTOR AND DIRECTORS

DYAM TUNKU ISMAIL IBNI SULTAN IBRAHIM, male, aged 35, Malaysian, was appointed as Chairman and Non-Independent Non-Executive Director of Knusford Berhad on 21 August 2013. DYAM Tunku Ismail has completed his studies in Hale School, Australia. After completing his studies in Hale School, Australia, DYAM Tunku Ismail was enrolled into the Indian Military Academy. He was appointed as Tunku Mahkota Johor in 2010.

DATUK AHMAD ZAKI BIN ZAHID, male, aged 48, 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 32, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 21 August 2013. He graduated with a Degree in Business Management from Royal Holloway, University of London in 2008. He has been with the family business since 2008, with management exposure in the property development, construction, finance and oil & gas industry. He also sits in the board of several private limited companies, most notably the master developer Iskandar Waterfront Holdings Sdn Bhd. At present, he is the Group Executive Director in Iskandar Waterfront Holdings Sdn Bhd where he oversees the business development and investment for the group. Besides he is also an Executive Director in Ekovest Berhad and an Alternate Director in Iskandar Waterfront City Berhad.

MR. LIM CHEN THAI, male, aged 25, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 26 February 2019. He graduated with a Bachelor of Banking and Finance from Monash University (Caulfield Campus). He is a Director in Iskandar Waterfront Holdings Sdn Bhd ("IWH"). He serves the IWH Group of companies in various capabilities since joining them in 2015. He is currently an Alternate Director in Ekovest Berhad and PLS Plantations Berhad .

MR. BERNARD HILARY LAWRENCE, male, aged 52, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 12 April 2013. He holds a Bachelor Degree in Law (Hons) from the University of Warwick, Coventry, England, a Masters Degree in Law from the University of Malaya and is a Barrister of Grays Inn, London. Since graduating from the University of Warwick, England in 1990, Mr. Bernard has garnered considerable experience having served as a Head of Legal Department for a local bank, as a Legal Adviser to a subsidiary of Telekom Malaysia Berhad and as a Group Legal Adviser to the Articulate Group of Companies. Since 2001, he has been the Managing Partner of Messrs B H Lawrence, Advocates & Solicitors. With his varied experience, Mr Bernard has knowledge of the corporate and legal, as well as a practicing advocate and solicitor. He is also an Independent Non-Executive Director of Iskandar Waterfront City Berhad and a KLRCA empaneled CIPAA Adjudicator.

MR. AVINDERJIT SINGH A/L HARJIT SINGH, male, aged 48, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 21 August 2013. He has completed his education in Singapore Stamford College. He has been in the marketing industry for the past 20 years since the completion of his education in Singapore Stamford College. He has experience and exposure in several industries such as property development, oil & gas and auto sports industry. He also sits in the board of several other private limited companies. He is also an Independent Non-Executive Director of Redtone International Berhad.

MR. LIM FOO SENG, male, aged 49, Malaysian, was appointed to the Board of Directors 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.

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 67, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 4 December 2013. He graduated with Bachelor of Science (Hons) Degree in Housing, Building and Planning from Universiti Sains Malaysia. After graduation, he joined 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 53, Malaysian, was appointed to the Board of Directors of Knusford Berhad on 4 December 2013. He holds a Law Degree from London University and MBA Degree from Heriot-Watt University. He was an Executive Director of Protech Yu (Asia) Sdn Bhd, a subsidiary of Goldis Berhad from 2007 to 2010. He was involved in the day to day operation of the aquaculture business, in charge of farm development, farm operating and marketing.

Prior to his involvement in the aquaculture industry, he was attached with Bumi Hiway & Selia Group of Companies as Head of Legal Department. He has more than 23 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 39, 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 brother to Mr. Lim Chen Thai.

- Mr. Lim Chen Thai is a son of Tan Sri Dato' Lim Kang Hoo, nephew to Dato' Lim Kang Swee and brother 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 and father to Mr. Lim Chen Herng and Mr Lim Chen Thai.

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

KEY SENIOR MANAGEMENT

MR. TAN TEOW KEAT, male, aged 61, 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.

MADAM LIM SEW HUA, female, aged 69, 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 52, 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.

MR. WONG YONG YI, male, aged 33, Malaysian, was appointed as Project Director - landscape division of Knusford Berhad on 22 June 2015. He graduated with Bachelor of Civil Engineering (Honours) and Bachelor of Commerce (Finance) from the University of Melbourne and was working as a Civil and Structural Engineer for 6 years in Melbourne and in Kuala Lumpur. His experiences in designing, site monitoring and in liaising with multiple parties helped him in managing the landscape division more efficiently. He is responsible in the ensuring the quality of work ands site progresses as well as in resolving contractual and financial matters of the landscape division.

MS. JIANG MI, female, aged 33, Chinese, she joined Knusford Berhad on 22 June 2015 and currently holding the post of Deputy Project Director - landscape division of Knusford Berhad. 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 51, 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. Lim Chen Thai.

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 ("FYE") 31 December 2018.

Overview of Financial Performance

For FYE 2018, the Group reported revenue of RM209.46 million, a healthy increase of 29.73% compared to revenue of RM161.45 million in FYE 2017. The significant escalation in revenue was predominantly drawn from the construction and trading divisions, where sales were high arising from the commencement of new construction projects.

The Group's loss before tax, however, deteriorated from RM3.44 million in FYE 2017 to RM29.03 million in FYE 2018. The poor performance of the Group in FYE 2018 stemmed from the loss sustained by the Group in a construction project in Pengerang, Johor despite the construction division recording the strongest revenue from among all divisions in the Group.

2018 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.

Moving Forward

KB will continue to grow and add value to all our business divisions comprising trading of building materials and rental of plant and machinery, civil construction and engineering works, as well as property development, to attain sustainable returns for our shareholders. Financial management and cost control will be strongly emphasised, while business development will continue to be pursued to ensure a steady pipeline of work going forward.

The trading division will pursue practical measures to ensure that it is not only remains resilient and cost effective, but also relevant and competitive in the market place given the growth in suppliers from China and other markets. The ongoing Setiawangsa Pantai expressway and River of Life projects are anticipated to further enhance the revenue for this division in 2019.

The construction division has attained the highest revenue for the Group in 2018. Furthermore, business development activities have surpassed targets, garnering the Group an order book of more than RM410 million in 2018. The Board expects the projects secured to enhance the Group's earnings and net assets in 2019. Though the industry as a whole is facing immense challenges and is forecast to grow at a relatively slow pace in 2019, the Group will take all concerted efforts and continue to bid for viable projects, particularly with our existing clients, to ensure that the construction division's business remains intact and sustainable. We will also strive to ensure that the loss suffered by the Group in 2018 would not be repeated and hence return the construction division to profitability soon.

The property market faced severe challenges in 2018 and will continue to do so in the near future. The factors of poor sentiment, price affordability, oversupply in certain segments, and disinclination of lenders to give out loans are some of the major obstacles faced by the industry. Nonetheless, the Group takes the long view of the property market and will continue to participate in property development albeit in a more cautious and careful manner.

The Group's low gearing should place us in good stead to secure new construction and other projects in the future. KB will continue to diligently pursue projects by exploring business opportunities independently or through strategic alliances with business partners and associates.

Industry Overview and Prospects

Malaysia's economic prospects remain favourable on the back of sound domestic demand. However, the construction and property development industries remain vulnerable owing to the uncertainties of the macro market, poor sentiment, as well as the structural challenges mentioned earlier. As such, we expect the Group to face increasing competition in all aspects of its businesses.

KB will continue to take proactive measures to strengthen our skills and capabilities, manage our cost base and finances, seek out quality and cost-effective products and services, enhance our network and business relationships, compete and bid for viable projects, and deliver to our clients on time and at agreed costs – all in order to deliver superior performance and enhance shareholder returns.

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 express my most sincere appreciation on behalf of the Board to our former director, Mr Lee Hun Kheng for his invaluable contribution to the Group during his tenure of office. In addition, I would like to take the opportunity to welcome Mr Lim Chen Thai who joined the Board on 26 February 2019.

Last but not least I would 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, property development and investment property.

Overview of Financial Performance

For FYE 2018, the Group reported revenue of RM209.46 million representing an increase of approximately RM48.01 million as compared to revenue of RM161.45 million in FYE 2017. The Group also reported a higher loss before tax of RM29.03 million for FYE 2018 as compared to a loss before tax of RM3.44 million in FYE 2017. The Group's FYE 2018 poorer results were mainly attributable to the losses incurred by a construction project in Johor of RM27.04 million.

The trading division remains a stable revenue contributor to the Group, reporting revenue of RM79.42 million and segmental profit of RM2.73 million. Revenue has improved by RM0.34 million or 0.43% compared to the previous year's revenue of RM79.08 million. Nonetheless, the profit before tax decreased from RM3.62 million to RM2.73 million, mainly due to impairments on trade receivables during the year.

The construction division recorded the highest revenue among all the divisions in the Group, i.e. RM117.41 million and segmental loss of RM24.07 million for FYE 2018 compared to revenue of RM47.08 million and segmental loss of RM7.91 million for FYE 2017. The increase in revenue for FYE 2018 was principally due to the increase in construction works for its on-going projects in the current year compared to the preceding year.

The property development division recorded revenue of RM4.70 million and segmental profit of RM0.33 million for FYE 2018. The performance has deteriorated substantially compared to the preceding year, where revenue of RM27.27 million and profit before tax of RM11.42 million was recorded, this being mainly due to the completion of a project and delivery of a significant number of completed property units to purchasers in FYE 2017. The revenue and results for FYE 2018 was also been affected by the current subdued market sentiment in the industry.

The investment property division recorded lower revenue compared to the preceding year as revenue decreased from RM2.42 million to RM2.15 million. This division recorded segmental profit of RM0.02 million for FYE 2018 compared to segmental profit of RM0.89 million in FYE 2017, which was mainly due to an one-off gain arising from the disposal of investment property in FYE 2017.

The services division recorded higher revenue compared to the preceding year as revenue increased from RM5.60 million to RM5.80 million. This division recorded segmental loss of RM7.59 million for FYE 2018 compared to segmental loss of RM9.91 million in FYE 2017, which is mainly due to impairment of plant and equipment during the year.

Out of the Group's two joint ventures, the facility management services joint venture entity recognised a profit of RM3.18 million as its share of results in FYE 2018 versus RM0.95 million in FYE 2017. The other joint-venture entity involved in the construction sector, recorded a loss of RM0.84 million as its share of results of its joint venture in FYE 2018, as compared to a profit of RM1.31 million in FYE 2017. Overall, this has resulted in the Group's share of profit of equity accounted investments improving from RM2.26 million to RM2.34 million.

The equity attributable to the equity-holders of Knusford Berhad stood at RM209.74 million as at FYE 2018 versus RM242.20 million in FYE 2017.

Cash and cash equivalents reported a decrease from RM38.15 million in FYE 2017 to RM33.49 million in FYE 2018. This was attributed to repayment of loans and borrowings, in which have decreased from RM19.90 million to RM11.73 million.

The gearing ratio of the Group decreased from 8.2% to 5.6%, comparing FYE 2017 to FYE 2018, following the repayment of bank borrowings of RM7.8 million during the year.

Prospects

The Group aims to continue with its core areas of business in trading and services (building materials and rental of plant and machinery), construction and property development/ investment.

The trading division is expected to continue to be a stable source of revenue and income for the Group. On-going main projects undertaken by one of our customers, Ekovest Bhd Group, namely Setiawangsa Pantai Expressway ("SPE") and River of Life projects are expected to further enhance our revenue in the trading division in the following financial years.

Moving forward, with our existing construction order book of approximately RM410.34 million as at 31 December 2018, we expect the projects secured to contribute positively to the Group's earnings and will further enhance our trading activities.

The overall outlook for the construction sector remains somewhat uncertain, with many large infrastructure projects under review by the new federal government. The construction industry, therefore, continues to be challenging and competitive. This translate into lower margins and intense competition from local and foreign contractors. Nonetheless, we are cognisant of our need to replenish our order book and will continue to bid for good projects, especially with our existing clients. This will improve the financial position of the Group while ensuring the sustainability of our businesses during such challenging times. Emphasis will be put on reducing costs and becoming more competitive in our existing businesses.

The local property market is expected to remain challenging as the key issues of price affordability, overhang properties, rising cost of living and tight financing will continue to have a dampening effect on the industry. This was further worsened by the new measure taken by the Government in Budget 2019, where stamp duties for property transfers worth more than RM1 million increased from 3% to 4%. The real property gains tax ("RPGT") regime has also been changed significantly; where previously Malaysian individuals disposing of properties held for more than five years were exempted from RPGT, however, from 1 January 2019 onwards, a 5% tax would be levied on individual and 10% on company, for all disposals irrespective of the holding period. For FYE 2019, besides the upcoming launch of affordable homes under the Rumah Selangorku concept as mandated by the authorities, the Group will concentrate its efforts on selling its completed unsold units.

The affordable homes to be built follows from the Group's previous developments in Kajang, Selangor. The Group targets to launch these affordable homes by financial year ending 31 December 2019. This is a severe loss-making project but the Group has provided the losses.

Management is conscious that 2019 will continue to be a challenging year for the Group. The Group will strive to enhance its operational efficiencies, manage costs and cash flows, and explore new business opportunities with the aim of achieving improved results and ensure sustainable long term growth. The Management is confident that with a stable and capable team, coupled with a well-diversified business portfolio, the Group will be able to weather through the trials and tribulations.

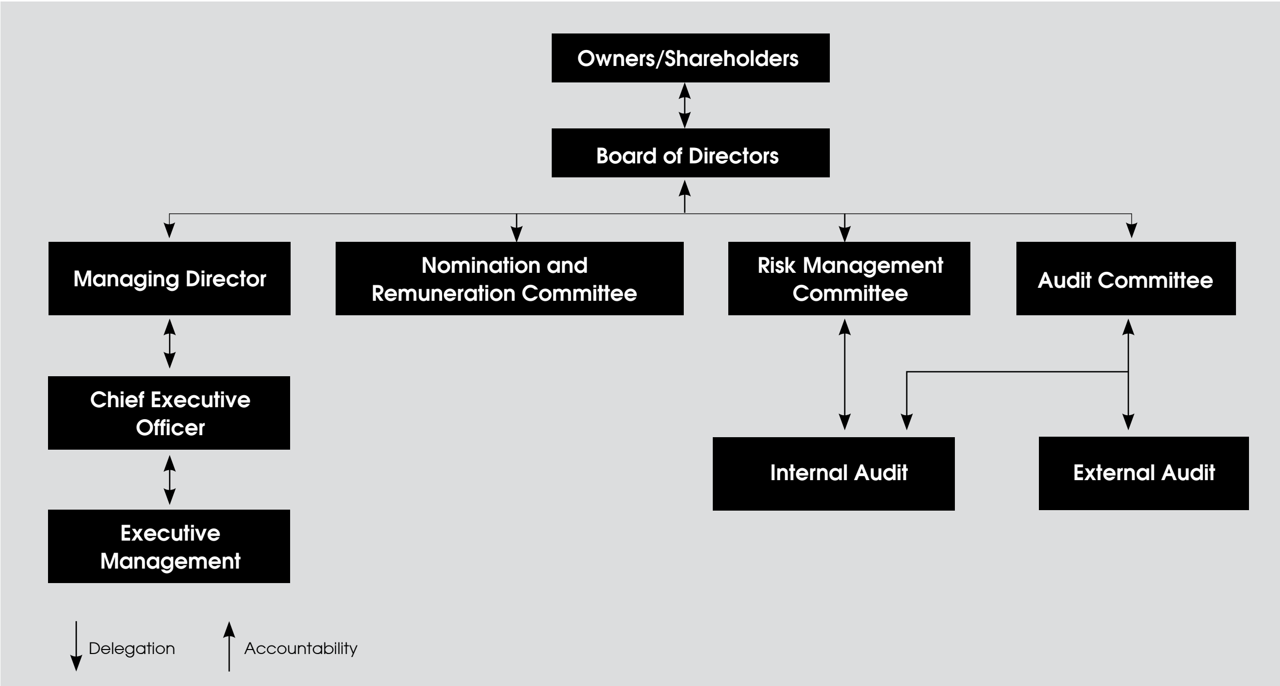
INTRODUCTION

The Board of Directors ("Board") of Knusford Berhad is committed to ensure that 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 2017 ("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 2018.

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 Chief Executive Officer. Executive management sets out the execution of strategy and business plans in discussion with the Managing Director and Chief Executive Officer, where specific action plans, initiatives and tasks are laid out to achieve those strategies.

Managing Director, Chief Executive Officer and Board Committees

The Managing Director ("MD") and Chief Executive Officer ("CEO") 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 MD, CEO and the Board Committees. The Board Committees comprise of 3 committees, namely the Nomination and Remuneration Committee, the Risk Management Committee, and the Audit 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 committees. 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.

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 regularly 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.

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 MD and CEO.

The Board Charter, which clearly sets out the roles and responsibilities of the Board, the Board Committees, MD and CEO, 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 increasingly complex and competitive environment. The skills and experience of the Board members are provided on page 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's present business portfolios and prospective investments. Presently, there is no female Director and the Board strives to search and appoint a female board member.

Trainings
The Board recognises the need for Directors to attend further training in order to enhance their skills and knowledge and keep abreast with the relevant changes in laws, regulations and business environment enabling them discharge their duties effectively. During the financial year, the Group had organised two training courses namely "Preparing the Bursa Sustainability Reporting" on 6 April 2018 and "Financial Insights for Listed Companies" on 26 July 2018, which were 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 with knowledge on the new developments in the business environment by attending other relevant courses, trade fairs, seminars and conferences.

Board Charter
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 and Remuneration 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.

Board Meetings
For the financial year ended 31 December 2018, the Board met five (5) times with the following recorded attendance of the Directors who held office:

Executive Management	Designation	Board of Director Meeting
DYAM Tunku Ismail Ibni Sultan Ibrahim	Non-Independent Non-Executive Director	3/5[N1]
Datuk Ahmad Zaki Bin Zahid	Managing Director	5/5
Lim Chen Herng	Executive Director	5/5
Lee Hun Kheng	Executive Director	4/5
Bernard Hilary Lawrence	Senior Independent Non-Executive Director	5/5
Avinderjit Singh A/L Harjit Singh	Independent Non-Executive Director	5/5
Lim Foo Seng	Independent Non-Executive Director	5/5
Mohd Salleh Bin Othman	Independent Non-Executive Director	5/5
Lee Wai Kuen	Independent Non-Executive Director	5/5

N1 – One out of the five meetings is attended by DYAM Tunku Ismail Ibni Sultan Ibrahim's Alternate Director, Mohamad Jaifuddin Bin Bujang Mohidin.

Nomination and Remuneration Committee
The Nomination and Remuneration Committee's Terms of Reference specifies the duties and functions of the Committee, which relate to the recruitment of directors and the criteria used in their selection in terms of the appropriate balance of skills, expertise, attributes and core competencies as well as their annual assessment. The Committee is responsible for reviewing candidates for appointment to the Board Committees and make appropriate recommendations thereon to the Board for approval and assessing the effectiveness of the Board and Board Committees and the performance of individual Directors. There was no new director appointed during the financial year ended 31 December 2018.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

II. Board Composition (continued)

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

In respect of the assessment for the financial year ended 31 December 2018, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively, while the contribution and performance of each individual Director was 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.

The Board composition in terms of each of the Director's industry and/or background experience, age and ethnic composition is as follows:

Directors	Experience & Specialise in				Age bracket				Ethnicity		Gender	
	Construction	Finance	Legal	Public Service	30 to 39 years old	40 to 49 years old	50 to 59 years old	60 to 69 years old	Bumiputra	Non-Bumiputra	Male	Female
DYAM Tunku Ismail Ibni Sultan Ibrahim				✓	✓				✓		✓	
Datuk Ahmad Zaki Bin Zahid			✓	✓		✓			✓		✓	
Lim Chen Herng	✓				✓					✓	✓	
Lee Hun Kheng	✓					✓				✓	✓	
Bernard Hilary Lawrence			✓				✓			✓	✓	
Avinderjit Singh A/L Harjit Singh				✓		✓				✓	✓	
Lim Foo Seng		✓				✓				✓	✓	
Mohd Salleh Bin Othman	✓							✓	✓		✓	
Lee Wai Kuen			✓				✓			✓	✓	

III. Remuneration

The Nomination and Remuneration Committee also 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 of the Group. During the financial year, the Nomination and Remuneration Committee met once and all members attended the meeting. In the meetings, the 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.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration (continued)

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	430,000	22,500	177,500	24,600	674,600
Lim Chen Herng	20,000	420,000	45,000	175,800	25,000	685,800
Lee Hun Kheng	20,000	216,000	18,000	68,400	21,250	343,650
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	1,066,000	85,500	421,700	70,850	1,824,050

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	-	-	-	21,250	41,250
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	-	-	-	61,250	241,250

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (continued)

III. Remuneration (continued)

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 2018, are as follows:

No.	Name	Designation	Range of Remuneration (RM)
1.	Lim Sew Hua	General Manager	550,001 – 600,000
2.	Tan Teow Keat	Chief Executive Officer	500,001 – 550,000
3.	Han Loong Kwang	Project Director	300,001 – 350,000
4.	Wong Yong Yi	Project Director	200,001 – 250,000
5.	Jiang Mi	Deputy Project Director	200,001 – 250,000

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 Committee ("AC") and Risk Management Committee ("RMC"). The AC comprises five (5) Independent Non-Executive Directors and the Chairman of the AC is distinct from the Chairman of the Board.

The AC met 5 times during the year. The activities of the AC during the year are described at length in the Audit Committee Report in this Annual Report on pages 37 to 41.

II. Risk Management and Internal Control Framework

The RMC comprises five (5) Independent Non-Executive Directors.

The RMC met 5 times during the year. 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 framework 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 issues to be raised during the meeting. The Directors, Chairpersons of the Board Committees, and External Auditors are available to respond to the questions of shareholders during the Annual General Meeting.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (continued)

II. Conduct of General Meetings (continued)

In the Twenty-Second Annual General Meeting held on 7 June 2018, the notice was sent more than 28 days in advance in accordance with the requirements of MCCG, enabling shareholders to review the details of the resolution being proposed in a timely manner for better decision-making. 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 2018, the Company has applied and adopted 30 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	16	2	1	-	2
B - Effective Audit and Risk Management	8	-	-	2	-
C - Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders	4	1	-	-	-
Total	28	3	1	2	2

The summary of the 3 departed Practices is as follows:

Principle	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.
A - Board Leadership and Effectiveness	7.2	The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000 (Departure)	Disclosing the senior management's remuneration in detail would be disadvantageous to the Group, given the competitiveness in the market for talent and due to confidentiality of remuneration packages.
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 website at www.knusford.com.my.

This Corporate Governance Overview Statement was approved by the Board of Directors on 11 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018.

BOARD'S RESPONSIBILITY AND LIMITATION

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 Committee ("AC") and the Risk Management Committee ("RMC"). However, the Board as a whole remains responsible for all the actions of the committees 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.

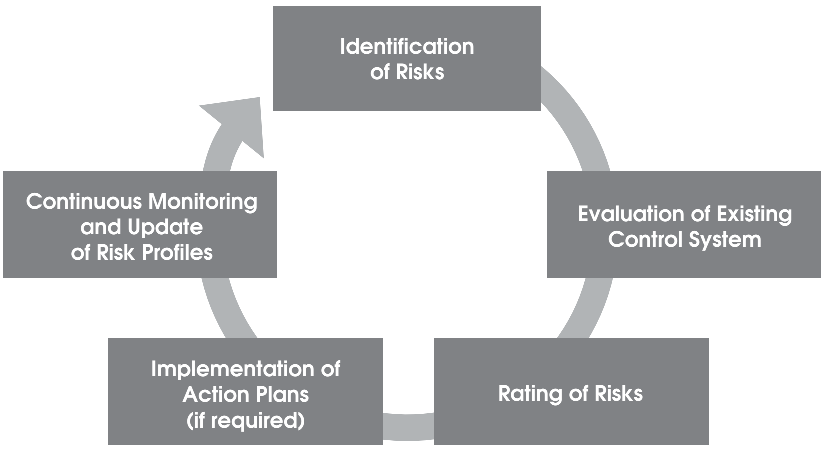
KEY FEATURES OF THE GROUP'S RISK MANAGEMENT SYSTEM

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

RISK MANAGEMENT FUNCTION

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: 2018 Risk Management – 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.

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.

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

RISK MANAGEMENT FUNCTION (continued)

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 Managing Director, Chief Executive Officer and Chief Financial Officer ("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

- The results of the risk assessments were reported and deliberated at the Audit Committee and Risk Management Committee meetings. The key operational risks focus and mitigation plans are as follows:

No.	Key Risk	Mitigation Plan
1	Slowdown in economy	• Venture into new business sector i.e. facility management. • More cautious in the selection of new projects partners and customers.
2	Project cost overrun	• Additional budget requires the approval of a Committee. • Constantly monitor the project progress and financial status. • "Lock in" contracts especially on materials vulnerable to volatile global market conditions such as steel bars.
3	Delay in completion of projects	• Maintain written evidence / documentation in order to support the Extension of Time ("EOT") application, in the event of delay. • Constantly monitoring of project progress. • Regular site meetings.
4	Late payment from customer/ main contractor	• Careful selection of projects to be tendered. • Submission of progress billing on a timely basis. • Follow-up on collection with customers diligently.
5	Competition	• Continuous networking with existing and potential customers. • Careful selection of customers. • Monitoring local and global economic climate through economic reports and news media.

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

1. 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 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 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 the quarterly Board Meetings. The Board also plays a role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

  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 on 29th November 2018. 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 monitor and 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.

2. INTERNAL AUDIT FUNCTION

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

The outsourced internal audit function carried out audits in accordance with the risk-based internal audit plan reviewed and approved by the Audit Committee. The internal audit plan was developed taking into consideration the Group's risk profiles and concerns of Senior Management and the Audit Committee.

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

2. INTERNAL AUDIT FUNCTION (continued)

During the financial year, the entities and business processes reviewed were as follows:

Entity	Business Processes
Group Wide	Review of Recurrent Related Party Transactions Procedures
Knusford Equipment Sdn Bhd	Procurement
Knusford Construction Sdn Bhd	Construction

The internal audit reviews during the financial year had identified some weaknesses in internal controls. Management has either taken the necessary measures to address these weaknesses or is in the process of addressing them.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

The Board is satisfied that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group and the existing level of systems of internal control and risk management are adequate and effective to enable the Group to achieve its business objectives. 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.

Nonetheless, the Board wishes to reiterate that risk management and internal control are designed to manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems can only provide reasonable but not absolute assurance against material misstatements, frauds and losses. During the current financial year, there were no major internal control weaknesses which led to material losses, contingencies or uncertainties that would require disclosure in this Annual Report.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITOR

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, 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 2018, 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.

AAPG 3 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.

BOARD COMMENTARY AND OPINION

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 Committee 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.

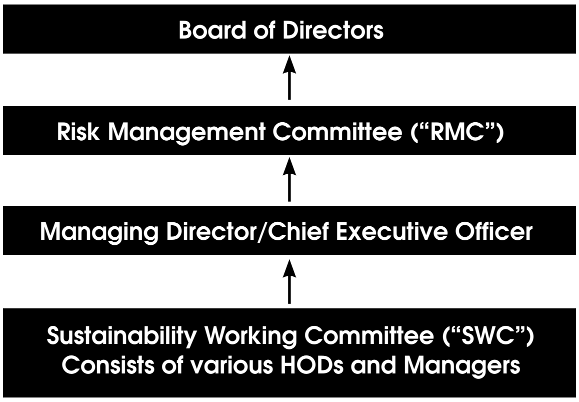
This statement was approved by the Board of Directors on 11 April 2019.

Knusford Berhad ("KB") recognises the importance of developing its business in a sustainable and responsible manner. As a responsible corporation with diverse business interests, 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 Group, manage the environmental impact of our businesses and provide a safe and caring workplace for our employees.

We will strive to meet our stakeholders' expectations and aim to improve the execution of our sustainability agenda through various strategies, targets and measures.

Sustainability Governance Structure

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



The Managing Director will be responsible to supervise and manage the overall sustainability implementation across the organisation and report to the RMC on its performance. Our sustainability governance structure includes the SWC comprised of representatives from the respective business functions.

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 to the Board for adoption, and monitoring the implementation of such 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 Heads 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 formally reports to the RMC half-yearly.

The Scope of the Sustainability Statement

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

Materiality Assessment

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 Managing Director. During the analysis, the 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 was able to anticipate stakeholder requirements and expectations, using the results for the purpose of this exercise.

Below is the process in determining our material topics:

- Assessing and identifying relevant topics

  Reviewed the Company priorities and risks in order to identify the issues that are applicable to us.

- Determining boundaries for relevant topics

  The boundaries for relevant topics both within and outside the Group were identified and the disclosures are focused on the impact that occur within the Group.

- Prioritisation

  During SWC meetings, members are encouraged to provide their input. This process takes into account the influence of stakeholders' assessments and decisions as well as the significance of EES impacts.

- Validation of the material topics

  The materiality topics were discussed during the SWC meetings and validated by the members of the SWC and approved by the Group's Managing Director.

The Board of Directors is updated regularly on our sustainability process.

Key Material Topics

Topics based on the results of our materiality exercise have been identified and prioritised into the following relevant issues:

Material issue	Topic	Stakeholder	Stakeholder Concern
i. Economic/Social-Business Development			
Business Development	Customer satisfaction	• Customer	• Product quality and reliability of our product and services • Product safety • After sales service • Competitive pricing • On time delivery of our products and services
ii. Social- Workforce management			
Workplace Safety	Occupational Health and Safety	• Employee	• Maintain an injury-free working environment for all employees by putting in place systematic approaches in injury prevention and eliminating workplace health and safety risks
Non-Discrimination	Non-Discrimination	• Employee	• Fair treatment of all employees irrespective of age, gender, ethnicity or religion • Job security • Adequate wages
Talent Management	Training and Education	• Employee	• Provide training and education to employees to expand the knowledge base for career development and to improve their skills
iii. Economic- Corporate Governance			
Economic Performance	Compliance	• Investors	• Adequate policy and procedures to ensure legal compliance
Economic Performance	Economic Performance	• Investors	• Generate sustainable financial and economic returns and create value for stakeholders to ensure sustainability of our business
iv. Economic/Social-Supply Chain Management			
Procurement Practices	Procurement Practices	• Suppliers	• Encourage local and sustainable procurement • Enhancing fair and ethical procurement process by using comparative quotes • Timely payment
v. Economic/Social-Environment			
Occupational safety and health ("OSH")	OSH policy	• Community	• Improve Occupational Safety and Health performance
Waste management and energy saving	Waste management and energy saving	• Community	• Proper waste management • Encourage energy saving
Environment friendly and green awareness	Environment friendly and green awareness	• Community	• To protect, conserve and enhance the surrounding environment and natural resources • To keep our environment clean to benefit the community and future generations

Stakeholder Engagement

We engaged with our direct and indirect stakeholders using various methods as shown below.

Stakeholder	Our response to stakeholder concerns	Key indicator	Method of engagement
Customer	• The quality and reliability of our products and services; • Affordable housing; • Responsible marketing; • After sales service.	• Customer retention.	• Regular customer engagement.
Employee	• Equipping workforce with skills to deliver sustainable performance; • Strive to create a safe and conducive working environment for our employees; • Non-discrimination and gender diversity.	• Training; • Monitoring of Occupational safety & health statistics for each project; • Equal employment opportunity; • Equal pay regardless of gender; • Employee diversity in the workforce.	• Meetings; • Staff communication sessions and talks; • Workshops and training; • In house health and safety related talks.
Business Associate	• Place great importance in maintaining good business relationship with our partners; • Close collaboration to achieve mutual business benefit.	• Economic performance.	• Regular board and other meetings.
Supplier	• Ensure that we uphold fair and responsible procurement practices across our supply chain; • Timely payment; • Encourage purchase from local suppliers.	• Ethics and integrity of suppliers and contractors; • Procurement from local suppliers.	• Tender evaluation; • Comparative quotes; • Regular engagement; • Meetings with suppliers.
Investor	• Financial performance; • Sustainable shareholder value creation; • Return on investment; • Business transparency and good corporate governance to address shareholder requirements; • Sustainable operation that achieves long term sustainable growth; • Productive business development; • Provide timely and regular updates on Group financial performance.	• Code of conduct; • Whistleblowing policy; • Applicable regulatory requirements in Malaysia.	• Quarterly financial results announcements; • Corporate website; • Corporate announcement; • Annual General Meeting

Stakeholder Engagement (continued)

Stakeholder	Our response to stakeholder concerns	Key indicator	Method of engagement
Local Community	• Improve occupational safety and health performance, in order to avoid fatalities and major accidents; • Keep our environment clean to benefit the community and future generations; • To strive to protect, conserve and enhance the surrounding environment and natural resources.	• Zero notices received from the authorities in terms of breaching any rules and regulations; • Zero complaints received from stakeholders; • Zero Fatality case; • No open burning; • No irresponsible rubbish disposal.	• Corporate website; • Through regular engagement with employee, suppliers, contractors, customers and local community.

Economic/Social- Business Development

Customer satisfaction

Customer satisfaction is essential to uphold our reputation and ensure business continuity. We strive to deliver good quality and reliable products and high standards of workmanship to meet our customers' rising expectations.

The Group has achieved the ISO 9001:2015 (Quality Management System) and the OHSAS 18001:2007 (Occupational Health and Safety Management) standards.

In FYE 2018, our trading sector received a few complaints from our customers with regard to on-time delivery and product quality, with 100 % of the complaints responded to within 48 hours and resolved within 14 working days. We will continuously strive to maintain or improve our current performance. With respect to the construction sector, a small Liquidated Ascertained Damages ("LAD") of approximately RM 0.28 million was imposed by a client. Management will continue to take mitigation steps on each project in order to avoid/minimise any possible LAD in future.

Moving forward, the Group will adopt QLASSIC for our next construction project. QLASSIC refers to Quality Assessment System in Construction used by the Construction Industry Development Board ("CIDB") to evaluate the workmanship of a building's construction based on the Construction Industry Standard.

Social-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.

i) Workplace safety

Knusford is fully committed to ensuring the occupational safety and health of all our employees and contractors on every site, not only to minimise disruption to the business but also to enhance the well-being of our people. This is reflected in our efforts to continually improve occupational safety and health by instilling preventive practices at the workplace. Our target is zero incident of fatality case reported at site.

There was zero workplace fatality recorded by KB in the last financial year and the past 3 years.

Social-Workforce management (continued)

ii) Non-Discrimination

We are committed to recruiting, promoting and remunerating our employees solely on the basis of their ability and qualifications. We provide equal opportunity to everyone regardless of their gender ethnicity or religion. All employees are given an equal opportunity to develop their careers within the Group based on their merits and abilities.

In terms of gender equality, we strive to achieve balanced representation of men and women especially at management level. As at 31 December 2018, excluding construction site workers, the female to male percentage ratio was 38:62.

The age profile of our workforce in FYE 2018 was 24% of employees below 30 years old, 54% between 30 to 50 years old and 22% above 50 years old.

In KB, we comply with Malaysia's Minimum Wages Order 2018 for all our employees.

iii) Talent management

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. Our target is over 8 training hours annually for employees at managerial position.

During the year 2018, we have sent our senior and middle management to attend the following in- house training and external seminars:

1. 2019 Budget Seminar
2. Financial Insights for Listed Companies
3. Sustainability Reporting Insight
4. Briefing on ISO/ FDIS 45001:2017
5. QLASSIC Awareness & Assessor Training Course
6. Understanding of the Latest Development in GST Report
7. Be a Talent Sourcing Professional
8. QLASSIC Assessor Training Course
9. Procedures for Overdue Payment Claims through CIPAA & Contracts Management
10. Understanding of Change GST from 6% to 0%
11. Business Communication and Report Writing Techniques
12. Microsoft Project Training and Workshop 2017
13. Refresher Course- Malaysia Civil Engineering Standard Method of Measurement (MYCESMM)
14. Seminar of Return of Sales and Service Tax
15. Construction Accounting and Treatment
16. Bengkel Ke Arah Pemantapan Perlindungan Keselamatan Sosial Peringkat Nasional 2018
17. Human Resource/ Industrial Forum

A total of 43 key personnel from the Contract, Quantity Surveyor, Construction Sites, Account and Human Resource departments have attended with the total training hours of 392 hours.

Economic: Corporate governance

i) Compliance

The Group is committed to practising high standards of corporate governance, and to have sustainable and responsible business practices emphasising integrity, sound business ethics and trustworthy conduct. We also commit to comply with relevant business rules, regulations and guidelines and to engage stakeholders in a responsible, fair and reasonable manner.
The Board has formulated ethical standards through a Code of Conduct for the Directors, Senior Management and all employees and will ensure its compliance. It is available at the Company's website, www.knusford.com.my for reference.

We take compliance seriously and aim to comply with relevant regulatory requirements governing the EES dimensions. Our goal is to maintain the current status of zero legal non-compliance.

In FYE 2018, there were zero reported incidents of non-compliance with laws and regulations. No significant fine or non-monetary sanction were imposed on the Group.

Economic: Corporate governance (continued)

ii) Economic Performance

As we strive towards long-term sustainable results, maintaining positive economic performance is critical to the business continuity of our subsidiaries and joint venture entities. We are cognisant of our need to replenish our order book and will continue to bid for good projects. Our priority is to strive to maintain satisfactory results by increasing marketing and business development activities, especially with existing key customers. We hope to secure more new construction projects in the near future. Our order book has increased from RM 83.80 million in FYE 2017 to RM 410.34 million in FYE 2018.

In FYE 2018, we registered revenue of RM209.46 million but registered a loss before tax of RM 29.03 million, and loss after tax of RM 29.74 million. The loss was mainly due to losses incurred by a construction project in Pegerang, Johor. For more information on the Group's financial performance, please refer to the Group Financial Report on pages 46 and 108 of the Annual report.

Moving forward, the Group will be more careful in selecting projects, and continue to operate effectively through stringent and prudent cost management whilst enhancing its project management capabilities and efficiency of its businesses.

We place great importance to maintaining the synergy and positive business relationships with our partners. Communication and close collaboration are key to achieving our mutual business objectives and targets. Although numerous meeting and discussion are held between staff at operational level throughout the year, we target to have at least 2 Board meetings yearly of our joint-venture companies commencing from financial year 2019 to discuss company performance.

Economic/Social: Supply Chain Management

Procurement Practices

As the Group is committed to the highest standards of ethical conduct and social responsibility, we need to ensure proper procurement practices. In this regard, our objectives are to practice responsible sourcing of products and services, as well as to support the local economy by procuring goods from local suppliers.

Our supply chain comprises multiple small and medium sized business that assist us with product sales, customer support and product delivery. We have carefully selected our suppliers not only on the basis of economic rationale, but also on the basis of understanding, trust, mutual respect, financial health and the professional background of key executives.

Currently, we do not impose on our suppliers any screening, audit or reporting on their ethical conduct or social responsibility aspects. However, if it comes to our attention that a Company within our supply chain does not comply with local regulations, environmental protection or proper labour conditions, we will terminate our contract with them.

In FYE 2018, we worked with more than 200 suppliers. 100% of our supply chain spend on internal construction and development projects went to Malaysia based companies. We did not receive any negative comments from our customers concerning the business ethic, environment, human rights and labour standard of our suppliers.

Economic/Social-Environment

KB commits to undertake responsible sustainability practices to mitigate direct and indirect environmental impacts of its business and site operations.

i) Occupational Safety and Health (OSH)

We are committed to improving our OSH policy and procedures. We encourage an open dialogue with our employees and contractors to create a sense of responsibility for their safety and that of the others. We ensure that our operating teams are keeping in mind the prevention of injuries and ill health while maintaining strict compliance with safety requirements.

In FYE 2018, there was zero reported serious work injury-related incidents at our construction sites. We target to maintain this record in year 2019 too.

Economic/Social-Environment (continued)

ii) Waste Management and Energy Saving

Disposing of waste in an environmentally-friendly manner is crucial to our environment. We are mindful by doing our part by encouraging our employees and contractors to rethink recycling.

In FYE 2018, we have set the target to recycle the formworks at least 4 times before scrapping them.

One of our first housing projects with sustainable energy supply is through the installation of solar panels for our recently completed development project known as Oasis Kajang (112 units of Double Storey Terrace Houses), providing an environmentally-friendly source of energy for our purchasers.

iii) Environment Friendly and Green Awareness

We have always sought to protect the natural environment of the areas that we develop and are committed to creating more liveable environments for our communities. We strive to avoid any possible pollution to our environment, with fines being imposed to our contractors for violating the rules.

In FYE 2018, no open burning and irresponsible rubbish disposal was reported at our sites.

Corporate Social Responsibility

The Group recognises its social obligation to society and is striving for a balanced approach in fulfilling its key objectives and meeting 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 carrying out its efforts further on a sustainable basis.

Looking Forward

The Board recognises that embedding sustainability into the Group's business is a continuing process and remains fully supportive of the sustainability agenda.

KB is committed to deliver financial value and societal benefits by balancing our commercial objectives with the environment and social needs of our stakeholders, underpinned by good corporate governance and ethical business practices. Moving forward, we will continue to integrate sustainability across all our operations, focusing on operational efficiency, economic growth, legal and regulatory compliance, managing risks, productive business development, as well as employee attraction and retention.

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 2018 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 Committee ("AC") for the financial year ended 31 December 2018.

COMPOSITION AND ATTENDANCE OF MEETINGS

The AC comprises of five (5) Independent Non-Executive Directors and details of their attendance at meetings during the financial year ended 31 December 2018 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 AC

Composition

(1) The members of the AC 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 Exchange.

(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 AC 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 AC 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 AC (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 AC 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 AC;
(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; and
(h) To review the assistance given to internal auditors by employees of the Group.

(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;
(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;
  - the audit reports; and

TERMS OF REFERENCE OF THE AC (continued)

Duties and Responsibilities (continued)

(2) External audit (continued)

(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 there is any non-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; and
(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) 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; and
(d) Review reports on violations of the code of conduct and whistleblowing issues, as well as breaches involving pivotal positions.

(6) 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; and
(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.

TERMS OF REFERENCE OF THE AC (continued)

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 AC shall elect amongst them an independent director to act as the Chairman of the AC.

(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 AC

The following activities were carried out by the AC for the financial year ended 31 December 2018:

(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 AC 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.

(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.

SUMMARY OF ACTIVITIES OF THE AC (continued)

(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 the nature and extent of the non-audit services rendered and the appropriateness of the level of fees.
- Assessed the suitability, objectivity and independence of the external audit firm annually, including assessing their competence, audit quality and resource capacity of the external auditors.
- Conducted private sessions on audit related matters at the scheduled meeting with external auditor without presence of executive Board members and management personnel.
- Reviewed and discussed with the External Auditors on their audit status report upon completion of 2018 audit, particularly on the audit opinion rendered, the key audit matters, audit findings and internal control deficiencies.

(4) Related Party Transactions

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

(5) Governance Practices

- Reviewed Corporate Governance Report, Corporate Governance Overview Statement, the Audit 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.

(6) Others

- Reviewed Budget 2019 of the Group before recommending to the Board for their approval
- Performed first half performance assessment of the Group

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 (United States) and has a Certification in Risk Management Assurance (United States).

The number of staff deployed for the internal audit reviews was 5 staff per visit including the engagement Executive Director. The staff involved in the internal audit reviews possess 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").

The internal audit activities undertaken during the financial year ended 31 December 2018 were as follows:

- Presented and obtained approval from the AC on 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 AC highlighting audit findings, recommendations to improve and management responses at each quarter.
- Performed follow up audits on these findings and update status to the AC.
- Internal Auditors met with the AC on 28 May 2018 without the presence of Management to discuss audit related matters.

The costs incurred for outsourcing the internal audit function of the Group for the financial year ended 31 December 2018 is at RM84,243 (2017: RM83,107).

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

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 30 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 30 to the financial statements.

Results

	Group RM'000	Company RM'000
Net (loss)/profit for the year attributable to owners of the Company	(29,741)	8,325

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 and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company

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

Knusford Berhad

DYAM Tunku Ismail Ibni Sultan Ibrahim
Datuk Ahmad Zaki Bin Zahid
Lim Chen Herng
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)
Lim Chen Thai (appointed on 26 February 2019)
Lee Hun Kheng (resigned on 26 February 2019)

Subsidiaries

Cheong Meow Yen
Han Loong Kwang Clarence
Lim Jenq Kuan
Loh Chin Seong
Lim Sew Hua
Mohd Hanaffiah bin Talib
Sum Chee Tat
Tan Sri Dato' Lim Kang Hoo
Wong Yong Yi
Zainai Bin MD Desa
Nora Misya Binti MD Zain (appointed on 3 January 2019)
Sazlina Binti Omar (appointed on 3 January 2019)
Tengku Mohamed Syamil Bin Tengku Mahamud @ TG Mahmood (appointed on 6 February 2018)
Tan Boon Teang (resigned on 6 February 2018)
Khoo Nang Seng @ Khoo Nam Seng (resigned on 18 January 2018)

Directors' interests in shares

The interests and deemed interests in the 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 1.1.2018	Bought	Sold	At 31.12.2018
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 2018 had any interest in the 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

During the financial year, the total amount of insurance premium effected for Directors and officers of the Group is RM17,149 limited to a coverage of RM12,000,000.

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 2018 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 21 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

Date: 11 April 2019

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company	
	Note	31.12.2018 RM'000	31.12.2017 RM'000 (Restated)	1.1.2017 RM'000 (Restated)	31.12.2018 RM'000	31.12.2017 RM'000
Assets						
Property, plant and equipment	3	17,336	19,380	19,337	2,740	2,977
Investment properties	4	91,637	90,222	91,507	29,157	29,981
Inventories	9	4,545	4,545	4,545	-	-
Investment in subsidiaries	5	-	-	-	115,672	105,881
Investment in associates	6	1,530	1,875	-	-	-
Investment in joint ventures	7	14,063	10,375	7,191	-	-
Deferred tax assets	8	56	-	-	-	-
Total non-current assets		129,167	126,397	122,580	147,569	138,839
Inventories	9	17,677	20,642	28,605	-	-
Trade and other receivables	11	125,966	126,591	147,970	3,888	13,358
Contract assets	12	30,466	12,606	14,093	-	-
Tax recoverable		5,226	5,427	6,457	-	-
Cash and cash equivalents	13	33,487	38,151	15,060	4,410	2,967
		212,822	203,417	212,185	8,298	16,325
Assets classified as held for sale	10	-	1,309	2,223	-	-
Total current assets		212,822	204,726	214,408	8,298	16,325
Total assets		341,989	331,123	336,988	155,867	155,164
Equity						
Share capital	14	122,338	122,338	99,645	122,338	122,338
Share premium	14	-	-	22,693	-	-
Translation reserve		3	6	-	-	-
Retained earnings		87,402	119,855	126,712	25,777	17,452
Total equity attributable to owners of the Company		209,743	242,199	249,050	148,115	139,790
Liabilities						
Borrowings	15	1,541	1,987	1,407	37	90
Deferred tax liabilities	8	321	790	1,044	-	-
Total non-current liabilities		1,862	2,777	2,451	37	90
Trade and other payables	16	118,777	67,370	77,635	4,634	6,141
Contract liabilities	12	1,055	263	266	-	-
Borrowings	15	10,188	17,910	7,261	3,053	9,051
Current tax payable		364	604	325	28	92
Total current liabilities		130,384	86,147	85,487	7,715	15,284
Total liabilities		132,246	88,924	87,938	7,752	15,374
Total equity and liabilities		341,989	331,123	336,988	155,867	155,164

The notes on pages 51 to 108 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Revenue	17	209,455	161,453	13,779	11,488
Cost of sales	18	(218,802)	(148,464)	(1,557)	(1,291)
Gross (loss)/profit		(9,347)	12,989	12,222	10,197
Other income		957	2,551	141	150
Administrative and other operating expenses		(21,848)	(19,974)	(3,839)	(3,311)
Results from operating activities		(30,238)	(4,434)	8,524	7,036
Finance income	19	860	817	65	102
Finance costs	20	(1,962)	(2,077)	(6)	(51)
Net finance (costs)/income		(1,102)	(1,260)	59	51
Share of profit of equity accounted investments, net of tax		2,311	2,251	-	-
(Loss)/Profit before tax	21	(29,029)	(3,443)	8,583	7,087
Tax expense	22	(712)	(3,414)	(258)	(343)
Net (loss)/profit after tax		(29,741)	(6,857)	8,325	6,744
Other comprehensive (expense)/ income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(3)	6	-	-
Other comprehensive (expense)/income for the year, net of tax		(3)	6	-	-
Total comprehensive (expense)/income for the year		(29,744)	(6,851)	8,325	6,744
Basic loss per ordinary share (sen)	23	(29.85)	(6.88)		

The notes on pages 51 to 108 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

		< *Attributable to owners of the Company* >				
		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 2017, *as previously reported*		99,645	22,693	-	150,166	272,504
Adjustment on initial application of MFRS 15, net of tax	31	-	-	-	(23,454)	(23,454)
At 1 January 2017, restated		99,645	22,693	-	126,712	249,050
Foreign currency translation differences for foreign operations		-	-	6	-	6
Total other comprehensive income for the year		-	-	6	-	6
Net loss for the year		-	-	-	(6,857)	(6,857)
Total comprehensive income/(expense) for the year		-	-	6	(6,857)	(6,851)
Transfer in accordance with Section 618(2) of the Companies Act 2016		22,693	(22,693)	-	-	-
At 31 December 2017, *restated*		122,338	-	6	119,855	242,199
At 1 January 2018, *as previously reported*		122,338	-	6	138,773	261,117
Adjustment on initial application of MFRS 15, net of tax	31	-	-	-	(18,918)	(18,918)
Adjustment on initial application of MFRS 9, net of tax	31	-	-	-	(2,712)	(2,712)
At 1 January 2018, *restated*		122,338	-	6	117,143	239,487
Foreign currency translation differences for foreign operations		-	-	(3)	-	(3)
Total other comprehensive expense for the year		-	-	(3)	-	(3)
Net loss for the year		-	-	-	(29,741)	(29,741)
Total comprehensive expense for the year		-	-	(3)	(29,741)	(29,744)
At 31 December 2018		122,338	-	3	87,402	209,743
		Note 14	Note 14			

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	< *Attributable to owners of the Company* >			
	Non-distributable		*Distributable*	
	Share capital	**Share premium**	**Retained earnings**	**Total**
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2017	99,645	22,693	10,708	133,046
Profit and total comprehensive income for the year	-	-	6,744	6,744
Transfer in accordance with Section 618(2) of the Companies Act 2016	22,693	(22,693)	-	-
At 31 December 2017/1 January 2018	122,338	-	17,452	139,790
Profit and total comprehensive income for the year	-	-	8,325	8,325
At 31 December 2018	122,338	-	25,777	148,115
	Note 14	Note 14		

The notes on pages 51 to 108 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(29,029)	(3,443)	8,583	7,087
Adjustments for:					
Depreciation of property, plant and equipment		2,983	2,852	173	176
Depreciation of investment properties		1,180	1,289	565	673
Property, plant and equipment written off		2	-	-	-
Dividend income		-	-	(12,410)	(10,000)
Impairment loss on property, plant and equipment		1,333	-	68	-
Impairment loss on investment property		-	-	267	-
Impairment loss on contract assets		1,204	-	-	-
Impairment loss on trade receivables		1,968	592	-	-
Reversal of impairment loss on trade receivables		(66)	(345)	-	-
Impairment loss on investment in subsidiary		-	-	2,809	2,325
Impairment loss on investment in associate		318	29	-	-
Gain on disposal asset held for sales		(191)	(586)	-	-
Gain on disposal of property, plant and equipment		(275)	(338)	-	-
Share of profit of equity-accounted investments, net of tax		(2,311)	(2,251)	-	-
Interest expense		1,962	2,077	6	51
Interest income		(860)	(817)	(65)	(102)
Operating (loss)/profit before changes in working capital		(21,782)	(941)	(4)	210
Changes in working capital:					
Inventories		2,965	7,963	-	-
Trade and other receivables		(3,989)	21,139	9,470	(13,344)
Contract assets		(19,064)	1,487	-	-
Trade and other payables		50,410	(11,206)	(4,037)	(6,830)
Contract liabilities		792	(3)	-	-
Cash generated from/(used in) operations		9,332	18,439	5,429	(19,964)
Tax paid		(1,276)	(2,360)	(322)	(249)
Interest paid		(808)	(983)	-	-
Interest received		860	817	65	102
Net cash from/(used in) operating activities		8,108	15,913	5,172	(20,111)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(1,500)	(914)	(4)	-
Acquisition of investment properties		(2,595)	(4)	(8)	(4)
Investment in associates		-	(1,907)	-	-
Investment in joint venture		(1,350)	(930)	-	-
Increase in investment in subsidiaries		-	-	(12,380)	-
Redemption of redeemable preference shares in subsidiaries		-	-	2,260	3,000
Repayment of capital contribution in relation to a subsidiary		-	-	50	-
Dividend received		-	-	12,410	10,000
Proceeds from disposal of property, plant and equipment		411	338	-	-
Proceeds from disposal of asset held for sale		1,500	1,500	-	-
Net cash (used in)/from investing activities		(3,534)	(1,917)	2,328	12,996

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

(continued)

	Note	Group 2018 RM'000	Group 2017 RM'000 (Restated)	Company 2018 RM'000	Company 2017 RM'000
Cash flows from financing activities					
Interest paid		(157)	(153)	(6)	(51)
(Repayment)/Proceeds from borrowings	15.3	(7,800)	10,800	(6,000)	9,000
Repayment of finance lease liabilities	15.3	(1,278)	(1,558)	(51)	(48)
Net cash (used in)/from financing activities		(9,235)	9,089	(6,057)	8,901
Net (decrease)/increase in cash and cash equivalents		(4,661)	23,085	1,443	1,786
Exchange differences on translation of the financial statement of foreign subsidiaries		(3)	6	-	-
Cash and cash equivalents at 1 January		38,151	15,060	2,967	1,181
Cash and cash equivalents at 31 December		33,487	38,151	4,410	2,967

(i) Acquisition of property, plant and equipment

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Paid in cash	1,500	914	4	-
In the form of finance lease assets	910	1,987	-	-
Total (see Note 3)	2,410	2,901	4	-

The notes on pages 51 to 108 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 of the Company as at and for the financial year ended 31 December 2018 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 2018 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 30 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 11 April 2019.

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, interpretations and amendments 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 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*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020
- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

- from the annual period beginning on 1 January 2020 for those amendments 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 1 January 2021 as it is not applicable to the Group and the Company.

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

MFRS 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.*

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is 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 is presented in RM and 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 3 - Valuation property, plant and equipment
- Note 4 - Valuation of investment properties
- Note 5 - Investment in subsidiaries
- Note 16.3 - Provisions
- Note 17 - Revenue
- Note 26 - Measurement of expected credit loss ("ECL") and fair value

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 the Group entities, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

(i) financial instruments;
(ii) revenue recognition; and
(iii) impairment losses of financial instruments,

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 31.

(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 the 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 investment 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 a financial asset depending on the level of influence retained.

(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. The cost of the investment includes transaction 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 equity method is discontinued is recognised in the 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 remeasured. 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 investment 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 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

(i) 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 which 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.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

Previous financial year

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

Financial assets are subject to impairment assessment (see Note 2(k)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

Financial assets were subject to impairment assessment (see Note 2(k)(i)).

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

Amortised cost

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying value of the financial guarantee contract was lower than the obligation, the carrying value was adjusted to the obligation amount and accounted for as a provision.

(iv) 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 transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Freehold land is measured at cost. Other items of property, plant and equipment are measured at cost less any 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 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" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

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

(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 from the date that they are available for use. 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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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 end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

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

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

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

(ii) Operating lease

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

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

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

(f) Investment properties

(i) 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.

2. Significant accounting policies (continued)

(f) Investment properties (continued)

(ii) Determination of fair value

The Directors estimate the fair values of the Group's investment properties without the involvetment of independent valuers.

The fair value of the investment properties of the Group was estimated by reference to market indication of transaction price for similar properties within the same or adjacent location, adjusted for differences in key attributes such as property size.

(g) Inventories

Inventories are measured at lower of cost and net realisable value.

(i) Developed properties held for sale

Developed properties held for sale are measured 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 are recognised as an asset and is stated at the lower of cost and net realisable value.

(iii) Land held for property development

Land held for property development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current assets and is stated at the lower of cost and net realisable value.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

(h) Non-current asset held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

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

Any impairment loss on a disposal group is allocated to the remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

2. Significant accounting policies (continued)

(i) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2(k)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments 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.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(i) Financial assets (continued)

Current financial year (continued)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Previous financial year

All financial assets (except for investments in subsidiaries, associates and joint venture) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, deferred tax asset 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.

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 cash-generating units.

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 to reduce the carrying amounts of the other assets in the cash-generating unit (group's of cash-generating units) on a *pro rata* basis.

2. Significant accounting policies (continued)

(k) Impairment (continued)

(ii) Other assets (continued)

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.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(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.

(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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(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. The unwinding of the discount is recognised as finance cost.

(i) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2. Significant accounting policies (continued)

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income from investment property and plant and machineries are 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.

(iii) 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.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

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

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

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

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

(q) 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.

2. Significant accounting policies (continued)

(q) Income tax (continued)

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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 assets and liabilities 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.

(r) Earnings per ordinary share

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

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.

(s) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Contingencies

(i) 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

2. Significant accounting policies (continued)

(u) Fair value measurements

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical 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 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 2017/1 January 2018	8,723	6,415	50,055	8,658	73,851
Additions	98	168	795	1,349	2,410
Disposals	-	-	(260)	(808)	(1,068)
Written off	-	(10)	-	-	(10)
At 31 December 2018	8,821	6,573	50,590	9,199	75,183
Accumulated depreciation and impairment loss					
At 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
Disposals	-	-	(13,781)	(245)	(14,026)
Written off	(30)	(3)	-	-	(33)
At 31 December 2017/1 January 2018					
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
Charge for the year	194	442	1,232	1,115	2,983
Disposals	-	-	(253)	(679)	(932)
Written off	-	(8)	-	-	(8)
Impairment loss	335	13	985	-	1,333

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 2018					
Accumulated depreciation	801	4,761	43,822	6,177	55,561
Accumulated impairment loss	335	52	1,899	-	2,286
	1,136	4,813	45,721	6,177	57,847
Carrying amounts					
At 1 January 2017	8,303	2,143	6,114	2,777	19,337
At 31 December 2017/1 January 2018	8,116	2,049	6,298	2,917	19,380
At 31 December 2018	7,685	1,760	4,869	3,022	17,336

Company	Buildings RM'000	Equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2017/31 December 2017/1 January 2018	2,520	591	300	3,411
Additions	-	4	-	4
At 31 December 2018	2,520	595	300	3,415
Accumulated depreciation and impairment loss				
At 1 January 2017	88	85	85	258
Charge for the year	50	66	60	176
At 31 December 2017/1 January 2018	138	151	145	434
Charge for the year	50	63	60	173
Impairment loss for the year	68	-	-	68
At 31 December 2018				
Accumulated depreciation	188	214	205	607
Accumulated impairment loss	68	-	-	68
At 31 December 2018	256	214	205	675
Carrying amounts				
At 1 January 2017	2,432	506	215	3,153
At 31 December 2017/1 January 2018	2,382	440	155	2,977
At 31 December 2018	2,264	381	95	2,740

(i) Leased assets

At 31 December 2018, the carrying amounts of motor vehicles and plant and machinery of the Group and Company under finance lease was RM3,419,000 (2017: RM3,780,000) and RM95,000 (2017: RM155,000) respectively.

3. Property, plant and equipment (continued)

(ii) Impairment losses

Financial year ended 31 December 2018

Group

During the year, the Group impaired buildings, equipment, furniture and fittings and plant and machineries of RM335,000 (2017: Nil), RM13,000 and RM985,000 respectively to reflect its recoverable amount.

Company

During the year, the Company impaired buildings of RM68,000 (2017: Nil) to reflect its recoverable amount.

4. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Total RM'000 Restated
Cost			
At 1 January 2017	42,668	56,730	99,398
Additions	-	4	4
At 31 December 2017/1 January 2018	42,668	56,734	99,402
Additions	2,587	8	2,595
At 31 December 2018	45,255	56,742	101,997
Accumulated depreciation			
At 1 January 2017	-	7,891	7,891
Charge for the year	-	1,289	1,289
At 31 December 2017/1 January 2018	-	9,180	9,180
Charge for the year	-	1,180	1,180
At 31 December 2018	-	10,360	10,360
Carrying amounts			
At 1 January 2017	42,668	48,839	91,507
At 31 December 2017/1 January 2018	42,668	47,554	90,222
At 31 December 2018	45,255	46,382	91,637

(i) Titles

Certain buildings with aggregate carrying amount of RM1,414,000 (2017: RM2,192,000) are in the process of registering under the name of a subsidiary.

4. Investment properties (continued)

	Freehold land RM'000	Buildings RM'000	Total RM'000 Restated
Company			
Cost			
At 1 January 2017	12,794	22,754	35,548
Additions	-	4	4
At 31 December 2017/1 January 2018	12,794	22,758	35,552
Additions	-	8	8
At 31 December 2018	12,794	22,766	35,560
Accumulated depreciation and accumulated impairment losses			
At 1 January 2017	-	4,898	4,898
Charge for the year	-	673	673
At 31 December 2017/1 January 2018	-	5,571	5,571
Charge for the year	-	565	565
Impairment loss	-	267	267
At 31 December 2018			
Accumulated depreciation	-	6,136	6,136
Accumulated impairment loss	-	267	267
At 31 December 2018	-	6,403	6,403
Carrying amounts			
At 1 January 2017	12,794	17,856	30,650
At 31 December 2017/1 January 2018	12,794	17,187	29,981
At 31 December 2018	12,794	16,363	29,157

Impairment loss

During the financial year, impairment losses at RM267,000 were made in relation to a commercial properties to reflect its recoverable amount. The commercial properties are rented to a subsidiary of the Group.

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental income from external parties	2,145	2,417	857	936
Rental income from subsidiaries	-	-	512	552
Direct operating expenses:				
- income generating investment properties	532	541	312	262
- non-income generating investment properties	409	381	172	136

4. Investment properties (continued)

Fair value information

Fair value of investment properties are categorised as follows:

	Fair value of investment properties not carried at fair value					
		2018			2017	
	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	123,498	123,498	45,255	117,546	117,546	42,668
Buildings	83,078	83,078	46,382	81,616	81,616	47,554
	206,576	206,576	91,637	199,162	199,162	90,222
Company						
Freehold land	20,687	20,687	12,794	20,687	20,687	12,794
Buildings	31,689	31,689	16,363	29,879	29,879	17,187
	52,376	52,376	29,157	50,566	50,566	29,981

Level 3 fair value

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

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

5. Investments in subsidiaries

Company	Ordinary shares RM'000	Reedeemable preference shares RM'000	Capital contribution RM'000	Total RM'000
2018				
At cost:				
Unquoted shares	71,392	37,148	5,135	113,675
Additions for the year	4,470	10,440	-	14,910
Redemption during the year	-	(2,260)	-	(2,260)
Repayment during the year	-	-	(50)	(50)
	75,862	45,328	5,085	126,275
Impairment losses	(3,200)	(4,161)	(3,242)	(10,603)
	72,662	41,167	1,843	115,672
2017				
At cost:				
Unquoted shares	71,392	39,473	-	110,865
Additions for the year	-	675	5,135	5,810
Redemption during the year	-	(3,000)	-	(3,000)
	71,392	37,148	5,135	113,675
Impairment losses	(3,000)	(2,469)	(2,325)	(7,794)
	68,392	34,679	2,810	105,881

5. Investments in subsidiaries (continued)

Increase in investment in existing subsidiary

Ordinary shares

During the financial year, the Company increased its investment in ordinary shares of certain subsidiaries in the Group via the settlement of amounts due from the subsidiaries amounting to RM200,000 (2017: Nil) and via cash consideration amounting to RM4,270,000 (2017: Nil).

Redeemable preference shares

During the financial year, the Company increased its investment in redeemable preference shares of certain subsidiaries in the Group via the settlement of amounts due from subsidiaries amounting to RM2,330,000 (2017: RM675,000) and via cash consideration amounting to RM8,110,000 (2017: Nil).

The redeemable preference shares 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.

During the financial year, the Company redeemed its redeemable preference shares in cash amounting to RM2,260,000 (2017: RM3,000,000) in its wholly owned subsidiary, D-Hill Sdn. Bhd.

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.

Details of the subsidiaries are as disclosed in Note 30.

Impairment

The impairment loss was recognised in relation to certain loss making subsidiaries. The impairment loss is recognised as part of "other expenses".

	Company	
	2018 RM'000	2017 RM'000
At 1 January	7,794	5,469
Impairment loss recognised	2,809	2,325
At 31 December	10,603	7,794

Non-controlling interests in subsidiaries

There are no non-controlling interests that are material to the Group for the year ended 31 December 2018.

6. Investment in associates

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	1,947	1,947	40	40
Capital contribution	1,960	1,960	1,960	1,960
	3,907	3,907	2,000	2,000
Less: Impairment loss	(2,347)	(2,029)	(2,000)	(2,000)
Share of post-acquisition loss	(30)	(3)	-	-
	1,530	1,875	-	-

6. Investment in associates (continued)

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. The capital contribution has been fully impaired.

Impairment

The impairment loss was recognised in relation to certain loss making associates. The impairment loss is recognised as part of "other expenses".

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	2,029	2,000	2,000	2,000
Impairment loss recognised	318	29	-	-
At 31 December	2,347	2,029	2,000	2,000

Details of the associates are as follows:

Name of Company	Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2018	2017
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%	30%
CREC Knusford (Philippines) Inc. ("CREC")	Philippines	General contracting and construction management	30%	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.

6. Investment in associates (continued)

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:

Group	SOPI RM'000	Other immaterial associates RM'000	Total RM'000
2018			
Summarised financial information			
As at 31 December			
Non-current assets	105		
Current assets	16,674		
Current liabilities	(11,679)		
Net assets	5,100		
Year ended 31 December			
Loss for the year/Total comprehensive expense	(82)	-	(82)
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	1,530	-	1,530
Group's share of results for year ended 31 December			
Group's share of loss for the year/Group's share of total comprehensive expense	(25)	(2)	(27)
2017			
As at 31 December			
Current assets	6,312		
Current liabilities	(63)		
Net assets	6,249		
Year ended 31 December			
Loss for the year/Total comprehensive expense	(11)	-	(11)
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	1,875	-	1,875
Group's share of results for year ended 31 December			
Group's share of loss for the year/Group's share of total comprehensive expense	(3)	(1)	(4)

7. Investment in joint ventures

	GKC RM'000	KCOM RM'000	Total RM'000
Group			
2018			
At cost			
Unquoted shares			
Ordinary shares	338	255	593
Redeemable preference shares	7,875	-	7,875
	8,213	255	8,468
Share of post-acquisition reserves	1,467	4,128	5,595
	9,680	4,383	14,063
2017			
At cost			
Unquoted shares			
Ordinary shares	338	255	593
Redeemable preference shares	6,525	-	6,525
	6,863	255	7,118
Share of post-acquisition reserves	2,309	948	3,257
	9,172	1,203	10,375

Details of the joint ventures are as follows:

Names of joint ventures	Country	Principal activities	Effective ownership interest and voting interest 2018 %	2017 %
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	51

Greenland Knusford Construction Sdn. Bhd. ("GKC") 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 GKC and KCOM as joint ventures.

Increase in investment in joint ventures

Additions in investment in joint ventures in GKC during the current financial year was through issuance of redeemable preference shares of RM1,350,000 (2017: RM675,000) respectively.

The redeemable preference shares 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.

In the previous financial year, the Group invested in KCOM through the issuance of ordinary shares of RM255,000.

7. Investment in joint ventures (continued)

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

Summary financial information

	45% GKC RM'000	51% KCOM RM'000	Total RM'000
2018			
Group			
As at 31 December			
Non-current assets	4,162	304	4,466
Current assets	37,191	62,473	99,664
Non-current liabilities	(234)	(53)	(287)
Current liabilities	(23,228)	(77,386)	(100,614)
Cash and cash equivalents	3,620	23,255	26,875
Net assets	21,511	8,593	30,104
Year ended 31 December			
(Loss)/Profit for the year/Total comprehensive (expense)/income	(1,871)	6,235	4,364
Included in the total comprehensive income are:			
Revenue	18,844	124,036	142,880
Depreciation of property, plant and equipment	(3)	(950)	(953)
Income tax expense	(337)	(2,446)	(2,783)
Reconciliation of net assets to carrying amount as at 31 December			
Group's share of net assets	9,680	4,383	14,063
Group's share of results for year ended 31 December			
Group's share of (loss)/profit for the year/Group's share of total comprehensive (expense)/income	(842)	3,180	2,338
2017			
Group			
As at 31 December			
Non-current assets	5,207	683	5,890
Current assets	40,141	62,246	102,387
Non-current liabilities	(372)	(54)	(426)
Current liabilities	(25,317)	(70,944)	(96,261)
Cash and cash equivalents	724	10,430	11,154
Total net current assets	20,383	2,361	22,744
Year ended 31 December			
Profit for the year/Total comprehensive income	2,902	1,861	4,763
Included in the total comprehensive income are:			
Revenue	61,378	62,962	124,340
Depreciation of property, plant and equipment	(3)	(23)	(26)
Income tax expense	(667)	(592)	(1,259)
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 (loss)/profit for the year/Group's share of total comprehensive (expense)/income	1,306	949	2,255

8. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Group						
Property, plant and equipment	2	-	-	(8)	2	(8)
Others	54	-	(321)	(782)	(267)	(782)
Net tax assets/(liabilities)	56	-	(321)	(790)	(265)	(790)

Movement in temporary differences during the year

	At 1.1.2017 (Note 31) RM'000 Restated	Recognised in profit or loss (Note 22) RM'000 Restated	At 31.12.2017/ 1.1.2018 (Note 31) RM'000 Restated	Recognised in profit or loss (Note 22) RM'000	At 31.12.2018 RM'000
Group					
Property, plant and equipment	(8)	-	(8)	10	2
Others	(1,036)	254	(782)	515	(267)
	(1,044)	254	(790)	525	(265)

Unrecognised deferred tax assets

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

	Group	
	2018 RM'000	2017 RM'000 Restated
Deductible temporary differences	70,886	44,922
Unabsorbed capital allowances	5,511	4,952
Unutilised tax losses	25,456	25,352
	101,853	75,226

The unutilised tax loss carry-forward will be limited to 7 years of assessment starting from the year of assessment 2019. Unutilised tax loss from year of assessment 2018 may be accounted for the purpose of deduction for year of assessment 2019 and subsequent years of assessment until the year of assessment 2025 and any amount which has not been deducted shall be disregarded.

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.

9. Inventories

	Group 2018 RM'000	Group 2017 RM'000 Restated
Non-current		
Land held for future development	4,545	4,545
Current		
Finished goods	61	61
Developed properties held for sale	17,616	20,581
	17,677	20,642
	22,222	25,187
Recognised in profit or loss:		
- Inventories recognised as cost of sales	2,812	14,211

Included in the land held for future development is land pledged for a bank facility granted to a subsidiary (see Note 15.1) which has been written down to its net realisable value in prior years for the purposes of development of the premium housing scheme. The land is used for the development of affordable housing and to be surrendered to the state government.

10. Assets classified as held for sale

	Group 2018 RM'000	Group 2017 RM'000
Buildings	-	1,331
Less: Accumulated depreciation	-	(22)
	-	1,309

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 commenced as the Group entered into Sale and Purchase Agreements with third parties for the sale of three-storey shop offices located at Danga Walk – Street Mall for a total consideration of RM1,500,000 (2017: RM1,500,000).

Gain on disposal of RM191,000 (2017: RM586,000) was recognised in other income for the sale of the building in the current financial year as the condition precedent for the sale was met during the year.

11. Trade and other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Current					
Trade					
Trade receivables		140,669	135,260	331	312
Less: Impairment loss		(19,258)	(14,644)	-	-
	11.1	121,411	120,616	331	312

11. Trade and other receivables (continued)

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Non-trade					
Amounts due from subsidiaries	11.2	-	-	3,272	11,730
Other receivables	11.3	21,466	22,827	225	1,256
Less: Impairment loss		(19,574)	(19,574)	-	-
		1,892	3,253	3,497	12,986
Deposits		2,369	2,463	60	60
Prepayments		294	259	-	-
		4,555	5,975	3,557	13,046
		125,966	126,591	3,888	13,358

11.1 Trade receivables

Included in trade receivables of the Group are amounts due from related parties amounting to RM63,223,000 (2017: RM41,619,000). The amount due from related parties are subjected to normal trade terms.

Included in trade receivables at 31 December 2018 are retention sums of RM13,794,000 (2017: RM8,488,000) relating to construction work-in-progress and RM1,143,000 (2017: Nil) in relation to sales properties. Retentions are unsecured, interest free and are expected to be collected as follows:

	Group 2018 RM'000	Group 2017 RM'000
Within 1 year	7,725	19
More than 1 year	7,212	8,469
	14,937	8,488
Impairment loss recognised	(5,337)	(5,463)
	9,600	3,025

11.2 ***Amounts due from subsidiaries***

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

11.3 ***Other receivables***

Included in the other receivables is advance payments of RM19,574,000 (2017: RM19,574,000) to an external supplier of a subsidiary for purchase of building materials for a corresponding purchase commitment by a related party.

The subsidiary commenced winding up action against the external supplier for non-delivery of the building materials. As a result, the entire amount was impaired.

Included in the other receivables is goods and services tax refundable of RM1,144,000 (2017: RM1,346,000) and RM225,000 (2017: RM243,000) of the Group and Company respectively.

12. Contract with customers

12.1 Contract assets/(liabilities)

	2018 RM'000	2017 RM'000 Restated
Group		
Contract assets	30,466	12,606
Contract liabilities	1,055	263

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date.

The contract liabilities primarily relate to the advance consideration received from a customer for construction contract of RM886,000 (2017: RM263,000), where revenue is recognised over time.

Included in contract liabilities is progress billings in relation to the premium housing development of the Group of RM169,000 (2017: Nil).

Significant changes to contract assets and contract liabilities balances during the period are as follows:

	2018 RM'000	2017 RM'000 Restated
Group		
Contract liabilities at the beginning of the period recognised as revenue	263	266
Increase/(Decrease) in revenue recognised in previous period arising from:		
- Change in variable consideration	(3,625)	-
- Change in contract modification	262	(3,245)

13. Cash and cash equivalents

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits with licensed banks	22,781	21,104	639	2,781
Cash and bank balances	10,706	17,047	3,771	186
	33,487	38,151	4,410	2,967

Included in cash and bank balances of the Group is an amount of RM436,000 (2017: RM4,296,000), the utilisation of which is subject to the Housing Developers (Housing Development Account) (Amendment) Regulations 2002.

14. Capital and reserves

14.1 Share capital

	Group and Company			
	Amount 2018 RM'000	**Number of shares 2018 '000**	**Amount 2017 RM'000**	**Number of shares 2017 '000**
Ordinary shares				
Issued and fully paid:				
At 1 January	122,338	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	122,338	99,645

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

14.2 Share premium

	Group and Company	
	2018 RM'000	**2017 RM'000**
At 1 January	-	22,693
Transfer from share premium account in accordance with Section 618(2) of the Companies Act 2016	-	(22,693)
At 31 December	-	-

(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	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-current					
Finance lease liabilities	15.2	1,541	1,987	37	90
Current					
Revolving credits	15.1	9,000	16,800	3,000	9,000
Finance lease liabilities	15.2	1,188	1,110	53	51
		10,188	17,910	3,053	9,051
		11,729	19,897	3,090	9,141

15.1 Revolving credits

A land held for development of the Group is pledged for the bank facility granted to a subsidiary (see Note 9).

15. Borrowings (continued)

15.2 Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2018 RM'000	Interest 2018 RM'000	Present value of minimum lease payments 2018 RM'000	Future minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000
Group						
Less than one year	1,293	105	1,188	1,240	130	1,110
Between one and five years	1,621	80	1,541	2,105	118	1,987
	2,914	185	2,729	3,345	248	3,097
Company						
Less than one year	56	3	53	56	5	51
Between one and five years	38	1	37	94	4	90
	94	4	90	150	9	141

15.3 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:

	1.1.2018 RM'000	Net changes from financing cash flows RM'000	Acquisition of finance lease assets RM'000	31.12.2018 RM'000
Group				
Finance lease liabilities	3,097	(1,278)	910	2,729
Revolving credits	16,800	(7,800)	-	9,000
Total liabilities from financing activities	19,897	(9,078)	910	11,729
Company				
Finance lease liabilities	141	(51)	-	90
Revolving credits	9,000	(6,000)	-	3,000
Total liabilities from financing activities	9,141	(6,051)	-	3,090

	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
Group				
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

16. Trade and other payables

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Trade					
Trade payables	16.1	95,946	38,472	-	-
Non-trade					
Other payables and accrued expenses		5,200	9,299	715	717
Amount due to subsidiaries	16.2	-	-	3,919	5,424
Provision for onerous contracts	16.3	17,631	19,599	-	-
		118,777	67,370	4,634	6,141

16.1 Trade payables

Included in trade payables of the Group are retention sums amounting to RM9,098,000 (2017: RM5,680,000).

Included in trade payables of the Group are trade accruals RM35,437,000 (2017: RM9,031,000) in relation to subcontractor claims where billings have yet to be received.

16.2 Amount due to subsidiaries

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

16.3 Provision for onerous contract

Included in the provision for onerous contract are the following:

(a) The obligation to develop affordable housing as part of the cost of constructing the premium housing scheme developed by a subsidiary of the Group of RM17,631,000 (2017: RM16,631,000).

(b) Cost escalation due to the delay in two projects of a subsidiary of RM2,968,000 in financial year ended 2017. The projects were completed during the financial year, with all cost fully incurred.

17. Revenue

	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Revenue from contracts with customers				
Sale of goods	79,415	79,082	-	-
Contract revenue	117,405	47,083	-	-
Property development revenue	4,689	27,273	-	-
Project management fees and landscaping maintenance services	3,318	3,198	-	-
	204,827	156,636	-	-
Other revenue				
Rental of motor vehicle and machinery	2,483	2,400	-	-
Rental income from investment properties	2,145	2,417	1,369	1,488
Dividend income from unquoted subsidiary	-	-	12,410	10,000
	4,628	4,817	13,779	11,488
Total revenue	209,455	161,453	13,779	11,488
Timing and recognition on revenue with contract customers				
At a point in time	84,104	79,082	-	-
Over time	120,723	77,554	-	-
	204,827	156,636	-	-

Revenue of the Group is predominantly from operations in Malaysia.

17. Revenue (continued)

17.1 Nature of goods and services

The following information reflects the typical transactions of the Group:

Types of revenue	Timing of recognition or method used to recognised revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Trading	Revenue is recognised at a point in time when the control of the goods are transferred to the customer. The goods are transferred when (or as) the customer obtains control of the goods.	Credit period of 30 to 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Contract revenue	Revenue is recognised over time using the stage of completion method. The stage of completion is measured using the input method, which is based on the proportion of total cost incurred at the reporting date compared to management's estimation of total cost of the contract.	Based on agreed milestones, certified by architects.	Variation orders are recognised upon certification from main contractors/ customers.	Not applicable.	Defect liability period of 1 to 2 years is given to the main contractors/ customers.
Property development revenue	Revenue and cost arising from property development activities is recognised over time by reference to the cost incurred over the estimated cost of the development. For completed units, revenue is recognised at a point in time when the customer obtains control of the property i.e. when vacant possession has been delivered.	Credit period of 30 to 90 days from invoice date.	Not applicable.	Not applicable.	Defect liability period of 2 years is given to the customer.
Project management fees and landscaping maintenance services	Revenue is recognised over time as and when the project management and maintenance services are performed when the customer consumes the services.	Credit period of 30 to 60 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

17. Revenue (continued)

17.2 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The disclosure is only providing information for contracts that have a duration of more than one year.

Group	2019 RM'000	2020 RM'000	2021 RM'000	Total RM'000
Revenue from construction contracts	253,163	-	-	253,163

The above revenue does not include variable consideration unless certified by main contractor/customer.

The Group applies the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised good or service to a customer and when the customer pays for that good or service is one year or less.

17.3 Significant judgements and assumptions arising from revenue recognition

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

- For construction contracts, the Group measured the performance of construction work done by comparing the actual costs incurred with the estimated total costs required to complete the construction. Significant judgements are required to estimate the total contract costs to complete. In making these estimates, management relied on professionals' estimates and also on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised in relation to ongoing developments.
- The Group recognised property development revenue and expenses in relation to ongoing development in profit or loss by reference to the proportion that property development costs incurred for work performed to date compared to the estimated total property development costs.

Significant judgements are required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of architects and quantitative surveyors.

18. Cost of sales

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Cost of goods sold	71,137	74,556	-	-
Contract costs recognised as an expense	132,669	46,515	-	-
Property development expenses	2,812	14,211	-	-
Direct operating expenses	6,241	6,938	-	-
Project management fees and landscaping maintenance services	3,976	4,097	-	-
Rental expenses	1,967	2,147	1,557	1,291
	218,802	148,464	1,557	1,291

19. Finance income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income	860	817	65	102

20. Finance costs

	Group		Company	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000
Interest expense from:				
- Finance lease liabilities	157	153	6	51
- Other finance costs	280	208	-	-
- Revolving credit	528	775	-	-
Unwinding of discount in relation to provision for onerous contract	997	941	-	-
	1,962	2,077	6	51

21. (Loss)/Profit before tax

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/Profit before tax is arrived after charging:				
Auditors' remuneration:				
KPMG				
- Audit fees	246	228	85	75
- Non-audit fees	8	12	-	8
Firm other than KPMG				
- Audit fees	9	9	-	-
Depreciation of property, plant and equipment	2,983	2,852	173	176
Depreciation of investment properties	1,180	1,289	565	673
Impairment loss on:				
Financial assets:				
- Trade receivables	1,968	592	-	-
- Contract assets	1,204	-	-	-
Non-financial assets:				
- Investment in subsidiary	-	-	2,809	2,325
- Property, plant and equipment	1,333	-	68	-
- Investment properties	-	-	267	-
- Investment in associate	318	29	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	1,547	1,249	33	37
- Wages, salaries and others	16,574	14,619	511	509
Property, plant and equipment written off	2	-	-	-
Rental of motor vehicles	535	195	-	-
Rental of premises	1,643	1,038	-	6
Rental of equipment and machinery	4,943	1,577	-	-
and after crediting:				
Dividend income from subsidiaries (unquoted)	-	-	12,410	10,000
Gain on disposal of property, plant and equipment	275	338	-	-
Gain on disposal of asset held for sale	191	586	-	-
Rental of machinery	2,483	2,400	-	-
Rental income from investment properties	2,145	2,417	1,369	1,488
Reversal of impairment loss on:				
Trade receivables	66	345	-	-

22. Tax expense

Recognised in profit or loss

	Note	Group 2018 RM'000	Group 2017 RM'000 Restated	Company 2018 RM'000	Company 2017 RM'000
Current tax expense					
Current year		1,287	3,596	236	278
(Over)/Under provision in prior year		(50)	72	22	65
		1,237	3,668	258	343
Deferred tax expense					
Origination and reversal of temporary differences		(521)	(254)	-	-
Over provision in prior year		(4)	-	-	-
	8	(525)	(254)	-	-
		712	3,414	258	343
Reconciliation of tax expense					
(Loss)/Profit before tax		(29,029)	(3,443)	8,583	7,087
Tax at Malaysian tax rate of 24% (2017: 24%)		(6,967)	(826)	2,060	1,701
Non-deductible expenses		1,449	1,108	1,154	1,013
Non-taxable income		(106)	(2,694)	(2,978)	(2,436)
Effect of unrecognised deferred tax assets		6,390	5,898	-	-
		766	3,486	236	278
(Over)/Under provided in prior years		(54)	(72)	22	65
		712	3,414	258	343

23. Loss per ordinary share

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 December 2018 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	2018	2017
Group	**RM'000**	**RM'000**
Loss for the year attributable to owners of the Company	(29,741)	(6,857)

	2018	2017
Group	**'000**	**'000**
Weighted average number of ordinary shares at 31 December	99,645	99,645

	2018 Sen	2017 Sen Restated
Group		
Basic loss per ordinary share	(29.85)	(6.88)

There is no dilution of earnings per share as there is no potential diluted ordinary shares.

24. Dividends

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

25. 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 five reportable segments as described below:

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

The trading segment are operated by two 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 provided. The type of customers for these segments consists of industrial consumers.

Performance is measured based on segment profit before tax, interest and depreciation as included in the internal management reports that are reviewed by the Group's 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.

25. Operating segments (continued)

	Trading		Property development		Investment property		Construction		Other services		Eliminations		Consolidated	
	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated	2018 RM'000	2017 RM'000 Restated
Group														
Total external revenue	79,415	79,082	4,689	27,273	2,145	2,417	117,405	47,083	5,801	5,598	-	-	209,455	161,453
Inter-segment revenue	15,507	4,408	-	-	512	552	1,273	2,471	755	352	(18,047)	(7,783)	-	-
Total segment revenue	94,922	83,490	4,689	27,273	2,657	2,969	118,678	49,554	6,556	5,950	(18,047)	(7,783)	209,455	161,453
Segment (loss)/profit	2,726	3,621	334	11,419	20	891	(24,068)	(7,907)	(7,588)	(9,913)	-	-	(28,576)	(1,889)
Unallocated other expenses													(1,662)	(2,545)
Results from operating activities													(30,238)	(4,434)
Finance income	384	227	294	292	86	179	91	114	5	5	-	-	860	817
Finance costs	(379)	(784)	(1,085)	(1,058)	(23)	(75)	(471)	(156)	(4)	(4)	-	-	(1,962)	(2,077)
Share of profit of equity accounted investments net of tax													2,311	2,251
Loss before tax													(29,029)	(3,443)
Tax expense													(712)	(3,414)
Net loss for the year													(29,741)	(6,857)
Included in measure of segment profit is:														
Depreciation of property, plant and equipment and investment property	491	521	113	110	1,180	1,625	156	370	2,223	1,515	-	-	4,163	4,141
Impairment of property, plant and equipment	-	-	-	-	-	-	-	-	1,333	-	-	-	1,333	-
Segment assets	98,834	91,631	38,092	49,484	91,637	90,222	83,933	61,506	9,981	9,397	-	-	322,477	302,240
Unallocated assets													19,512	28,883
Total assets													341,989	331,123
Included in measure of segment assets are:														
Investment in associate	1,530	1,875	-	-	-	-	-	-	-	-	-	-	1,530	1,875
Investment in joint venture	14,063	10,375	-	-	-	-	-	-	-	-	-	-	14,063	10,375
Capital expenditure of property, plant and equipment and investment property	387	957	1	398	2,595	4	1,965	643	57	903	-	-	5,005	2,905
Segment liabilities	(31,124)	(12,348)	(19,096)	(16,228)	(7)	(600)	(68,976)	(35,745)	(8,206)	(5,735)	-	-	(127,409)	(70,656)
Unallocated liabilities													(4,837)	(18,268)
Total liabilities													(132,246)	(88,924)

25. Operating segments (continued)

Geographical information

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

All non-current assets of the Group were maintained within Malaysia except for an amount of RM228,000 (2017: RM254,000) which was maintained in Singapore as at the end of the current and previous financial periods.

Major customers

Revenue from four customers (2017: four customers) of the Group amounted to RM97,211,000 (2017: RM71,505,000) which contributed to 47% (2017: 44%) of the Group's revenue.

26. Financial instruments

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as amortised cost ("AC").

	Carrying amount 2018 RM'000	AC 2018 RM'000
Group		
Financial assets		
Trade and other receivables*	124,528	124,528
Cash and cash equivalents	33,487	33,487
	158,015	158,015
Financial liabilities		
Borrowings	(11,729)	(11,729)
Trade and other payables	(118,777)	(118,777)
	(130,506)	(130,506)
Company		
Financial assets		
Trade and other receivables*	3,663	3,663
Cash and cash equivalents	4,410	4,410
	8,073	8,073
Financial liabilities		
Borrowings	(3,090)	(3,090)
Trade and other payables	(4,634)	(4,634)
	(7,724)	(7,724)

*Excluding prepayments and goods and services tax refundable

26. Financial instruments (continued)

26.1 Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 December 2017 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
Group		
Financial assets		
Trade and other receivables*	124,986	124,986
Cash and cash equivalents	38,151	38,151
	163,137	163,137
Financial liabilities		
Borrowings	(19,897)	(19,897)
Trade and other payables	(67,370)	(67,370)
	(87,267)	(87,267)
Company		
Financial assets		
Trade and other receivables*	13,115	13,115
Cash and cash equivalents	2,967	2,967
	16,082	16,082
Financial liabilities		
Borrowings	(9,141)	(9,141)
Trade and other payables	(6,141)	(6,141)
	(15,282)	(15,282)

*Excluding prepayments and goods and services tax refundable

26.2 Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net (losses)/gains on:				
Financial assets at amortised cost	(1,042)	-	65	-
Loans and receivables	-	570	-	102
Financial liabilities measured at amortised cost	(965)	(1,136)	(6)	(51)
	(2,007)	(566)	59	51

26.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

26. Financial instruments (continued)

26.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

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 and contract assets are represented by the carrying amounts in the statement of financial position.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks.

Concentration of credit risk

As at 31 December 2018, the Group has significant concentration of credit risk in the form of outstanding balances from two customers (2017: two customers) which amounted to 2018: RM37,797,000 (2017: RM48,904,000) representing 27% (2017: 36%) of total trade receivables and outstanding balances from three related parties amounting to RM17,481,000 (2017: RM31,073,000) representing 12% (2017: 23%) 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:

- Certain 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 recovery of the balances.

The disclosure of the credit risk exposure for trade receivables as at the end of the reporting period by geographic region is not disclosed as the Group's and the Company's business is operated solely in Malaysia.

26. Financial instruments (continued)

26.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses

The Directors manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments except for construction segment and property development segment.

Expected credit loss (ECL) is estimated based on an analysis of the actual historical default rates for each business or product area. The default rates are also critically evaluated based on the expectations of the responsible management team regarding the collectability of the receivables.

The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

For construction contracts, as there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

The Group does not have any significant credit risk from its property development activities as its products are predominantly sold to property purchasers with end financing facilities from reputable financiers. In addition, the credit risk is limited as the ownership and rights to the properties revert to the Group in the event of default, and the products do not suffer from physical, technological nor fashion obsolescence.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Group	**Gross carrying amount RM'000**	**Loss allowances RM'000**	**Net balance RM'000**
2018			
Current (not past due)	72,062	1,232	70,830
1 - 90 days past due	29,333	502	28,831
91 - 180 days past due	11,254	193	11,061
Past due more than 180 days	41,801	719	41,082
	154,450	2,646	151,804
Credit impaired			
Trade receivables individually impaired	11,338	11,275	63
Retention sums individually impaired	5,347	5,337	10
Contract assets individually impaired	19,839	19,839	-
	190,974	39,097	151,877
Trade receivables	140,669	19,258	121,411
Contract assets	50,305	19,839	30,466
	190,974	39,097	151,877

26. Financial instruments (continued)

26.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

Company	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2018			
Current (not past due)	69	-	69
1 - 90 days past due	24	-	24
91 - 180 days past due	34	-	34
Past due more than 180 days	204	-	204
	331	-	331
Trade receivables	331	-	331

Trade receivables that are past due but not impaired are creditworthy debtors with good payment records with the Company.

The movements in the allowance for impairment in respect of trade receivables and contract assets of the Group during the year are shown below:

	Trade receivables			
Group	Lifetime ECL RM'000	Credit impaired RM'000	Contract assets RM'000	Total RM'000
2018				
Balance at 1 January as per MFRS 139	-	14,644	18,635	33,279
Adjustments on initial application of MFRS 9	2,712	-	-	2,712
Balance at 1 January as per MFRS 9	2,712	14,644	18,635	35,991
Impairment loss	-	1,968	1,204	3,172
Reversal of impairment loss	(66)	-	-	(66)
Balance at 31 December	2,646	16,612	19,839	39,097

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement

The aging of trade receivables and contract assets as at 31 December 2017 was as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due*	38,037	-	38,037
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	91,563	(33,128)	58,435
	166,501	(33,279)	133,222

**Including contract assets*

26. Financial instruments (continued)

26.4 Credit risk (continued)

Trade receivables and contract assets (continued)

Comparative information under MFRS 139, Financial Instruments: Recognition and measurement (continued)

The aging of trade receivables as at 31 December 2017 was as follows:

Company	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	80	-	80
Past due 1 - 90 days	52	-	52
Past due 91 - 180 days	68	-	68
Past due more than 180 days	112	-	112
	312	-	312

Trade receivables that are past due but not impaired are creditworthy debtors with good payment records with the Company.

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

Group	Trade receivables RM'000	Contract assets RM'000	Total RM'000
2017			
At 1 January	14,397	18,635	33,032
Impairment loss recognised	592	-	592
Impairment loss reversed	(345)	-	(345)
At 31 December	14,644	18,635	33,279

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM11,550,000 (2017: RM23,424,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements to the subsidiaries' banking facilities.

26. Financial instruments (continued)

26.4 Credit risk (continued)

Financial guarantees (continued)

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

No impairment loss was provided for financial guarantee during the financial year.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

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 their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at 31 December 2018.

Company	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
2018			
Low credit risk	3,272	-	3,272

26. Financial instruments (continued)

26.5 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.

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
2018						
Non-derivative financial liabilities						
Finance lease liabilities	2,729	2.33-3.55	2,914	1,293	840	781
Revolving credit	9,000	5.92-6.17	9,540	9,540	-	-
Trade and other payables	118,777	-	118,777	118,777	-	-
2017						
Non-derivative financial liabilities						
Finance lease liabilities	3,097	2.31-3.55	3,345	1,240	1,097	1,008
Revolving credit	16,800	3.83-5.91	16,859	16,859	-	-
Trade and other payables	67,370	-	67,370	67,370	-	-
Company						
2018						
Non-derivative financial liabilities						
Trade and other payables	4,634	-	4,634	4,634	-	-
Finance lease liabilities	90	2.56	94	56	38	-
Revolving credit	3,000	5.92-6.17	3,016	3,016	-	-
Financial guarantee	-	-	11,550	11,550	-	-
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
Revolving credit	9,000	3.83-5.91	9,045	9,045	-	-
Financial guarantee	-	-	23,424	23,424	-	-

26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows. The Group is not expose to any significant foreign currency risks.

26.6.1 Interest rate risk

The Group's and the Company's investments in fixed rate deposits with licensed banks and its fixed rate borrowings are not significantly exposed to interest rate risks. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

26. Financial instruments (continued)

26.6.1 Interest rate risk (continued)

Risk management objectives, policies and processes for managing the risk

Interest rate exposure arising from the Group's and Company's borrowings is managed through the use of fixed and floating rate debts. The Group does not use derivative financial instrument to hedge its debt obligation.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments				
Financial asset				
Deposit with licensed banks	22,781	21,104	639	2,781
Financial liabilities				
Finance lease liabilities	(2,729)	(3,097)	(90)	(141)
Floating rate instruments				
Financial liabilities				
Revolving credit	(9,000)	(16,800)	(3,000)	(9,000)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000
Group		
2018		
Floating rate instruments	(7)	7
2017		
Floating rate instruments	(13)	13
Company		
2018		
Floating rate instruments	(2)	2
2017		
Floating rate instruments	(7)	7

26. Financial instruments (continued)

26.7 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.

Group	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2018			
Financial liabilities			
Finance lease liabilities	2,849	2,849	2,729
2017			
Financial liabilities			
Finance lease liabilities	3,257	3,257	3,097
Company			
2018			
Financial liabilities			
Finance lease liabilities	94	94	90
2017			
Financial liabilities			
Finance lease liabilities	150	150	141

Level 3 fair value

Level 3 fair value is estimated using inputs for the financial assets or liabilities that are not based on observable market data (unobservable inputs). The fair value within Level 3 of the finance lease liabilities is determined by using estimated future cash flows discounted using market related rate for a similar instrument at the reporting date. The interest rate used to discount the estimated cash flows for the finance lease of the Group and the Company is 2.33% to 3.55% (2017: 2.31% to 3.55%) and 2.56% (2017: 2.56%), respectively.

27. 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.

28. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Less than 1 year	197	197	56	56
Between 2 and 5 years	107	107	89	89
	304	304	145	145

The Group and the Company lease properties under operating leases. The leases typically run for a period of one year, with an option to renew the lease after that date.

Leases as lessor

The Group and the Company lease out their investment properties (see Note 4). The future minimum lease receivables under non-cancellable leases are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Less than 1 year	968	1,481	708	1,093
Between 2 and 5 years	201	242	101	-
	1,169	1,723	809	1,093

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 having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its significant investors, subsidiaries, associates, 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 Berhad 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

Related party transactions have been entered into in the normal course of business under negotiated terms. 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 11 and 16.

		Group	
		2018	2017
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.	2,680	1,960
	Danga Bay Sdn. Bhd.	-	5
	Ekovest Construction Sdn. Bhd.	20,537	20,517
	Rampai Fokus Sdn. Bhd.	1,652	2,652
	Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd.	12	12
	Iskandar Waterfront City Berhad and its subsidiaries	21,365	215
	Iskandar Waterfront Sdn. Bhd.	346	15
	Ekoriver Construction Sdn. Bhd.	12,962	54
	Ekovest Capital Sdn. Bhd.	401	29
	Nodedua Sdn. Bhd.	-	15
	Teras Hijaujaya Sdn. Bhd.	-	13
	Ekovest Project Management Sdn. Bhd.	918	13
	Greenland Knusford Construction Sdn. Bhd.	426	-
	Lee Hun Kheng	15	-
Contract and maintenance income	Danga Bay Sdn. Bhd.	248	329
	Ekovest Construction Sdn. Bhd.	31,925	51
	Konsortium Lebuhraya Utara-Timur (KL) Sdn. Bhd.	-	8
	Rampai Fokus Sdn. Bhd.	149	195
	Iskandar Waterfront City Berhad and its subsidiaries	106	1,668
	Teras Hijaujaya Sdn. Bhd.	20	8
	Ekoriver Construction Sdn. Bhd.	1,435	2,124
	Ekovest Project Management Sdn. Bhd.	57	38
	Aramijaya Sdn. Bhd.	159	-
	Greenland Knusford Construction Sdn. Bhd.	2,296	-
	Knusford Compass Sdn. Bhd.	1,083	-
	Tan Sri Dato' Lim Kang Hoo	56	-
	Iskandar Waterfront Sdn. Bhd.	4,964	-
Purchase and rental of machinery and equipment, purchase of building materials and miscellaneous services	Teras Hijaujaya Sdn. Bhd.	-	44
	Aramijaya Sdn. Bhd.	975	958
	Ekovest Berhad.	-	45
	Ekovest Construction Sdn. Bhd.	295	95
	Danga Bay Sdn. Bhd.	3	98
	Rampai Fokus Sdn. Bhd.	-	3
	Iskandar Waterfront Sdn. Bhd.	116	227
	Pembinaan KS Tebrau Sdn. Bhd.	68	204
	Ekovest Holdings Sdn. Bhd.	-	107
	Karib Industri Sdn. Bhd.	-	18
	Ekoriver Construction Sdn. Bhd.	1,524	-
	Iskandar Waterfront City Berhad and its subsidiaries	190	-
	Knusford Compass Sdn. Bhd.	1,301	-

29. Related parties (continued)

Significant related party transactions (continued)

Type of transactions	Related parties	Group 2018 RM'000	Group 2017 RM'000
Project management fees	Ekovest Project Management Sdn. Bhd.	-	133
Rental of premises paid	Aramijaya Sdn. Bhd.	17	18
	Danga Bay Sdn. Bhd.	48	56
	Ekovest Energy Sdn. Bhd.	4	6
	Ekovest Properties Sdn. Bhd.	178	164
	Ekovest Construction Sdn. Bhd.	16	7
	Ekovest Holdings Sdn. Bhd.	87	-
	Lim Sew Hua	18	-
Rental of premises received	Danga Bay Sdn. Bhd.	230	323
	Ekovest Construction Sdn. Bhd.	42	18
	Iskandar Waterfront Sdn. Bhd.	80	67
	Rampai Fokus Sdn. Bhd.	18	5
	Iskandar Waterfront City Berhad and its subsidiaries	36	36

Type of transactions	Related parties	Company 2018 RM'000	Company 2017 RM'000
Rental of premises received	Danga Bay Sdn. Bhd.	95	188
	Iskandar Waterfront Sdn. Bhd.	60	60
	Rampai Fokus Sdn. Bhd.	18	5
	Subsidiaries		
	Knusford Construction Sdn. Bhd.	164	164
	Knusford Marketing Sdn. Bhd.	47	87
	Radiant Seas Sdn. Bhd.	111	112
	Knusford Landscape Sdn. Bhd.	82	82
	Knusford Project Management Sdn. Bhd.	26	79
	Knusford Equipment Sdn. Bhd.	46	10
	Knusford Resources Sdn. Bhd.	36	18

Key management personnel compensation

The key management personnel compensation are as follows:

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Directors				
- Fees	180	180	180	180
- Remuneration	1,573	1,417	-	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	71	50	61	40
	1,824	1,647	241	220
Other key management personnel				
Remuneration	2,028	2,659	-	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	7	-	-	-
	2,035	2,659	-	-
	3,859	4,306	241	220

Key management personnel comprises persons other than the Directors of the Group, having authority and responsibility in planning, directing and controlling the activities of the entity either directly or indirectly. The persons are the Group Chief Executive Officer, General Manager and Project Directors.

30. 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 2018 %	2017 %
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
Knusford Resources Sdn. Bhd. (fka Tetap Aman Kapital Sdn. Bhd.)	Trading in building materials	100	100
Subsidiaries of Knusford Holdings Sdn. Bhd.			
Knusford Marketing Sdn. Bhd.	Trading in building materials	100	100
Segi Gemilang Sdn. Bhd.	Rental of machinery and equipment	100	100
Hi-Plus Development Sdn. Bhd.	Dormant	100	100
Knusford Landscape Sdn. Bhd.	Landscape construction and tenance activities	100	100
Subsidiaries of Knusford Equipment Sdn. Bhd.			
Radiant Seas Sdn. Bhd.	Sand trading, rental of machinery and equipment and trading in building materials	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	100
Subsidiaries of Knusford International Pte. Ltd.			
Knusford Venture Pte. Ltd.*	General wholesale trade	100	100

* - Not audited by member firms of KPMG PLT.

31. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers and* MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

31.1 Impacts on financial statements

The following tables summarise the impacts arising from the adoption of MFRS 15 and MFRS 9 on the Group's and the Company's financial statements.

a. Statement of financial position

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
1 January 2017			
Investment properties	97,589	(6,082)	91,507
Deferred tax assets	2,808	(2,808)	-
Inventories	62,249	(29,099)	33,150
Contract assets	-	14,093	14,093
Trade and other receivables	153,887	(5,917)	147,970
Others	50,268	-	50,268
Total assets	366,801	(29,813)	336,988
Deferred tax liabilities	1,298	(254)	1,044
Trade and other payables	84,006	(6,371)	77,635
Contract liabilities	-	266	266
Others	8,993	-	8,993
Total liabilities	94,297	(6,359)	87,938
Retained earnings	150,166	(23,454)	126,712
Others	122,338	-	122,338
Total equity	272,504	(23,454)	249,050
Total equity and liabilities	366,801	(29,813)	336,988

	31 December 2017			1 January 2018	
	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000	MFRS 9 adjustments RM'000	As restated RM'000
Group					
Investment properties	96,304	(6,082)	90,222	-	90,222
Deferred tax assets	4,398	(4,398)	-	-	-
Inventories	65,773	(40,586)	25,187	-	25,187
Contract assets	-	12,606	12,606	-	12,606
Trade and other receivables	127,384	(793)	126,591	(2,712)	123,879
Others	76,517	-	76,517	-	76,517
Total assets	370,376	(39,253)	331,123	(2,712)	328,411

31. Significant changes in accounting policies (continued)

31.1 Impacts on financial statements (continued)

a. Statement of financial position (continued)

	31 December 2017			1 January 2018	
	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000	MFRS 9 adjustments RM'000	As restated RM'000
Group					
Deferred tax liabilities	1,274	(484)	790	-	790
Trade and other payables	87,484	(20,114)	67,370	-	67,370
Contract liabilities	-	263	263	-	263
Others	20,501	-	20,501	-	20,501
Total liabilities	109,259	(20,335)	88,924	-	88,924
Retained earnings	138,773	(18,918)	119,855	(2,712)	117,143
Others	122,344	-	122,344	-	122,344
Total equity	261,117	(18,918)	242,199	(2,712)	239,487
Total equity and liabilities	370,376	(39,253)	331,123	(2,712)	328,411

b. Statement of profit or loss and other comprehensive income

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
For the year ended 31 December 2017			
Revenue	140,851	20,602	161,453
Cost of sales	(134,698)	(13,766)	(148,464)
Gross profit	6,153	6,836	12,989
Other income	2,551	-	2,551
Administrative and other operating expenses	(19,974)	-	(19,974)
Results from operating activities	(11,270)	6,836	(4,434)
Net finance costs	(319)	(941)	(1,260)
Share of profit of equity-accounted investments, net of tax	2,251	-	2,251
Loss before tax	(9,338)	5,895	(3,443)
Tax expense	(2,055)	(1,359)	(3,414)
Net loss after tax	(11,393)	4,536	(6,857)

	As previously reported	As restated
Basic loss per ordinary share (sen):	11.43	6.88

31. Significant changes in accounting policies (continued)

31.1 Impacts on financial statements (continued)

c. Statement of cash flows

Group	As previously reported RM'000	MFRS 15 adjustments RM'000	As restated RM'000
For the year ended 31 December 2017			
Cash flows from operating activities			
Loss before tax	(9,338)	5,895	(3,443)
Adjustments for:			
Impairment loss on trade receivables	-	592	592
Reversal of impairment loss on trade receivables	-	(345)	(345)
Interest expense	1,136	941	2,077
Others	178	-	178
Operating loss before changes in working capital	(8,024)	7,083	(941)
Changes in working capital:			
Inventories	(3,524)	11,487	7,963
Trade and other receivables	26,509	(5,370)	21,139
Contract assets	-	1,487	1,487
Trade and other payables	3,478	(14,684)	(11,206)
Contract liabilities	-	(3)	(3)
Cash generated from operations	18,439	-	18,439
Tax paid	(2,360)	-	(2,360)
Interest paid	-	(983)	(983)
Interest received	-	817	817
Net cash from operating activities	16,079	(166)	15,913
Cash flows from investing activities			
Interest received	817	(817)	-
Others	(1,917)	-	(1,917)
Net cash used in investing activities	(1,100)	(817)	(1,917)
Cash flows from investing activities			
Interest paid	(1,136)	983	(153)
Others	9,242	-	9,242
Net cash from financing activities	8,106	983	9,089
Net increase in cash and cash equivalents	23,085	-	23,085

31.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement.*

31. Significant changes in accounting policies (continued)

31.2 Accounting for financial instruments (continued)

a. Transition (continued)

ii) Assessments have been made based on the facts and circumstances that existed at the date of initial application of the determination of the business model within which a financial asset is held.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9:

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

			1 January 2018
Group			**Reclassification to new MFRS 9 category**
Category under MFRS 139	**31 December 2017 RM'000**	**Remeasurement RM'000**	**Amortised cost ("AC") RM'000**
Financial assets			
Loans and receivables			
Trade and other receivables	124,986	(2,712)	122,274
Cash and cash equivalents	38,151	-	38,151
	163,137	(2,712)	160,425
Financial liabilities			
Other financial liabilities measured at amortised cost			
Borrowings	(19,897)	-	(19,897)
Trade and other payables	(67,370)	-	(67,370)
	(87,267)	-	(87,267)
Company			
Category under MFRS 139			
Financial assets			
Loans and receivables			
Trade and other receivables	13,115	-	13,115
Cash and cash equivalents	2,967	-	2,967
	16,082	-	16,082
Financial liabilities			
Other financial liabilities measured at amortised cost			
Borrowings	(9,141)	-	(9,141)
Trade and other payables	(6,141)	-	(6,141)
	(15,282)	-	(15,282)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. An increase of RM2,712,000 in allowance for impairment was recognised in opening retained earnings of the Group at 1 January 2018 respectively on transition to MFRS 9. No changes to the trade and other receivables balances of the Company.

31. Significant changes in accounting policies (continued)

31.3 Accounting for revenue

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted:

(a) for completed contracts, the Group does not restate contracts that:

(i) begin and end within the same annual reporting period; or

(ii) are completed contracts at the beginning of the earliest period presented.

If this practical expedient is not applied, revenue for the current year is expected to be higher because performance obligations where revenue was recognised previously could have been recognised in the current year.

(b) for completed contracts that have variable consideration, the Group uses the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

The Group is unable to estimate the effects arising from the application of this practical expedient.

(c) for contracts that were modified before the beginning of the earliest period presented, the Group does not retrospectively restate the contract for those contract modifications. Instead, the Group reflects the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

(i) identifying the satisfied and unsatisfied performance obligations;

(ii) determining the transaction price; and

(iii) allocating the transaction price to the satisfied and unsatisfied performance obligations.

The application of this practical expedient is not expected to have material impact to the Group.

(d) for comparatives, the Group does not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Group expects to recognise revenue.

The following are the changes in revenue recognition from the adoption of MFRS 15:

(a) Revenue recognition

Types of revenue	Previous year's revenue recognition	Current year's revenue recognition
Trading	The Group previously recognised revenue when the goods were delivered to the customer's premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at the point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods.	Revenue is recognised when the Group transfers control over the goods to customer. The goods are transferred when (or as) the customer obtains control of the goods. The Group transfers control of the goods at a point in time.

31. Significant changes in accounting policies (continued)

31.3 Accounting for revenue (continued)

(a) Revenue recognition (continued)

Types of revenue	Previous year's revenue recognition	Current year's revenue recognition
Contract revenue	If the outcome of a construction contract could be estimated reliably, then contract revenue was recognised in proportion to the stage of completion of the contract. The stage of completion was assessed with reference to the cost incurred over the estimated cost. Otherwise, contract revenue was recognised only to the extent of contract costs incurred that were likely to be recoverable. Contract expenses were recognised as they were incurred. An expected loss on a contract was recognised immediately in profit or loss. Advances received were included in deferred revenue.	Revenue is recognised over time using the stage of completion method. The stage of completion is measured using the input method, which is based on the proportion of total cost incurred at the reporting date compared to management's estimation of total cost of the contract.
Property development revenue	The Group recognition revenue based on a completion method (i.e. when vacant possession is transferred) when risk and rewards of ownership is transferred.	Revenue and cost arising from property development activities is recognised over time by reference to the cost incurred over the estimated cost of the development. For completed units, revenue is recognised when the customer obtains control of the property (i.e. when vacant possession is transferred)
Project management fees and landscaping maintenance services	Revenue from project management fees and landscaping maintenance services was recognised when services are rendered.	Revenue is recognised over time as and when the project management and maintenance services are performed when the customer consumes the services.

(b) Loss arising from affordable housing scheme in relation to the development of the premium housing scheme was recognised to retained earnings as a provision for onerous contract;

(c) Land cost in relation to the affordable housing scheme and land to be surrendered for the purposes of the development of the premium housing scheme was written down and charged to retained earnings; and

(d) Classification of land held for development and property development cost to inventories, and amount due from/(to) contract customers to contract assets and liabilities respectively.

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 108 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 2018 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

Date: 11 April 2019

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 108 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 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 11 April 2019.

Lee Mong Fang

Before me:

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 2018 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 108.

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 2018 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. Revenue recognition for trading</th></tr>
<tr><td colspan="2">Refer to Note 2(o) – Revenue accounting policy and Note 17 – Revenue</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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, among others, around revenue recognition – trading :-

• We tested the design and implementation as well as operating effectiveness of the Group's controls relevant to recognition of revenue;

• We assessed whether sales transactions either side of the statement of financial position date as well as credit notes issued after year end are recognised in the appropriate period;

• We tested sales transactions recorded to the acknowledged customer delivery orders as an indication of transfer of control on goods to ascertain validity of sales.</td></tr>
</table>

Key Audit Matters (continued)

2. Revenue recognition for construction contract	
Refer to Note 2(o) – Revenue accounting policy and Note 17 – Revenue	
The key audit matter	**How the matter was addressed in our audit**
The Group recognise revenue arising from the construction contracts over time using the stage of completion method. The stage of completion is measured using the input method, which is based on the proportion of total cost incurred at the reporting date compared to management's estimation of total cost of the contract. 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 judgement 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. 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.	We used a variety of quantitative and qualitative factors to select contracts according to their size, inherent risks or the complexity of contract accounting estimates for detailed testing. Our audit procedures include, among others: • We assessed the design and implementation of key controls over the recognition of contract revenue, margin and related receivables and payables; • We inspected contracts selected and challenged the Group's estimates on both current and future financial performance based on the historical performance of the Group and industry knowledge; • We tested the existence and valuation of claims and variations both within the contract revenue and contract costs via inspection of correspondence with customers; • We assessed the Group's estimate on the forecast cost to complete and timing to complete existing projects through corroborative discussion with finance and operational units; • We assessed the Group's ability to deliver the contracts within the contracted timelines and identified if there is any exposure to liquidated ascertained damages arising from late delivery of contract works; • We inspected performance of projects subsequent to the end of the reporting period to support year end judgements.

3. Adoption MFRS 15 *Revenue from Contracts with Customers*	
Refer to Note 2(o) – Revenue accounting policy, Note 17 – Revenue and Note 31 – Significant changes in accounting policies	
The key audit matter	**How the matter was addressed in our audit**
MFRS 15 *Revenue from Contracts with Customers* became effective on 1 January 2018. Arising from the adoption of MFRS 15, the Group were required to change accounting policies on revenue recognition. Consequently, new or revised processes, systems and controls have been implemented to cater for the new policies, new judgements were required to evaluate contracts with customers, in particular on the number of performance obligations, allocation of transaction price to each performance obligation and the determination of whether revenue for each contract is to be recognised over time or at a point in time and new disclosures were made in the financial statements.	We performed the following audit procedures, among others: • We compared the accounting policies adopted with the requirements of MFRS 15; • We reviewed and gained an understanding of the Group's new or revised processes, systems and controls implemented; • We identified and tested relevant controls over the revised processes and system, including the use of our own specialists when required;

Key Audit Matters (continued)

<table>
<tr><th colspan="2">3. Adoption MFRS 15 Revenue from Contracts with Customers</th></tr>
<tr><td colspan="2">Refer to Note 2(o) – Revenue accounting policy, Note 17 – Revenue and Note 31 – Significant changes in accounting policies</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The accounting policy changes arising from adoption of MFRS 15 is a key audit matter because it:
• required us to design new audit procedures to test new processes and controls implemented by the Group;
• required involvement of our more senior personnel to assess the evaluation of the contracts with the customers performed by the Group; and
• required us to exercise significant judgement to assess the allocation of transaction price to each performance obligation and the timing of revenue recognition.</td><td>• We obtained an understanding of the basis of the key judgements made for the revenue recognition and compared them with the requirements of the accounting standard;

• We evaluated the estimates made for the revenue recognition by determining that inputs applied were not biased and these were reasonable and supportable;

• We assessed the completeness, accuracy and appropriateness of disclosures as required by MFRS 15.</td></tr>
<tr><th colspan="2">4. Valuation of trade receivables</th></tr>
<tr><td colspan="2">Refer to Note 11 – 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 valuation 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 and subsequent to year end collections. 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 valuation of trade receivables:

• We tested the accuracy of the underlying information of the trade receivables ageing used to assess the adequacy of impairment loss of trade receivables;

• We challenged the Group's basis and assessment in determining whether there exist an objective evidence of impairment loss of trade receivables and assessed past payment trend by checking to payment receipts;

• We checked the subsequent receipt against trade receivables and investigated the significant individual overdue balances by reference to track record of recoveries and review of correspondence with the customers;

• We assessed the historical accuracy of allowance for impairment loss of trade receivables made by the Group;

• We 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>

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 Director's Report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

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 misstatement of the annual report, we are required to report that fact. We have noting to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

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 30 to the financial statements.

Other Matter

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

Vengadesh A/L Jogarajah
Approval Number: 03337/12/2019 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 11 April 2019

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

Save as disclosed below as at 31 December 2018, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board is not aware and do not have any knowledge of any proceedings, pending against or threatening 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 known as "Notices") on Kinsteel Berhad ("KINSB") and Kin Kee Marketing Sdn Bhd ("KKMSB") on 25 November 2016 for failure, negligence and/or refusal to comply with a Consent Judgment dated 5 September 2016 recorded at the Kuantan High Court Suit No. 22NCVC-21-04/2016 which involved the sum of RM19,574,186.09.

Winding up petition was subsequently filed and served on both Companies, KINSB and KKMSB on 22 December 2016 at the Kuantan High Court.

The winding up petition hearing was postponed several times due to multiple Restraining Orders ("ROs") filed by among others the Companies in different states.

The following is a summary of outcome of the said winding up petition:-

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

On 18 January 2018, the Court proceeded with the Hearing in absence of the KKMSB and/or its solicitors and ordered as follows:-

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

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

On 18 January 2018, KINSB's Chief Executive Officer ("CEO") sought for an adjournment of the winding up hearing to appoint new solicitors. The Court, in the interest of justice, had adjourned the hearing to 22 January 2018.

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

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

On 29 January 2018, KINSB lodged an appeal to the Court of Appeal against the Winding Up Order. The appeal is registered as Civil Appeal No. C-02(NCC)(A)-197-01/2018.

On 5 February, KINSB filed a motion at the Kuantan High Court to stay the Winding Up Order pending its appeal to the Court of Appeal. Decision for the motion was deferred from 8 March 2018 to 3 April 2018. On 3 April 2018, the High Court dismissed KINSB's application for stay the Winding Up Order.

<u>Court of Appeal Civil Appeal No. C-02(NCC)(A)-197-01/2018</u>

KINSB subsequently filed another motion at the Court of Appeal on 12 April 2018 to stay the Winding Up Order.

Whilst KINSB's motion was still ongoing, KMKSB filed a motion at the Court of Appeal on 2 May 2018 to obtain for an order of security for costs in the sum of RM200,000.00 be paid by KINSB and/or its directors to KMKSB. Both applications by KINSB for a stay order and KMKSB for security for cost were fixed for hearing on 8 August 2018.

On 27 July 2018, KINSB agreed to pay an amount of security for the costs in the sum 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 which KINSB honoured it.

On 8 August 2018, the motion for security for costs were struck out with no order as to costs upon receiving RM25,000.00 from KINSB on 3 August 2018.

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

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

  However, 22 days before the appeal proper, ie 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.

  CSL filed its second motion to discharge on 19.2.2019.

  The appeal proper against the winding up order and the motion by CSL to discharge are fixed for Hearing on 25.6.2019.

  The Board is of the opinion that the above suit will not have any material adverse financial or operational impact as the claim involved a back-to-back agreement with KMKSB's customer who has paid for steel bars which were to be delivered to them 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 Group and Company by the External Auditor for the financial year ended 31 December 2018 amounted to RM8,000 and RM8,000 respectively.

  There is no non-audit fee incurred for services rendered to the Group and Company by a firm or corporation affiliated to the External Auditor for the financial year ended 31 December 2018.

- **MATERIAL CONTRACTS**

  Save as disclosed below as at 31 December 2018, 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 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 20 June 2019.

Date of Annual Report : 30 April 2019
Statement Date : 29 March 2019

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	^ 2,410,000	2.42
3. Kinston Park Sdn Bhd	2,410,000	2.42	° 30,000,000	30.11
4. Dato' Lim Kang Swee	10,614,354	10.65	# 439,000	0.44
5. Khoo Nang Seng @ Khoo Nam Seng	8,124,122	8.15	-	-
6. Tan Sri Dato' Lim Kang Hoo	615,749	0.62	* 32,410,000	32.53
TOTAL	51,764,225	51.95		

2. DIRECTORS' SHAREHOLDINGS AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

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. Lim Chen Thai	-	-	-	-
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 (CEO)	-	-	-	-
TOTAL	-	-		

° Deemed interest by virtue of his 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
^ Deemed interest by virtue of shares held by Kinston Park 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 910 shareholders holding 99,645,002 ordinary shares as at 29 March 2019.
One (1) vote per Ordinary Share.

4. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	Shareholdings	%
Less than 100 shares	15	1.65	253	0.00
100 - 1,000 shares	417	45.83	167,700	0.17
1,001 - 10,000 shares	330	36.26	1,525,100	1.53
10,001 - 100,000 shares	92	10.11	2,852,800	2.86
100,001 to less than 5% of issued shares	53	5.82	49,831,027	50.01
5% and above of issued shares	3	0.33	45,268,122	45.43
TOTAL	910	100	99,645,002	100

ANALYSIS OF SHAREHOLDINGS

5. THIRTY (30) LARGEST SHAREHOLDERS

	Name	Shareholdings	%
1.	Aman Setegap Sdn Bhd	30,000,000	30.11
2.	Khoo Nang Seng @ Khoo Nam Seng	8,124,122	8.15
3.	Dato' Lim Kang Swee	7,144,000	7.17
4.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ngai Sok Fong	4,500,946	4.52
5.	Wong Khai Shiuan	3,139,000	3.15
6.	Maybank 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 (8095531)	1,800,000	1.81
14.	Maybank Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Pang Piu Fong (Margin)	1,687,599	1.69
15.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Lai Leng	1,618,500	1.62
16.	Maybank Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Meow Yen (Margin)	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 (MY0954)	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 (8093910)	699,500	0.70
28.	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Tan Sri Dato' Lim Kang Hoo (PBCL-0G0650)	600,000	0.60
29.	Lim Soo San	541,200	0.54
30.	Icon Sejati Sdn Bhd	464,000	0.47

PARTICULARS OF MATERIAL PROPERTIES

AS AT 31 DECEMBER 2018

	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#	27,290	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)	13	Freehold	Industrial Land and Premises	275,833*	14,905	20-Jun-07
3	26 units of Danga Walk Shoplots Danga Bay Jalan Skudai 80200 Johor Bahru Johor Darul Takzim	10	Freehold	Shop Lot	2,994^	12,499	18-Mar-16
4	23 units of Danga Walk Shoplots Danga Bay Jalan Skudai 80200 Johor Bahru Johor Darul Takzim	10	Freehold	Shop Lot	2,580^	10,515	29-Dec-14
5	Tropez Residences Persiaran Danga Bay 80200 Johor Bahru	4	Freehold	Eleven (11) retail lots	1,003^	7,920	29-Apr-15
6	11 units Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	14	Freehold	Apartment	29,546*	5,946	21-Dec-06
7	Diamond Square Lot 335, 317 and 318 Jalan Gombak Mukim of Setapak District of Kuala Lumpur	22	Freehold	Seven (7) storey commercial buildings comprising one (1) retail & twelve (12) shop office	20,715 *	4,289	8-Jun-96
8	5 units Danga View Apartment Bandar of Johor District of Johor Bahru Johor Darul Takzim	14	Freehold	Apartment	14,619*	2,846	1-Oct-05
9	9 units of Danga Walk Shoplots Danga Bay Jalan Skudai 80200 Johor Bahru Johor Darul Takzim	10	Freehold	Shop Lot	10,096*	2,701	25-Mar-09
10	PT 17588 Mukim of Semenyih Daerah Ulu Langat Selangor Darul Ehsan	9	Freehold	Land & Building	4,065^	2,168	1-Oct-15

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-Third Annual General Meeting of the Company to be held at **DoubleTree by Hilton Hotel Johor Bahru, 12 Jalan Ngee Heng, 80000 Johor Bahru, Johor Darul Takzim** on Thursday, 20 June 2019 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) Mohd Salleh Bin Othman ii) DYAM Tunku Ismail Ibni Sultan Ibrahim iii) Lee Wai Kuen	 (Resolution 1) (Resolution 2) (Resolution 3)		
2.	Re-election of Lim Chen Thai	(Resolution 4)		
3.	Approval of Directors' Fees	(Resolution 5)		
4.	Approval of Directors' Benefits	(Resolution 6)		
5.	Re-appointment of Auditors	(Resolution 7)		
6.	*Ordinary Resolution 1* Proposed Renewal Of the Authority for the Directors to Allot and Issues Shares *Ordinary Resolution 2* Proposed Renewal of Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature *Special Resolution* Proposed Alteration of the existing Memorandum and Articles of Association by replacing with a new Constitution	(Resolution 8) (Resolution 9) (Resolution 10)		

Dated this ____________ day of ____________________ 2019.

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 2019 shall be entitled to attend and vote at the 23rd 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 Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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AFFIX
STAMP

The Company Secretaries

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

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KNUSFORD BERHAD
(380100-D)

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