



# ANNUAL REPORT 2018



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Ku Hwa Seng (Executive Chairman)  
Khoo Cheng Hai @ Ku Cheng Hai (Group Managing Director)  
Ku Tien Sek (Executive Director)  
Lee Chye Tee (Executive Director)  
Gow Kow (Independent Non-Executive Director)  
Goh Tyau Soon (Independent Non-Executive Director)  
Tey Ping Cheng (Independent Non-Executive Director)

### COMPANY SECRETARY

Leong Siew Foong (MAICSA 7007572)  
Santhi A/P Saminathan (MAICSA 7069709)  
Boardroom Corporate Services Sdn Bhd (Company No. 3775-X)  
(Formerly known as Boardroom Corporate Service (KL) Sdn Bhd)  
Suite 9D, Level 9, Menara Ansar, 65, Jalan Trus, 80000 Johor Bahru, Johor Darul Takzim.  
Tel: 07-221 0566 Fax: 07-221 0890

### REGISTERED OFFICE

Wisma KSL, 148, Batu 1 ½, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Takzim.  
Tel: 07-931 1430 / Fax: 07-932 4888  
E-mail: info\_kslh@kslh.my Website: <http://www.kslh.my>

### AUDITORS

ECOVIS AHL PLT (LLP0003185-LCA) & (AF:001825) Chartered Accountants  
No. 54, Jalan Kempas Utama 2/2, Taman Kempas Utama, 81200 Johor Bahru, Johor Darul Takzim.  
Tel: 07-562 9000 / Fax: 07-562 9090

**PRINCIPAL BANKERS**

Malayan Banking Berhad (3813-K)  
OCBC Bank (Malaysia) Berhad (295400-W)  
RHB Bank Berhad (6171-M)  
AmBank (M) Berhad (8515-D)

**SHARE REGISTRARS**

Boardroom Share Registrars Sdn Bhd (378993-D)  
(Formerly known as Symphony Share Registrars Sdn Bhd (378993-D),  
Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46,  
47301 Petaling Jaya, Selangor Darul Ehsan Malaysia.  
Tel: +603-7849 0777 / Fax: +603-7841 8151  
Website: <http://www.boardroomlimited.com>

**SOLICITORS**

Lee Fook Leong & Co  
No. 29, 31 & 33, 1st Floor, (Peti Surat 95), Jalan Kekwa, 85007 Segamat, Johor Darul Takzim.  
Tel: 07-931 3479 / Fax: 07-931 4180

YK Chin  
L1-86A, KSL City, No. 33, Jalan Seladang, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim.  
Tel: 07-3319939 / Fax: 07-2890039

**STOCK EXCHANGE LISTING**

Main Market of Bursa Malaysia Securities Berhad (635998-W)  
Stock Name: KSL  
Stock Code: 5038

KSL HOLDINGS BERHAD (511433-P)  
(Incorporated in Malaysia)

## NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of the Company will be held at KSL Resorts, Level G, Infusion Private Room, 33, Jalan Seladang, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Thursday, 30 May 2019 at 3.30 p.m. for the following purposes:-

### AGENDA

#### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of the Non-Executive Directors' Fees of RM90,000 and Benefits of RM14,000 for the financial year ending 31 December 2019 until the next AGM of the Company. **RESOLUTION 1**
3. To re-elect the following Directors who are retiring in accordance with Article 93 of the Company's Constitution:-
  - (a) Mr. Ku Hwa Seng **RESOLUTION 2**
  - (b) Mr. Goh Tyau Soon **RESOLUTION 3**
  - (c) Mr. Tey Ping Cheng **RESOLUTION 4**
4. To re-appoint Messrs. Ecovis AHL PLT, the retiring Auditors of the Company and to authorise the Board of Directors to fix their remuneration. **RESOLUTION 5**

#### SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary Resolutions: -

5. **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **RESOLUTION 6**

“**THAT** pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to allot and issue shares in the Company from time to 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 does not exceed 10% of the total number of shares of the Company (excluding treasury shares) for the time being and that the Directors be and also empowered 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:-

  - (a) the conclusion of the Annual General Meeting held next after the approval was given; or
  - (b) the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given,

whichever occurs first.”

## NOTICE OF NINETEENTH ANNUAL GENERAL MEETING (Cont'd)

### 6. PROPOSED RENEWAL OF AUTHORITY FOR THE PURCHASE OF ITS OWN SHARES BY THE COMPANY RESOLUTION 7

“**THAT** subject to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“BMSB”) and all other prevailing laws, rules, regulations and orders issued and/or amended from time to time by the relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company of not exceeding 10% of the total number of issued shares of the Company (“Proposed Share Buy-Back”) as may be determined by the Directors of the Company from time to time through BMSB upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (a) the aggregate number of shares purchased does not exceed 10% of the total number of issued shares of the Company for the time being quoted on BMSB;
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company as at 31 December 2018 of RM278,947,657 at the time of the purchase(s);

**THAT** the Directors be and are hereby authorised:-

- (a) cancel all the shares so purchased;
- (b) retain all the shares so purchased as treasury shares;
- (c) retain part of the shares so purchased as treasury shares and cancel the remainder of the shares; or
- (d) deal with the treasury shares in the manners as allowed by the Act from time to time.

**AND THAT** the Directors be and are hereby authorised to carry out the Proposed Share Buy-Back immediately upon the passing of this resolution until:-

- a) the conclusion of the next Annual General Meeting (“AGM”) of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- b) the expiration of the period within which the next AGM is required by law to be held; or
- c) revoked or varied by ordinary resolution passed by the members of the Company in a general meeting,

whichever occurs first.

**THAT** the Directors be and are hereby authorised to sign and execute all documents, do all acts, deeds and things (including the maintaining of a Central Depositories Account(s) under the Securities Industry (Central Depositories) Act, 1991 as may be required to give effect to and to complete the aforesaid Proposed Renewal of Share Buy-Back Authority with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Renewal of Share Buy-Back Authority.”

## NOTICE OF NINETEENTH ANNUAL GENERAL MEETING (Cont'd)

7. **AUTHORITY FOR MR. GOW KOW TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** RESOLUTION 8
- “**THAT** Mr. Gow Kow who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be and is hereby authorised to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance.”
8. **AUTHORITY FOR MR. GOH TYAU SOON TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** RESOLUTION 9
- “**THAT** Mr. Goh Tyau Soon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be and is hereby authorised to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance.”
9. **AUTHORITY FOR MR. TEY PING CHENG TO CONTINUE IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** RESOLUTION 10
- “**THAT** Mr. Tey Ping Cheng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be and is hereby authorised to continue to act as Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance.”
10. **PROPOSED RENEWAL OF AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES OF THE COMPANY (KSL SHARES) IN RELATION TO THE DIVIDEND REINVESTMENT PLAN THAT PROVIDES SHAREHOLDERS OF THE COMPANY WITH AN OPTION TO REINVEST THEIR CASH DIVIDEND IN NEW KSL SHARES (DIVIDEND REINVESTMENT PLAN)** RESOLUTION 11
- “**THAT** pursuant to the Dividend Reinvestment Plan (DRP) as approved by the Shareholders at the Extraordinary General Meeting held on 28 November 2014, approval be and is hereby given to the Directors to allot and issue such number of new KSL Shares, from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting, upon such terms and conditions and to such persons as the Directors may, in their sole and absolute discretion, deem fit and in the best interest of the Company PROVIDED THAT the issue price of the said new KSL Shares shall be fixed by the Directors at not more than ten percent (10%) discount to the adjusted five (5) day volume weighted average market price (VWAMP) of KSL Shares immediately prior to the price-fixing date, of which the VWAMP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;
- AND THAT** the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements and agreements and to execute, sign and deliver for and on behalf of the Company, all such documents and impose such terms and conditions or delegate all or any part of its powers as may be necessary or expedient in order to give full effect to the DRP, with full powers to assent to any conditions, modifications, variations and/or amendments (if any) including amendments, modifications, suspension and termination of the DRP as the Directors may, in their absolute discretion, deem fit and in the best interest of the Company and/or as may be imposed or agreed to by any relevant authorities.”

# NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

## (Cont'd)

11. To transact any other business appropriate to an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act 2016 and the Company's Constitution.

### BY ORDER OF THE BOARD

**LEONG SIEW FOONG (MAICSA NO. 7007572)**  
**SANTHI A/P SAMINATHAN (MAICSA NO. 7069709)**  
 Company Secretaries

Johor Bahru  
 29 April 2019

Notes: -

#### A. Appointment of Proxy

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote on his behalf.
- (ii) Where a member entitled to vote on a resolution has appointed more than one (1) proxy, the proxies shall only be entitled to vote on poll provided that the Member specifies the proportion of his shareholdings to be represented by each proxy.
- (iii) The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or if the Member is a corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.
- (iv) Where a member of the Company is 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 authorized nominee may appoint in respect of each omnibus account it holds.
- (v) A proxy appointed is entitled to attend, speak, participate and vote at a meeting of a company shall have the same rights as the Members at the meeting.
- (vi) The instrument appointing a Proxy must be deposited at the registered office of the Company at Wisma KSL, 148, Batu 1 ½, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Takzim not less than forty-eight (48) hours before the time for the Meeting i.e. latest by Tuesday, 28 May 2019 at 3.30 p.m. or any adjournment thereof.

#### B. Explanatory notes

##### Audited Financial Statements

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act ("CA") 2016 for discussion only under item 1 of the agenda. They do not require shareholders' approval and hence, will not be put for voting.

##### Directors' Fees and Benefits (Resolution 1)

The Directors' remuneration (excluding Directors' fees) comprises the allowances and other emoluments payable to Non-Executive Directors. Benefits of RM14,000 are to reimburse Non-Executive Directors' travelling expenses to attend meetings of Company. Payment of benefits to the NEDs will be made by the Company as and when incurred, after they have discharged their responsibilities and rendered their services to the Company of the Relevant Period, based on the proposed benefits, if the proposed Resolution 1 is passed at the forthcoming Annual General Meeting.

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 agreed that the shareholders' approval shall be sought at the 19th AGM on the Directors' remuneration in resolution as below:

- Resolution 1 on payment of Non-Executive Directors' fees and benefits in respect of the current year 2019 and until the next AGM of the Company ("Relevant Period").

The Board decided that the Non-Executive Directors' fees for financial year ("FY") ended 31 December 2018 be maintained as the previous FY subject to the performance of the Company and the current global economy. The detailed Non-Executive Directors' fees are contained in page 41 of Corporate Governance Overview Statement.

# NOTICE OF NINETEENTH ANNUAL GENERAL MEETING (Cont'd)

## **Re-election of Directors who retire in accordance with Article 93 of the Company's Constitution (Resolutions 2, 3 and 4)**

Article 93 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company. With the current Board's size of seven (7), three (3) Directors are to retire in accordance with Article 93 of the Company's Constitution.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 19th AGM, the Nominating Committee ("NC") has considered the following:

- (1) The assessment of the individual Director's level of contribution to the Board through each of their skills, experience and strength in qualities; and
- (2) The level of independence demonstrated by each of the Non-Executive Directors ("NEDs"), and their ability to act in the best interests of the Company in decision-making, to ensure that they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company.

In line with the Malaysian Code on Corporate Governance ("MCCG"), the Board has conducted an assessment of independence of the NEDs, and also other criteria i.e. character, integrity, competence, experience and time commitment in effectively discharging their respective roles as Directors of the Company. The individual Directors were assessed based on performance criteria set in the areas of Board dynamics and participation, competency and capability, independence and objectivity, probity and personal integrity, contribution and performance together with their ability to make analytical inquiries and offer advice and guidance. Each of the NEDs has also provided his/her annual declaration/confirmation of independence bi-annually of 2018.

The Board accepted the NC's recommendation that the Directors who retire in accordance with Article 93 of the Company's Constitution are eligible to stand for re-election. All these retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board meeting.

## **Appointment of Auditors (Resolution 5)**

Pursuant to Section 273(b) of the Act, the term of office of the present Auditors, Messrs. Ecovis AHL PLT, shall lapse at the conclusion of this AGM unless they are re-appointed by the shareholders to continue in office. Messrs. Ecovis AHL PLT have indicated their willingness to continue their service until the conclusion of the 19th AGM. The re-appointment of Messrs. Ecovis AHL PLT as Auditors has been considered against the relevant criteria prescribed by Paragraph 15.21 of the MMLR. This proposed Resolution 5, if passed, will also give the Directors of the Company, the authority to determine the remuneration of the Auditors.

## **Authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 (Resolution 6)**

The proposed Resolution 6 above, if passed, will empower the Directors of the Company, from the date of the Nineteenth Annual General Meeting ("19th AGM"), with the authority to allot and issue shares in the Company up to an amount not exceeding in total 10% of the total number of issued shares of the Company (excluding treasury shares) for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

The general mandate sought to grant authority to Directors to allot and issue shares is a renewal of the mandate that was approved by the shareholders at the Eighteenth Annual General Meeting held on 28 May 2018. The renewal of general mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/ or future investment projects, working capital and/ or acquisitions which the Directors deem necessary and feasible.

Up to date of this Notice, the Company has not issue any shares pursuant to the mandate granted to the Directors at the Eighteenth Annual General Meeting as there was no need for any fund raising activity for the purpose of investment, acquisition or working capital.

## **Proposed Renewal of Authority for the purchase of its own shares by the Company (Resolution 7)**

The proposed Resolution 7 above is to renew the members' approval for the Company to purchase and/or hold up to 10% of the total number of issued shares of the Company on Bursa Malaysia Securities Berhad.

Members are requested to refer to the Statement of Share Buy-Back laid out in pages 86 to 97 of this Annual Report.

## **Authority to continue in office as Independent Non-Executive Directors of the Company pursuant to the Malaysian Code on Corporate Governance (Resolutions 8, 9 and 10)**

### **(a) Mr. Gow Kow**

Mr. Gow Kow was appointed as an Independent Non-Executive Director of the Company on 19 November 2001 and has therefore served for more than twelve (12) years as at the forthcoming 19th AGM. However, he has met the independence criteria as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). The Board based on the review and recommendation made by the Nominating Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director. Further rationale for his retention as Independent Non-Executive Director can be found on Page 38 of this Annual Report and Practice 4.2 of Corporate Governance Report.

## NOTICE OF NINETEENTH ANNUAL GENERAL MEETING (Cont'd)

### (b) Mr. Goh Tyau Soon

Mr. Goh Tyau Soon was appointed as an Independent Non-Executive Director of the Company on 1 April 2002 and has therefore served for more than twelve (12) years as at the forthcoming 19th AGM. However, he has met the independence criteria as set out in Chapter 1 of the MMLR. The Board based on the review and recommendation made by the Nominating Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director. Further rationale for his retention as Independent Non-Executive Director can be found on Page 38 of this Annual Report and Practice 4.2 of Corporate Governance Report.

### (c) Mr. Tey Ping Cheng

Mr. Tey Ping Cheng was appointed as an Independent Non-Executive Director of the Company on 15 April 2002 and has therefore served for more than twelve (12) years as at the forthcoming 19th AGM. However, he has met the independence criteria as set out in Chapter 1 of the MMLR. The Board based on the review and recommendation made by the Nominating Committee, therefore, considers him to be independent and recommends that he should continue to act as Independent Non-Executive Director. Further rationale for his retention as Independent Non-Executive Director can be found on Page 38 of this Annual Report and Practice 4.2 of Corporate Governance Report.

### **Proposed renewal of authority for Directors to allot and issue new ordinary shares of the Company (KSL Shares) in relation to the Dividend Reinvestment Plan that provides shareholder of the Company with an option to invest their cash dividend in new KSL SHARES (Dividend Reinvestment Plan) (Resolution 11)**

The proposed Ordinary Resolution 11, if passed, will give the authority to the Directors to allot and issue new KSL Shares pursuant to the Dividend Reinvestment Plan in respect of the dividends declared from time to time until the next AGM.

### **GENERAL MEETING RECORD OF DEPOSITORS**

For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn Bhd in accordance with Article 63(3) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 17 May 2019. Only a depositor whose name appears on the Record of Depositors as at 17 May 2019 shall be entitled to attend this meeting or appoint proxy/proxies to attend, speak, participate and/or vote in his stead.

*[This page is intentionally left blank]*



**FORM OF PROXY**

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of **KSL HOLDINGS BERHAD**, hereby appoint \* the Chairman of the meeting or \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_ or

failing whom \_\_\_\_\_

of \_\_\_\_\_

my/our Proxy(ies) to vote for me/us and on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at KSL Resorts, Level G, Infusion Private Room, 33, Jalan Seladang, Taman Abad, 80250 Johor Bahru, Johor Darul Takzim on Thursday, 30 May 2019 at 3.30 p.m. and at any adjournment thereof for/against \* the resolution(s) to be proposed thereat.

My/Our Proxy(ies) is(are) to vote as indicated below: -

No.	Resolutions	For	Against
1.	Resolution 1		
2.	Resolution 2		
3.	Resolution 3		
4.	Resolution 4		
5.	Resolution 5		
6.	Resolution 6		
7.	Resolution 7		
8.	Resolution 8		
9.	Resolution 9		
10.	Resolution 10		
11.	Resolution 11		

[Please indicate with (X) in the spaces provided how you wish your vote to be casted. If no specific direction as to voting is given above on the Proxy will vote or abstain at his(her) discretion.]

Dated this ..... day of ..... 2019

Number of shares held:	
------------------------	--

\_\_\_\_\_  
 (Signature/Common Seal of Member)

**Notes:-**

- (i) A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote on his behalf.
- (ii) Where a member entitled to vote on a resolution has appointed more than one (1) proxy, the proxies shall only be entitled to vote on poll provided that the Member specifies the proportion of his shareholdings to be represented by each proxy.
- (iii) The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or if the Member is a corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.
- (iv) Where a member of the Company is 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 authorized nominee may appoint in respect of each omnibus account it holds.
- (v) A proxy appointed is entitled to attend, speak, participate and vote at a meeting of a company shall have the same rights as the Members at the meeting.
- (vi) The instrument appointing a Proxy must be deposited at the registered office of the Company at Wisma KSL, 148, Batu 1 ½, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Takzim not less than forty-eight (48) hours before the time for the Meeting i.e. latest by Tuesday, 28 May 2019 at 3.30 p.m. or any adjournment thereof.

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STAMP

The Company Secretary  
**KSL HOLDINGS BERHAD**  
**(Company No. 511433-P)**  
Wisma KSL, 148, Batu 1½  
Jalan Buloh Kasap  
85000 Segamat  
Johor Darul Takzim

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## CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present the Annual Report and the Financial Statements of the Group and Company for the financial year ended 31 December 2018.

The year 2018 was a challenging year for KSL Holdings Berhad ("KSLH"). Despite the cautious sentiment in the property sector, we have achieved numerous milestones and delivered a set of resilient financial results for the year under review.

The Group's property development segment has a healthy and promising track record. Our main development projects, Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah, Taman Mengkibol, Taman Mutiara Bestari and KSL Residences @ Daya in Johor, as well as Bandar Bestari in Klang are receiving positive market response.

### Dear Valued Shareholders,

Adding to our achievements, we also saw a steady performance from the investment properties segment of our business. KSL City Mall and KSL Resort continued to contribute healthily to the Group.

### Overview of the Malaysian Economy and Property Sector

The Malaysian economy expanded at a more moderate pace of 4.7% in 2018 (2017:5.9%). Despite a positive start to 2018, the economy subsequently was confronted with several external and domestic challenges. Major policy and political shift, arising partly from global trade tensions and the historic change of government in Malaysia, become source of uncertainty for the economy. Unanticipated supply disruptions in the mining and agriculture sectors, as well as commodity exports adversely affected Malaysia's economic performance, resulting in a larger-than-expected moderation in growth.

Domestic demand continued to anchor growth, supported mainly by private sector expenditure. Private consumption growth, in particular, recorded the fastest rate since 2012 at 8.1% (2017:7.0%). Favourable wage and employment growth continued to drive household spending with additional support from the three-month tax holiday (1st June – 31st August) following the zerorisation of the Good and Services Tax (GST) rate, as well as other government measures such as fixing of the retail fuel price of RON95 petrol and special payment to civil servant and pensioners.

Overall, the strong fundamentals and highly diversified structure of the Malaysian economy have accorded Malaysia the ability to weather the headwinds and challenges. Policies were flexible and pre-emptive to ensure risks were minimised. Malaysia's external position remained healthy, with a current account surplus, adequate international reserves and manageable external debt exposure. These strengths in the external position, along with a flexible exchange rate and a well-developed financial system, effectively mitigated the impact of volatile shifts in capital flows on domestic financial markets. Appropriate foreign exchange intervention and the implementation of financial market measures during this period of volatility also underscored the importance of pragmatic, timely policy responses in managing risks and supporting growth.

In 2019, the global economy is projected to expand moderately, following slower growth in both advanced and major emerging market economies. In the advanced economies, economy activity is projected to moderate. While labour market strength will continue to support domestic demand, moderating investments and external demand will affect overall growth. In PR China, ongoing structural reforms to rebalance the economy are leading to slower, but more sustainable growth. In other Asian economies, growth will likely moderate despite stable domestic demand, as exports react to slowdown in the advanced economies and PR China. Global trade development will remain a key factor affecting the 2019 outlook.

## CHAIRMAN'S STATEMENT *(Cont'd)*

Against the backdrop of a challenging global environment, the Malaysian economy is expected to sustain its growth momentum, expanding by 4.3%-4.8% in 2019 (2018: 4.7%). Domestic demand will remain the anchor of growth, underpinned by continued expansion in private sector activity. Private consumption growth is expected to moderate but remain firm supported by stable labour market conditions and continued wage growth. The implementation of several government measures, particularly aimed at alleviating rising cost of living, is expected to further support consumption spending, especially by lower income households. Private investment activity will be supported by the implementation of on-going multi-year projects, particularly in the manufacturing and services sectors. The normalisation of destocking activities by firms after strong demand during the tax holiday period in 2018 will serve as an additional support to growth.

In the property development sector, housing affordability is still a global concern plaguing key cities around the world in both developing and advanced economies. In Malaysia, the residential subsector is expected to grow at a marginal pace following the mismatch between supply and demand. To address this, the Government will for limited time of 6 months, starting 1 January 2019, exempt stamp duty on the instrument of transfer and the loan agreement for purchase of new homes from developers valued between RM300,001.00 and RM1 Million. This will be part of a National Home Ownership Campaign, where in return, developers will offer a minimum price discount of 10% for these residential properties.

The Government also continue to expand the People Housing Programme, People Housing Rent-To-Own Programme and the Integrated People Housing Programme. A sum of RM1.7 billion will be allocated for the housing subsector. This allocation will be utilised for People's Housing Project (PPR) and civil servants' quarters, rehabilitation of abandoned private housing projects as well as maintenance and repairs of public housing. In addition, access to affordable housing for targeted group will increased through incentivising developers to provide affordable housing as well as reviewing and increasing the access to house financing scheme. The 2019 Budget will encourage financial institutions to allocate more loans to facilitate house-ownership as well as introduce new programmes to meet the rising demand for affordable housing. These initiatives is in tandem with Government's effort to improve the wellbeing of the rakyat through providing quality and affordable housing for the poor, low and middle-income groups as well as improving access to affordable housing to the targeted group.

(Sources: Bank Negara Annual Report and Budget 2019)

### Financial Highlights

Group's revenue grew by 1.82% to RM710 million, compared to RM698 million in the previous year. This increase was largely due to the improving margin of our products and favourable sales mix and increase of percentage of completion of the existing main on-going projects of the Group, especially in Johor Bahru and Klang.

The Group profitability increased, with pre-tax profit increase by 12.18% to RM320.3 million, in the year under review from RM285.5 million previously, the increase was mainly due to the completion of KSL Residence @ Daya. The Group's net profit, however, recorded at RM223.2 million, decrease by 0.64% from RM224.7 million in the previous year. This decrease was mainly due to the effect of changes in Real Property Gain Tax rate.

On a segmental basis, the Group's property development segment emerged as the majority revenue contributor with 77% of total FY2018 group revenue, while property investment made up the balance 23%.

The Group's financial position as at end-December 2018 was further strengthened with our retained profit and increased profitability, with shareholders' equity growing to RM2,815 million from RM2,600 million in the previous year end.

### Five-Year Group Financial Highlights

The Five-Year Group Financial Highlights are set out on pages 83 to 84 of this Annual Report.

## CHAIRMAN'S STATEMENT *(Cont'd)*

### Corporate Updates

- **Share Buy Back**  
The Group has repurchased 8,006,000 (2017: 4,368,900) of its issued ordinary shares from the open market for a total consideration of RM 7,885,255 (2017: RM 5,470,464).

A detailed discussion of the Group's corporate updates is available under the "Directors' Report" in this Annual Report.

### Future Outlook

#### Property Development

It is no secret that there is trouble in the property market with the worsening overhang situation in the housing sector. Despite increase quantity of unsold homes, many in the lower income group still cannot afford to buy these properties and are still in need of affordably priced homes. This shows there is a serious mismatch between supply and demand in the industries.

However, the Government is aggressively addressing these issues by collaborating and coordinating between the private and public sector. The government stand ready to support initiatives to provide more Malaysians with affordable homes and relevant authorities are playing roles to correct the imbalance.

The Government and Bank Negara Malaysia (BNM) have set out cooling measures to stabilize the housing market. These include:

- The rolling out of the National Housing Policy 2018-2025 which has outlined five focuses includes improving accessibility and affordability; quality housing for all; cohesive neighbourhood; improving coordination between housing development and transportation; and strengthening institutional capability for the National Housing Policy.
- The waiving of stamp duties on property sales & purchase agreement (SPA) for properties priced up to RM1 million as well as for loan agreements of up to RM2.5 million under the National Home Ownership Campaign 2019 (HOC 2019) in order to clear the stock of unsold properties.
- BNM's RM1 Billion fund for Affordable Homes for the lower income group segment (source: keynote address of the Minister of Finance The 12th Malaysian Property Summit 2019)

Moving forward, the Group will continue to do what we always do to build affordable houses because we see the potential of this market sector, in our flagship projects, including the Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah, Taman Mengkibol, Taman Mutiara Bestari, KSL Residences @ Daya, Bandar Bestari @ Klang which have successfully recorded encouraging sales albeit a cautious property market backdrop.

The cooling measures together with other measures taken by Government to rehabilitate the economy, we hope to anticipate that the property market will stabilize and buyer purchasing power will be restored. Guided by this anticipation and assuming bank financing for the purchase of properties continued to be abundant and easily available for the properties purchasers with lower rejection rate, together with efficient planning and tight cost control, we are confident of another year of good performance and hence, looks forward to a profitable year ahead.

#### Property Investment

2019 is seeing the Government taking aggressive steps in promoting and attracting investor and tourist to Malaysia. Among other is by enhancing connectivity by working with airlines to open up more travel route and also to ramp up its "Visit Malaysia" promotion campaign across the globe. Through this initiative the prospect of this segment will flourish further with the greater increase especially in tourist arrival.

## CHAIRMAN'S STATEMENT *(Cont'd)*

Our group maiden shopping mall, KSL City Mall @ Johor Bahru, has continued to prosper and mark its name as one of Johor Bahru leading shopping landmark. This shopping haven will continue to strive in attracting shoppers from all over with its massive variation and lively setup. KSL Resort@Johor Bahru, is another landmark of success, earning its place as one of the top rated travelling destination for business and leisure seeker. The Resort accomplishment is acknowledged by award and recognition such as "The Golden Circle Award" by Agoda.

Our Group aims to increase its investment property portfolio following the success of KSL City Mall and KSL Resort in Johor Bahru. Our Group has embarked on development of a new hotel, KSL Hot Spring Resort @ Daya in Johor Bahru. The hotel is completed and fully in operation in 2018.

We will also aggressively continue promoting our KSL City Mall and Hotel through a larger scale of marketing activities and various media marketing platform. Together with a myriad of notable retail brands in the mall, attractive packages and customer focused services, we will continue to provide top of the class experience to keep the shoppers and visitors coming back for more.

We expect our property investments to continue contributing positively to the Group this year.

### Appreciation

On behalf of the Group, I would like to extend our gratitude to all our valued shareholders, customers, business associates and the regulatory authorities for your continued trust and support to our Group. We will strive to devote more effort to increasing shareholder value, and rise to greater heights.

I would also like to convey the Group's heartfelt gratitude to the management and staff for their commitment and dedication towards the advancement of the Group. Last but not least, my sincere thanks to the members of the Board for their visionary ideas and insights. Without all of you, the Group would not be where it is today.

Thank you

Ku Hwa Seng  
Executive Chairman

## REVIEW OF OPERATIONS

Despite the prevailing headwinds in the property sector, KSLH performed commendably in the year under review. At the same time, the Group put in place strategic initiatives to further strengthen our earnings base for the future.

### A. PROPERTY DEVELOPMENT

Property development continued to be the main top line contributor for the Group in the year under review. Revenue from this segment was recorded at RM544 million for FY2018. (2017: RM 530 million), encourage by strong revenue recognition from ongoing projects.

For the year under review, KSLH has the following highlighted on-going projects under various construction stages in Johor and Klang.

#### A.1 JOHOR BAHRU

##### A.1.1 Taman Bestari Indah

Taman Bestari Indah is mixed development township of residential and commercial buildings. The Project is situated just 20km from the Johor Bahru City Centre, Taman Bestari Indah boasts of easy accessibility to the Tebrau Highway, Pasir Gudang Highway, North-South Highway and Senai-Desaru Highway.

Residents in the township also enjoy a wide variety of features and amenities in the vicinity, including shopping complexes such as AEON and Tesco, recreational clubs such as Johor Jaya Sports Complex, Austin Hill Country Club, Ponderosa Golf & Country Club, medical centres such as Hospital Sultan Ismail as well as educational institutions such as Sunway College and Institute KTC.

Taman Bestari Indah Zone C Phase 3 consists of 33 units of double-storey shop office is targeted to complete in year 2019. Phase 2 of Zone D which consists of 284 units of double storey-terrace houses was under active constructions. It is targeted to complete in year 2021.

##### A.1.2 KSL Residences @ Daya

KSL Residences @ Daya is generally located in Taman Daya within the locality known as Kangkar Tebrau, Johor Bahru, off Pasir Gudang highway and lies about 13 kilometres due north of the Johor Bahru city centre.

Linked with several main road and easily accessibility from Johor Bahru, Pasir Gudang and PLUS highway. Access to the subject property from Johor Bahru city centre is via Jalan Tebrau then onto Jalan Kangkar Tebrau leading to the subject property. It is also can be accessible from Pasir Gudang Highway via Taman Daya interchange, Jalan Daya and Jalan Kangkar Tebrau.

Taman Daya is an established mixed housing scheme comprises single and double storey terrace houses, low-cost houses, flats, apartment, commercial complex, double and three storey shop houses. Fast food outlets, petrol stations, hawker centre, wet market, schools, etc. are other public amenities and facilities within the locality. Nearest commercial complex is Econsave Hypermarket located within 2 km away.

Existing housing projects in the vicinity include Taman Delima, Taman Mount Austin, Taman Setia Indah, Taman Istimewa and Bandar Dato Onn are the housing schemes nearby.

The project was completed during the year.

## REVIEW OF OPERATIONS *(Cont'd)*

### A. PROPERTY DEVELOPMENT *(Cont'd)*

#### A.1 JOHOR BAHRU *(Cont'd)*

##### A.1.3 Avery Park @ Rinting

The subject property is located along Jalan Rinting within Taman Rinting, Masai, Johor which lies about 25 kilometres due east of Johor Bahru city centre. Access to the subject property from Pasir Gudang Highway or East Coastal Highway is via Jalan Rinting leading to the subject property. Taman Rinting is one of the established housing schemes in Masai consists of double storey shophouses, flats, single and double storey terrace houses, detached and semi-detached house and low-cost houses as well as Mydin Hypermarkets, petrol stations and public amenities and facilities. Other housing schemes in the vicinity include Taman Sierra Perdana, Taman Megah Ria, Bandar Baru Kota Putri, Bandar Baru Permas Jaya due west and Bandar Baru Sri Alam, Taman Masai due north of the subject property.

Masai town is the commercial development centre in the locality. It mainly comprises two to four storey shophouses which accommodate various types of trade activities. It is located about 3 kilometres due north-east of the subject property. TESCO Hyper Market and Today wet market are also located nearby the locality. Pasir Gudang Industrial Estate, one of the biggest industrial estates in Johor is located due south-east of the subject property. Johor Bahru city centre which lies about 25 kilometres due west of the subject property is the main administrative and commercial centre for the district. The subject property enjoys good road access provided by the Pasir Gudang Highway and East Coastal Highway.

Avery Park is a 35-storey service suites development offers hip urban living and amenities. It consists of 302 boutique residences and 5 specially designed retail units and café' at level 8, featuring household convenience stores and entertainment as well as a multitude of food and beverages outlets.

The project was completed during the year.

##### A.1.4 Taman Mutiara Bestari

Mutiara Bestari is located in Skudai, next to Iskandar Puteri, Johor. The entire Iskandar Development Region, stretching from the new State Administrative Capital at Nusajaya, the 2nd Link, the Senai International Airport, the Customs, Immigration Quarantine Complex (CIQ) of Johor Bahru can be conveniently accessed by expressways or highways.

This development spans approximately 100 acres and is to be developed progressively in 3 phases comprising of a total of 704 units of luxurious houses. Mutiara Bestari is targeted at urbanites who seek the convenience of city living within an upscale neighbourhood complete with heightened security of CCTV along with parameter fencing for peace of mind and comprehensive community amenities such as education, shopping and entertainment hubs which meet the residents' needs.

The first phase of Mutiara Bestari, which offers a total of 218 units of freehold 2 storey and three storey semi-detached houses with a land area ranging from 2,380 square feet to 3,900 square feet was under active construction and is targeted to complete in 2019.

## REVIEW OF OPERATIONS (Cont'd)

### A. PROPERTY DEVELOPMENT (Cont'd)

#### A.1 JOHOR BAHRU (Cont'd)

##### A.1.5 Taman Bukit Jaya

The subject property is located at within Taman Putri Wangsa and lies about 20 kilometres due north-east of the Johor Bahru city centre. It is approachable from Johor Bahru-Kota Tinggi main trunk road via Jalan Putri leading to the subject property. Taman Bukit Jaya comprises double storey terrace houses, double storey Semi-D. Fast food outlets, petrol stations, hawker Centre, wet market; schools are other public amenities and facilities within the locality. Nearest commercial complex are Mydin Hypermarket in Taman Pelangi Indah, AEON, IKEA and TESCO hypermarkets in Taman Desa Tebrau and Today's Mall in Ulu Tiram town are located within 5 - 8 km away. Existing housing projects in the vicinity include Taman Johor Jaya, Taman Desa Cemerlang, Taman Daya, Taman Bukit Jaya, Taman Bukit Tiram whilst others new housing project are Taman Dato' Chellam, Taman Pelangi Indah, Taman Desa Tebrau etc.

This project featuring 204 units of mix development is under active construction and is targeted for completion in 2019.

#### A.2 KLUANG

##### A.2.1 Taman Mengkibol

Taman Mengkibol is a 249-acre development township featuring double story terrace houses, rumah mampu milik, double and three storey shop offices. Taman Mengkibol is located 3 kilometres from Kluang Town. The township is also accessible through the North-South Highway and linked with several main road and easily accessibility. Access to the subject property from Ayer Hitam via Jalan Batu Pahat, Jalan Besar and Jalan Mengkibol. Furthermore, it is also accessible from Simpang Renggam via Jalan SimpangRenggam and Jalan Kluang Renggam. Nearest commercial complex are Kluang Mall, Econsave and Carrefour Hypermarket are located within 5-8km away.

The group plans to develop the project in various phases. Certain phases are under active constructions and targeted for completion in 2019 and 2020.

#### A.3 SEGAMAT

During the year 2018, we had successfully completed with Certificate of Completion and Compliance (CCC) and delivered to purchasers 251 units of various houses and shop offices to purchasers.

All those projects are situated at prime location and easily accessible through main road and adjoined with existing matured housing estate.

##### A.3.1 Taman Melati @ Bukit Siput

Taman Melati is located merely 10 minutes away from Segamat main town. This freehold development comes with approximately total estimated gross development value is RM29 million. It is close to commercial, retail and education components (primary and secondary schools) as well as General Hospital which is a short distance away. The project consists of various type of development such as single storey cluster houses, single storey terrace houses & others.

This project was completed during the year.

## REVIEW OF OPERATIONS *(Cont'd)*

### A. PROPERTY DEVELOPMENT *(Cont'd)*

#### A.3 SEGAMAT

##### A.3.2 Taman Bukit Mutiara @ Buloh Kasap

Taman Bukit Mutiara is located about 10 km away from Segamat main town. It's definitely a liveable place with lots of good food and a good living environment as well as amenities for daily needs such as Billion and Nirwana Supermarket. It is accessible to the main highways to Kuantan, Kuala Lumpur and to Segamat town. This project provides safe & secure environment as it is adjoined with Police Station. An added plus point is that a secondary school just beside the police station.

As at the year-end 2018, 115 units have been completed and the balance of development units is targeted to complete in 2019.

#### A.4 KLANG, SELANGOR

##### Bandar Bestari

The Bandar Bestari is a 448-acre self-integrated township located in Klang with an exclusive blend of premium landed residential homes, strata properties commercial business centre.

Besides that, the 90-acre retail and commercial hub boasts of various facilities to foster community living, including a private community clubhouse, a commercial zone, and schools. The subject project is located within the integrated development of Bandar Bestari, Klang which is approximately 44 km due south-west of Kuala Lumpur City Centre and approximately 8 km from Klang town centre.

It is accessible from Kuala Lumpur City centre by way of KESAS Highway into Jalan Klang Banting for approximately 3 km where the project is located on the right side by Jalan Klang-Banting.

Nearby residential development include Bayuemas, Bandar Parklands, Taman Perindustrian Air Hitam Phase 1 & 2, Taman Sijangkang Jaya, Taman Perwira and Taman Seri Medan. Landmarks within the locality include Indah Water Konsortium, Pangsapuri Arista and Orchids Apartment.

Shopping, marketing, educational, recreational amenities and public facilities are available in the neighbourhood.

##### A.4.1 Canary Garden @ Bandar Bestari

The Canary Garden Homes depict residences for the luxurious lifestyle. Designed to showcase the delicate balance between serenity and convenience, some of the primary features include a 52-acre French-inspired Garden for nature-focused recreation.

The Group is currently developing Phase 2(a) and Phase 2(b), which consists of double-storey cluster house and double-storey semi-detached landed properties.

Phase 2(a) has been completed with CCC and currently the development project for Phase 2(b) is under active construction and targeted to be completed by year 2020.



## REVIEW OF OPERATIONS *(Cont'd)*

### A. PROPERTY DEVELOPMENT *(Cont'd)*

#### A.4.2 Maple Residences @ Bandar Bestari

Maple Residences is a high-rise residential development located adjacent to Canary Garden @ Bandar Bestari. It comprises 3 towers with 597 well-designed units completed with facilities such as gymnasium, swimming pool, jacuzzi, children playground, bonsai and rock garden, meeting pod, stepping rail and others.

The development projects were under active construction and targeted to be completed by year 2019.

### B. PROPERTY INVESTMENT

Property investment continues to be an important driver for the Group, contributing RM 165 million in revenue, which makes up for 23% of the Group's total revenues in FY2018. The promising contribution from the property investment arm of the Group is attributed to a high number of visitors and traffic in the KSL City Mall & Hotel as well as higher yields from KSL City Mall. Besides that, several other investment properties such as the Giant Nusa Bestari and Giant Muar also continue to contribute positively.

#### B.1 KSL City

KSL City is a comprehensive mixed commercial development comprises shopping complex, two hotel towers and two service apartment blocks. It is located along Jalan Seladang, Taman Abad (Known as Century Garden) and lie about 4 kilometres north of Johor Bahru city centre. It is also bounded by other roads known as Jalan Kijang, Jalan Serigala and Jalan Beruang. KSL City is easily linked with many major roads, i.e. Jalan Dato Sulaiman and Tebrau Highway.

It is approachable from Johor Bahru city centre via Tebrau Highway and hence a left turn onto Jalan Dato Sulaiman and finally onto Jalan Dato Sulaiman.

Prominent commercial landmarks in the vicinity include Mutiara Hotel, Holiday Villa, Holiday Plaza, Grand Paragon Hotel and Crystal Crown Hotel. Other commercial landmarks within radius three kilometres include Wisma Daiman, Plaza Pelangi, Menara Pelangi, Hotel New York, Embass Suites etc.

##### B.1.1 KSL City Mall

Officially opened in December 2010, KSL City Mall has a gross floor space of 1 million sqft, making it one of the largest malls in Johor. The KSL City Mall maintained its high average occupancy rate in 2018, which speaks volumes of its positioning in the retail space in the city.

Featuring 500 upmarket lifestyle outlets which consist of 442 retail shops, 50 F&B outlets and 8-cineplex, it is little wonder that the KSL City Mall has attracted steadily-increasing patronage from local residents as well as foreign tourists from Singapore and other countries.



## REVIEW OF OPERATIONS (Cont'd)

### B. PROPERTY INVESTMENT (Cont'd)

#### B.1 KSL City (Cont'd)

##### B.1.2 KSL Hotel & Resort

KSL Hotel & Resort Johor Bahru is the largest integrated resort in Johor, located at the heart of the city centre and sits strategically within Iskandar Puteri Malaysia, Johor's second city. The 904 hotel rooms with choices of Superior, Deluxe, Premier Deluxe King, Grand Super King & Suites room meet the requirements for leisure and business travellers alike. The hotel also features a Grand Ballroom which seats up to 800 persons, two secondary ballrooms and 9 meeting rooms to cater every need and group size. Not only that, the hotel also features other facilities such as an international cuisine restaurant, lounge & bar, dinosaur themed park, rooftop pool, golf simulators, gymnasium and sauna. It is also seamlessly integrated to a wide array of retail outlets and cinema in KSL City Mall which is linked to the hotel for an enhanced 'shop & stay' experience.



Over the years KSL Hotel has become the 'talk of the town'. It has a very lively appearance and is liked very much by the local market-Malaysians & Singaporeans. Being in the city centre and a very easy access hotel by car or bus coach, it has become very popular by tourist and recommended very strongly by travel agents.

The 906-room KSL Hotel & Resort Johor Bahru is aptly located to meet the requirements of leisure and business travellers alike. Not only does the hotel feature a full suite of facilities such as an international cuisine restaurant, gymnasium, rooftop pool, dinosaur-themed water park and golf simulation area. It is also seamlessly integrated to a wide array of retail outlets in KSL City Mall for an enhanced 'shop-and-stay' experience.

#### B.2 KSL Hot Spring Resort @ Daya - A new Four-Star Hotel

To grasp the golden opportunity of the emerging tourism and hospitality industry, KSL Group has taken another bold step in diversifying its current businesses. KSL Hot Spring Resort @ Daya is another new hotel project of the Group in the pipeline. This one-block hotel comprises 308 rooms. The hotel was completed and in full operation during 2018.



## REVIEW OF OPERATIONS *(Cont'd)*

### B. PROPERTY INVESTMENT *(Cont'd)*

#### B.3 COMMERCIAL COMPLEX WITH HOTEL IN KLANG (PROPOSED NAME KSL Esplanade Mall)

It is a commercial podium which consists of retail shops, departmental store, cinemas, car parks, hotel and condominiums. The whole integrated complex is expected to be completed in year 2021.



### C. GROWTH STRATEGIES

The Group strives to ensure that its property development and investment segments continue to remain profitable besides finding more opportunities to sustain our growth in the long term.

#### C.1 Property Development

Notwithstanding the anticipated cautious sentiment in the property sector in 2018, the Group opines that demand would still be intact for properties strategically located in city centres and rapidly developing satellite towns for own dwelling. In this respect, the Group's ongoing projects stand in good stead to enjoy positive adoption from the target market.

Furthermore, the Group's stance of undertaking a good mix of affordable and high-end projects mitigates segment-related risk and allows us to cater to a wider audience.

The Group is targeting to launch new projects in Johor Bahru and the Klang Valley over the next 5 years.

#### C.2 Property Investment

The Group continues to intensify our promotional and marketing campaigns, events and roadshows to further increase the patronage to our KSL City Mall & Hotel.

We will also continue to collaborate with various parties to boost tourism to Johor Bahru and encourage tourist stays at KSL Hotel and Resort. For instance, we currently offer a Legoland package where hotel guests enjoy favourable tickets rates and privileges for visits to Legoland during their stay.

On the back of this successful partnership, we would seek to engage with more partners in the futures. Besides that, the Group is also exploring more opportunities to add more investment properties to our portfolio to further strengthen our recurring income stream.

## REVIEW OF OPERATIONS *(Cont'd)*

### D. LAND BANKING

As at 31 December 2018, KSLH has approximately of 2,300 acres of land bank throughout Johor and Klang. The land bank is strategically located at different prime locations of Segamat, Batu Pahat, Muar, Mersing, Johor Bahru, Kuala Lumpur and Klang.

Supported by our strong balance sheet, the Group intends to acquire lands at strategic locations in the future, in order to safeguard our property development arm and to generate a continuous pipeline of projects.

### E. CONCLUSION

We believe that our current business model will enable us to move forward and achieve greater heights. Despite the prevailing mixed sentiments in the property sector, we believe that our business model of having both development revenue and recurring income are resilient in facing any economic challenges. We will continue to work hard to enhance shareholders' value.

## DIRECTORS' PROFILE

### KU HWA SENG

*Executive Chairman*

Ku Hwa Seng, aged 63, male, Malaysian, was appointed to the Board on 19 November 2001 as an Executive Director and was subsequently appointed as the Executive Chairman of KSL Holdings Berhad ("KSLH" or "the Company") on 24 February 2011. He joined the KSLH Group in 1981 and has since gained vast invaluable experience and built a strong business network over the past thirty (30) years in the property development industry. Presently, he is involved in the KSLH Group's business development and operations in south Johor. He oversees the day-to-day management, decision-making and operations of Johor Bahru office. He is a director of most of the subsidiary companies within the KSLH Group and also a director of several other private limited companies.

He is deemed to have certain conflict of interest with the Company by virtue of his interest in certain privately owned companies, which are also involved in property development business. However, these privately owned companies are not in direct competition with the business of the Company.

Ku Hwa Seng is brother to Khoo Cheng Hai @ Ku Cheng Hai, Ku Tien Sek and Ku Wa Chong, who are the Directors and/or the substantial shareholders of the Company. He does not hold any directorships in other public companies. He has no convictions for any offences within the past five (5) years other than traffic offences, if any.

### KHOO CHENG HAI @ KU CHENG HAI

*Group Managing Director*

*Members of Remuneration Committee and Risk Management Committee*

Khoo Cheng Hai @ Ku Cheng Hai, aged 68, male, Malaysian, is the founder of the KSLH Group. He was appointed to the Board on 19 November 2001 as the Group Managing Director.

He is the driving force behind the KSLH Group's development, growth and expansion. He is known for his prudence, foresight and business acumen, which has helped to see the KSLH Group through two (2) recessions in the last thirty (30) years. With his vast experience, he is responsible for the KSLH Group's business development and day-to-day operations of the KSLH Group. He is a director of most of the subsidiary companies within the KSLH Group and also a director of several other private limited companies.

He is deemed to have certain conflict of interest with the Company by virtue of his interest in certain privately owned companies, which are also involved in property development business. However, these privately owned companies are not in direct competition with the business of the Company.

Khoo Cheng Hai @ Ku Cheng Hai is brother to Ku Hwa Seng, Ku Tien Sek and Ku Wa Chong, who are the Directors and/or the substantial shareholders of the Company. He does not hold any directorships in other public companies. He has no convictions for any offences within the past five (5) years other than traffic offences, if any.

## DIRECTORS' PROFILE (Cont'd)

### KU TIEN SEK

#### *Executive Director*

Ku Tien Sek, aged 61, male, Malaysian, was appointed to the Board on 19 November 2001 as an Executive Director. He has been involved in the management of the KSLH Group since 1981 particularly in KSLH Group's public relations as well as the formulation of the KSLH Group's strategic plans and policies. Presently, he is involved in the KSLH Group's business development and operations in Klang Valley. He is also responsible for the development of the KSLH Group's future expansion plans. He is a director of most of the subsidiary companies within the KSLH Group and also a director of several other private limited companies.

He is deemed to have certain conflict of interest with the Company by virtue of his interest in certain privately owned companies, which are also involved in property development business. However, these privately owned companies are not in direct competition with the business of the Company.

Ku Tien Sek is brother to Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng and Ku Wa Chong, who are the Directors and/or the substantial shareholders of the Company. He does not hold any directorships in other public companies. He has no convictions for any offences within the past five (5) years other than traffic offences, if any.

### LEE CHYE TEE

#### *Executive Director*

Lee Chye Tee, aged 55, male, Malaysian, was appointed to the Board on 1 December 2003 as Executive Director of the Company. He is a fellow member of the Chartered Association of Certified Accountants. He is also a member of the Malaysian Institute of Accountants and the Malaysian Institute of Taxation. He has many years' experience in accounting, auditing, taxation and management consultancy. He is presently responsible for the overall accounting and corporate finance functions of the KSLH Group.

Lee Chye Tee does not hold any directorships in other public companies. He does not have any family relationship with any Director and/or substantial shareholder of the Company or any business arrangement with the Company in which he has personal interest. He has no convictions for any offences within the past five (5) years other than traffic offences, if any.

### GOW KOW

#### *Independent Non-Executive Director*

*Chairman of Audit Committee and Risk Management Committee*

*Members of Nomination Committee and Remuneration Committee*

Gow Kow, aged 65, male, Malaysian, was appointed to the Board on 19 November 2001 as an Independent Non-Executive Director. He is fellow member of the Association of Chartered Certified Accountants and the Malaysian Institute of Taxation. He is also a member of the Malaysian Institute of Accountants, the Institute of Certified Public Accountants of Singapore and the Institute of Chartered Secretaries and Administrators. He joined Tan Choon Chye & Co (now known as Gow & Tan), a Public Accounting Firm in August 1978 as an Audit Assistant and had been holding various positions in the firm before he was admitted as an Audit Partner in October 1985. He assumed the position of managing partner of the firm since January 1988. He has more than thirty (30) years of public practice experience. His working exposures include accounting, auditing, taxation, liquidation and management consultancy.

Gow Kow does not hold any directorships in other public companies. He does not have any family relationship with any Director and/or substantial shareholder of the Company or any business arrangement with the Company in which he has personal interest. He has no convictions for any offences within the past five (5) years other than traffic offences, if any.

## DIRECTORS' PROFILE *(Cont'd)*

### GOH TYAU SOON

*Independent Non-Executive Director*

*Chairman of Nomination Committee*

*Members of Audit Committee, Remuneration Committee and Risk Management Committee*

Goh Tyau Soon, aged 74, male, Malaysian, was appointed to the Board on 1 April 2002 as an Independent Non-Executive Director. He holds a Master of Law degree (LLM) from Kings College, University of London; Bachelor of Law (LLB) from Hull University and Barrister-at-Law (Middle Temple). He is a practicing lawyer and Principal Partner of Andrew T.S. Goh & Khairil, Malacca. He has been in private practice for more than forty (40) years principally engaged in conveyance and bank work.

Goh Tyau Soon does not hold any directorships in other public companies. He does not have any family relationship with any Director and/or substantial shareholder of the Company or any business arrangement with the Company in which he has personal interest. He has no convictions for any offences within the past five (5) years other than traffic offences, if any.

### TEY PING CHENG

*Independent Non-Executive Director*

*Chairman of Remuneration Committee*

*Members of Audit Committee, Nomination Committee and Risk Management Committee*

Tey Ping Cheng, aged 50, male, Malaysian, was appointed to the Board on 15 April 2002 as an Independent Non-Executive Director. He is a member of the Malaysian Institute of Accountants and the CPA Australia. He graduated in 1994 with a degree in Bachelor of Business, majoring in Accounting from Curtin University of Technology, Perth, Australia. He has been a Partner of Tey Consultancy, a company secretarial and tax consultancy firm since 1992. Currently, he is the Council Member of Malaysian Association of Company Secretaries.

Tey Ping Cheng does not hold any directorships in other public companies. He does not have any family relationship with any Director and/or substantial shareholder of the Company or any business arrangement with the Company in which he has personal interest. He has no convictions for any offences within the past five (5) years other than traffic offences, if any.

## KEY SENIOR MANAGEMENT

### TANG CHING TONG

Tang Ching Tong, aged 53, Malaysian, joined the KSL Group in year 2001 and was appointed as General Manager in year 2009. He holds an Honours Degree in Bachelor of Science with Education from University Kebangsaan Malaysia.

He has more than twenty (20) years of experiences in the property development industry. Currently he is involved in the daily business operations include planning and managerial roles in business development of the Group especially in Southern Regions.

He does not have any family relationship with any Director and/or substantial shareholder of the Company or any business arrangement with the Company in which he had personal interest. He has no conviction for any offence within the past five (5) years other than traffic offences, if any. He does not hold any directorships in public companies.

### KU KENG LEONG

Ku Keng Leong, aged 43, male, Malaysian, joined the KSL Group in year 2000. He was appointed as the Executive Director in most KSL subsidiaries on 1 January 2011. Currently, he is involved in planning, daily business operations, as well as designs, implementations, co-ordinations and overseeing all projects progress in South Johor.

Ku Keng Leong graduated from Curtin University of Technology, Perth Australia with a Bachelor of Business degree majoring in International Business in 1999. He obtained his MBA in IPE Business School, Paris in January 2018.

He is the son of Ku Wa Chong, nephew of Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng and Ku Tien Sek, who are the substantial shareholder and/or Directors of the Company. He does not hold any directorships in public companies. He has no conviction for any offence within the past five (5) years other than traffic offences, if any.

## AUDIT COMMITTEE REPORT

### A. ESTABLISHMENT AND COMPOSITION

The Audit Committee comprises the following members:-

Chairman:

Mr. Gow Kow (Independent Non-Executive Director)

Members:

Mr. Goh Tyau Soon (Independent Non-Executive Director)

Mr. Tey Ping Cheng (Independent Non-Executive Director)

The composition of Audit Committee is in compliance with the paragraph 15.09 of Main Market Listing Requirement (“MMLR”), where the Audit Committee consist of three (3) Independent Non-Executive Director and one of the member of the Audit Committee, Mr. Tey Ping Cheng is a member of Malaysian Institute of Accountants which fulfills the requirement under paragraph 15.09(1)(c)(i) and paragraph 7.1 of Practice Note 13 of MMLR.

In compliance with Malaysian Code on Corporate Governance, the chairman of the Audit Committee is not the chairman of the Board of Directors during the financial year ended 31 December 2018 and up to the date of this Report.

The profile of the members can be found presented on pages 26 to 27 of this Annual Report.

### B. TERMS OF REFERENCE

The terms of reference of the Committee is published on the Company’s corporate website ([www.ksl.my](http://www.ksl.my)) under “News-Others”.

### C. MEETINGS

During the financial year ended 31 December 2018, the Audit Committee held five (5) meetings. Details of each member’s meeting attendances are as follows:-

Name of Directors	No. of Meetings Attended
Mr. Gow Kow	5/5
Mr. Goh Tyau Soon	4/5
Mr. Tey Ping Cheng	5/5

The meetings were conducted with the quorum of two (2) of whom the majority of members present at the meeting were Independent Directors’ as required by the Committee’s Terms of Reference.

The meetings were appropriately structured through the use of agendas, which were distributed together with the minutes of the meeting and relevant papers and reports to the members at least five (5) business days before the meeting with sufficient time allowed for review by the members for the proper discharge of its duties and responsibilities diligently and effectively in compliance with the MMLR and its terms of reference. The secretary of the Company, the appointed secretary of the Committee, attended all the meetings during the financial year.

## AUDIT COMMITTEE REPORT *(Cont'd)*

### C. MEETINGS *(Cont'd)*

The External Auditors, Internal Auditors, Executive Directors, Group Financial Controller and Corporate Finance Manager, at the invitation of the Committee, attended the Committee meetings to present their reports/findings or required information and explanations for the proper deliberation of the matters at hand.

The Audit Committee reported to and updated the Board on significant issues and matters discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board Members for review and to seek clarification and confirmation from the Audit Committee Chairman where necessary.

The Group's External Auditors attended all the Committee meetings held during the financial year under review.

### D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the financial year under review. The summary of works undertaken by the Audit Committee during the financial year included the following:-

#### 1. Reviewed the Quarterly Financial Reports

During the scheduled quarterly meetings, the Finance Director of the Group presented the draft unaudited quarterly financial results for Audit Committee's review, briefed the Committee on the contents of the draft financial statements (including the notes to the account) and answered all queries raised and clarifications sought by the Audit Committee. The review focused on key financial results and comparison to the corresponding quarter of preceding year as well as immediate preceding quarter, with the reasons for the variances provided by the Finance Director. In addition, the business prospect of the Group for the rest of the financial year was provided by the Management to the Audit Committee for discussion.

Further, the Audit Committee assessed the reasonableness of the assumptions and estimates made in the draft financial quarterly financial statements based on the updates by the Management on the operations and proposed business strategy.

The reviews of the draft financial quarterly financial statements by the Audit Committee during the financial year under review were conducted in the presence of the External Auditors with clarifications sought from them during the meeting.

The unaudited financial reports reviewed by the Audit Committee were then recommended to the Board for approval prior to announcement to Bursa Malaysia Securities Berhad ("Bursa Securities").

#### 2. Reviewed the Company's Compliance with Regulatory, Statutory and Accounting Standards

During the quarterly Audit Committee meeting, with respect of the quarterly and annual financial statements, the Audit Committee reviewed the Company's compliance with the MMLR, accounting standards promulgated by Malaysian Accounting Standards Board and other legal and regulatory requirements.

#### 3. Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies.

At such quarterly meetings, the Audit Committee sought clarification of the application and impact of new and revised accounting standards with the External Auditors as necessary. The Audit Committee members also underwent briefings by professionals on the updates and changes in MMLR and proposed changes in Malaysian Code on Corporate Governance during the financial year.

## AUDIT COMMITTEE REPORT (Cont'd)

### D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (Cont'd)

#### 4. Reviewed the External Auditors' Audit Plan, Scope of Work and Audit Fee

During the financial year, the External Auditors presented their audit plan to the Audit Committee for review and comment prior to the commencement of the audit to ensure the audit scope is adequate and reasonable time was allowed to ensure the audit carried out effectively and not under undue time pressure. The audit plan presented includes the audit methodology, audit workflow and audit timetable, and significant risk area. The audit plan for the financial year was discussed and clarifications sought from the External Auditors prior to approval of the said plan by the Audit Committee. During the same meeting, the audit fees and non-audit fees was presented by the External Auditors for review by Audit Committee, which was then recommended to the Board for approval.

#### 5. Reviewed of Audited Financial Statements and Audit Results with External Auditors

Prior to announcement of final quarterly financial statements, the External Auditors presented their Audit Status Report and briefed the Audit Committee on the audit findings arising.

During the meeting, the audit findings on the significant risk areas, deficiencies in internal control and status of the audit were presented to the Audit Committee for review. The results and findings were subsequently presented to the Board by the Chairman of the Audit Committee after the review.

During the financial year, the Audit Committee recommended for the Board's approval and adoption of the audited statutory financial statements of the Company and the Group after it was satisfied that the audit had been adequately planned and were carried out in accordance with the approved auditing standards after the review with the External Auditors and the Management and it was satisfied that the presentation of the financial statements was in compliance with the statutory requirements and applicable accounting standards.

#### 6. Private Sessions with External Auditors

For the financial year ended 31 December 2018, the Audit Committee has met with the External Auditors a total of two (2) times without the presence of the Executive Directors and Management in order for the Audit Committee and the External Auditors to freely exchange observations and opinion between both parties as well as discuss any significant audit issues.

#### 7. Reviewed the Independence and Objectivity of the External Auditors

During the financial year, confirmation on the independence of the External Auditors was obtained by the Audit Committee in order for the Audit Committee to review the independence and objectivity of the External Auditors.

#### 8. Review of Internal Audit Functions

During the financial year, the Audit Committee received internal audit report presented by the outsourced Internal Auditors that contains the findings, recommendations and agreed management action plans for the internal audits conducted based on approved internal audit plan. Aside from reporting on the audit findings, the status of agreed management action plans for previous internal audit findings and the status of the approved internal audit plan was also presented to the Audit Committee. Additionally, the Audit Committee had assessed the adequacy and effectiveness of the internal audit functions through the review of the resources, experience and continuous professional development of the Internal Auditors for its adequacy.

During the financial year, the internal audit plan was presented by the outsourced Internal Auditors for the review and approval by the Audit Committee.

The oversight role of Audit Committee on Internal Audit functions is further elaborated in the Statement of Risk Management and Internal Control located on pages 52 to 58 of this Annual Report.

## AUDIT COMMITTEE REPORT *(Cont'd)*

### D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR *(Cont'd)*

#### 9. Reviewed Related Party Transactions

During the scheduled quarterly meetings, the Finance Director reported to the Audit Committee the value of the transactions (from date of shareholders' mandate to end of the financial period) of individual recurrent related party transactions ("RRPT") as compared to the approved value of transactions per the shareholders' mandate obtained in the previous general meeting to identify RRPT exceeded or about to exceed the approved amount per the shareholders' mandate so that prompt action can be taken to resolve.

During the meeting, the Audit Committee sought confirmation from the Management that there was no new RRPT or conflict of interest situation that might arise within the Group including any transaction, procedures and course of conduct that might raise questions of management integrity.

#### 10. Reviewed the Annual Report

During the financial year, the Audit Committee reviewed the Annual Report (which includes the Corporate Governance Statement, Audit Committee Report, Statement of Risk Management and Internal Control and Management Discussion and Analysis), and the Audited Financial Statement of the Group and recommended to the Board for approval.

### E. INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to independent internal audit professional firm. The Internal Audit function is to assist the Board and the Audit Committee in providing independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The audit engagement of the outsourced internal audit function is governed by the engagement letter with key terms include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team. The scope of review of the outsourced internal audit function is determined by the Audit Committee with feedback from Senior Management. In addition, the oversight of the internal audit function by the Audit Committee is enhanced by the review by the Audit Committee of resources of the outsourced internal audit function in term of qualification and experience/exposure and continuous professional development of the employees of the outsourced internal audit function tabled by the outsourced internal audit function during the financial year under review.

The outsourced internal audit function is reporting to the Audit Committee directly and the engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.

The internal audit function prepared a risk-based internal audit plan and incorporated a holistic schedule of assignments to provide independent assurance on the system of risk-management and internal control as well as safeguarding of the Group's assets. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee.

During the period under review, internal audit reviews were carried out and the findings of the reviews, including the recommended management action plans were presented directly to the Audit Committee. In addition, the internal audit function performed follow up reviews to ascertain the status of implementation of agreed management action plans. The results of the follow up reviews were reported to the Audit Committee for their review and deliberation.

The internal audits conducted on the Group did not reveal any weakness in the internal control system that would result in any material losses, contingencies or uncertainties which are necessary to be disclosed in this Annual Report.

Please refer to the Statement on Risk Management and Internal Control from pages 52 to 58 this Annual Report for the details of the activities of the internal audit function during the financial year under review.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR 2018

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the income statement and cash flows of the Company and the Group for the financial year.

The Directors are of the view that, in preparing the financial statements of the Company and the Group for the year ended 31 December 2018, the Company and the Group has adopted recommended accounting policies that are consistently applied and supported by reasonable, prudent judgments and estimates. The Directors have also considered that all applicable accounting standards have been followed during the preparation of audited financial statements.

The Directors are aware of its responsible in ensuring that the Group keeps adequate accounting records that disclose with reasonable accuracy the financial position of the Company and the Group as to enable them to ensure that the financial statements comply with the requirements of the Companies Act, 2016 the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

The Directors have ensured timely release of quarterly and annual financial results of the Group for the year 2018 to Bursa Securities that enable the public and investors to be well informed of the Group's constant development.

The Directors are also fully aware of their general responsibilities in taking steps which are reasonably open to them to safeguard the assets and to detect and prevent fraud and other irregularities within the Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“the Board”) of KSL Holdings Berhad (“KSL” or “the Company”) is committed to ensure that good corporate governance practices are applied throughout the Company and its subsidiaries (“the Group”) and form the fundamental of corporate sustainability pursued by the Group for long term shareholders’ value creation. Hence, the Board fully supports the Principles and Practices of good corporate governance practices (including the Intended Outcomes) as promulgated by the Malaysian Code of Corporate Governance 2017 (“MCCG”) to direct and manage the business and affairs of the Group towards promoting business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value while taking into account the interest of other stakeholders.

This overview statement sets out the overview of the manner in which the Company had applied the Principles set out in the MCCG and the extent of compliance with the Principles of MCCG advocated therein in accordance with paragraph 15.25 and Practice Note 9 of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

On the other hand, the application of each Practice set out in the MCCG during the financial year are disclosed in the Corporate Governance Report prescribed by Bursa Securities (“CG Report”) and announced the same together with the announcement of this Annual Report in accordance with paragraph 15.25 and Practice Note 9 of MMLR. The CG Report is available for download from “Others” section of the “News” tab of the of Company’s website at [www.ksl.my](http://www.ksl.my).

The CG Overview Statement should be read in tandem with the CG Report to provide comprehensive disclosure of the application of each Principle and Practice set out in the MCCG during the financial year.

The following disclosure statements provides an overview of the Company’s application of the Principles set out in MCCG that has been in place throughout the financial year ended 31 December 2018.

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS

#### 1.1 Board leadership

The Board strives to collectively lead and is responsible for the success of the Group by providing entrepreneur leadership and direction, strategic management, performance measurement and monitoring, enterprise risk management, standards of conduct and critical business issues and decisions as well as management oversight. The Board acknowledges that it is the ultimate decision-making body of the Group. The Board comprises directors who are entrepreneurs and experienced professionals in the fields of auditing, accounting, taxation, company laws and legal. All these different skills put together enable the Board to effectively lead and control the Group. The Board is guided by the Board Charter approved by the Board and led by an Executive Chairman to ensure its effectiveness. Together with other Directors, he leads the Board in the discussion on the strategies and policies recommended by the Senior Management. A summary of the responsibilities of Chairman is disclosed in Practice 1.2 of CG Report.

The Board is responsible for the oversight and overall management of the Company. The Board fully understands their responsibilities in the Group in relation to optimum balance of a sound and sustainable operation with an optimal corporate governance framework in order to safeguard shareholders’ value. The Board had reviewed and approved the Group’s charter and policies (including subsequent updates) while the Group Managing Director and Executive Directors are delegated with the authorities and responsibilities to ensure proper execution of strategies as well as effective and efficient operation throughout the Group. The authorisation procedures for key processes are stated in the Group’s policies and procedure.

As required under the Board Charter, the Board is assuming the following, amongst other roles and responsibilities, broad categories of roles and responsibilities: -

- Setting the corporate values, objectives, goals and strategic plan as well as clear lines of responsibility and accountability for the Group
- Deliberating, approving and monitoring progress of the Company’s strategy, budgets, plans and policies

# CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

## PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

### 1.1 Board leadership *(Cont'd)*

- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed
- Retaining an effective Board that consists of competent individuals with appropriate specialized skills and knowledge to lead and control the Company
- Identifying and manage principal and potential risks and to ensure proper risk management policy with appropriate governance structure and process, as well as appropriate risk appetite, established based on internationally recognised risk management framework, are put in place to manage principal risks
- Succession planning including appointing, training, fixing the compensation of and where appropriate, replacing any member of the Board, Board Committees and Senior Management
- Maintaining an effective system of internal control to safeguard shareholder's investment and Company's assets

Aside from the core responsibilities listed above, significant matters required deliberation and approval from the Board is clearly defined by the Board in the Board Charter as matters reserved for the Board for consideration and approval during the Board's meeting, such as, decision on Group strategic plans, corporate exercises, material acquisition and disposal of assets, investment or divestments, capital expenditure, risk management policies, nomination of auditors, review of the financial statement, financial and borrowing activities, ensuring regulatory compliance and reviewing the adequacy and integrity of internal controls.

The roles and responsibilities of the Board and the application of the MCCG's practice is disclosed in Practice 1.1 of the CG Report.

The Board has delegated specific duties to the Board Committees (i.e. Audit Committee, Remuneration Committee, Nominating Committee and Risk Management Committee) which operate within a clearly defined Terms of Reference approved by the Board. The relevant Terms of Reference is available for download from "Others" section of the "News" tab of the of Company's website at [www.ksl.my](http://www.ksl.my).

To ensure that there is a balance of power and authority within the Board, the position of the Chairman and the Group Managing Director is separated and there is a clear division of responsibilities between the Executive Chairman and the Group Managing Director who is an executive director. The Executive Chairman is responsible for the governance, orderly conduct and effectiveness of the Board while the Group Managing Director is responsible for managing the Group's business operations and implementation of policies and strategies approved by the Board. A summary of the separation of the roles of Chairman and Group Managing Director is disclosed in Practice 1.3 of CG Report.

The Independent and Non-Executive Directors play an important role in ensuring that the strategies proposed by the management are fully deliberated and examined, to ensure that the interest of all shareholders and general public are given due considerations in the decision-making process. In addition, Senior Independent Non-Executive Director is identified by the Board to whom concerns may be conveyed.

All board members shall notify the Chairman of the Board before accepting any new directorship or significant commitments outside the Company, including an indication of the time that will be spent on the new appointment. The Chairman shall also notify the Board if he or she has any new significant commitments outside the Company.

In discharging its duties efficient and effectively, the Board is assisted by a licensed Company Secretary and the details of the Company Secretary are disclosed in Practice 1.4 of CG Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

#### 1.1 Board leadership *(Cont'd)*

##### i. Board Charter

The Board is guided by a formal Board Charter approved by the Board. The Board Charter sets out the composition, roles, functions, responsibilities and authorities of the Board and the Board Committees of the Company as well as roles and responsibilities of the Chairman of Board, the Group Managing Director, the Senior Independent Director and the Company Secretary. The Charter further defines the specific responsibilities and matters reserved for the Board, delegation of authorities, commitment by the directors, independent directors, tenure of independent directors, governance structure of Board and Board Committee, board proceedings, financial reporting responsibilities, unrestricted rights to access to information and independent advice, board evaluation and performance, board remuneration, directors' training and continuing education, general meetings and attendance and code of conduct.

Further disclosure on the details of Board Charter is disclosed in Practice 2.1 of CG Report and Board Charter is available for download from "Others" section of the "News" tab of the of Company's website at [www.ksl.my](http://www.ksl.my) with last review performed on 28 February 2018.

##### ii. Code of Conduct and Whistleblowing Policy

The Board is fully committed to the highest standards of integrity, transparency and accountability in the conduct of the Group's business and operations to ensure business sustainability through their conducts, individually or collectively, focusing on the key principles of serving with respecting others, avoiding conflict of interest, preserving confidentiality and privacy and business sustainability. Audit Committee is entrusted with the task to look into ethical practices and compliance of the Group.

The Board incorporated the above key value and principles of expected conducts into the Company's Code of Conduct ("The Code") to govern the standards of ethics and good conduct expected that is applicable to all the Group's employee, customer and vendor worldwide. The Code forms the integrity and ethical value expected from the employees which are incorporated in the Employees Handbook.

To further enhance the ethical value throughout the Group, formal Conflict of Interest Framework had been put in place by the Board to effectively manage and mitigate conflict of interest situation while the Related Party Transactions and Conflict of Interest Policy and Procedure established to manage related party transactions entered or to be entered in accordance with MMLR and the reporting of related party transactions.

Please refer to Practice 3.1 of CG Report for details.

To foster an environment where integrity, and ethical behaviour are maintained, the Board has put in place a formal Whistle-Blowing Policy to encourage employees and other interested parties to disclose concerns about illegal, unethical or improper business conduct within the Company. Please refer to Practice 3.2 of CG Report for details. During the financial year, Audit Committee did not receive any complaint or any whistleblowing case.

The Code, Conflict of Interest Framework, Related Party Transactions and Conflict of Interest Policy and Procedure and Whistle-Blowing Policy are available for download from "Others" section of the "News" tab of the of Company's website at [www.ksl.my](http://www.ksl.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (Cont'd)

#### 1.1 Board leadership (Cont'd)

##### iii. Board Meetings

The Board meets regularly to perform its main function on the development and implementation of strategic plans, formulation of policies, overseeing the conduct and operations of the businesses of the Group, succession planning and ensuring appropriateness of internal control and effectiveness of risk management and is mindful of the importance of business sustainability in conducting the Group's business.

To carry out its functions and responsibilities, the Board met five (5) times during the financial year ended 31 December 2018 and the attendance of each Director at the Board Meetings is as follows: -

Director	No. of Attendance	No. of Meetings Eligible to Attend
Khoo Cheng Hai @ Ku Cheng Hai	5	5
Ku Hwa Seng	5	5
Ku Tien Sek	5	5
Lee Chye Tee	5	5
Gow Kow	5	5
Goh Tyau Soon	4	5
Tey Ping Cheng	5	5

The Board plans to meet at least four (4) times a year at quarterly intervals, with additional meetings convened when urgent and important decisions are required to be made between the scheduled meetings. All meetings of the Board are duly recorded in the Board minutes by the Company Secretary. The Company Secretary also attended all the Board Meetings of the Company. The Company Secretary ensures that all Board meetings are properly convened, and that accurate and proper records of the deliberations, proceedings and resolutions passed are recorded and maintained in the statutory register at the registered office of the Company.

##### iv. Supply of Information

The Board members in their individual capacity have unrestricted access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, all Board members are furnished with the relevant documents and sufficient information, i.e. minutes of board committees' meetings and previous meeting as well as board papers, no later than five (5) business days before the meeting to enable them to have sufficient time in obtaining a comprehensive understanding of the issues to be deliberated upon in order to arrive at a decision.

Besides direct access to management staff, external independent professional advisers are also made available to render their independent views and advice to the Board, whenever deemed necessary and in appropriate circumstances, at the Company's expense.

The Directors also have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board's procedures are adhered to.

Please refer to Practice 1.5 of CG Report for details of the Board's proceedings on meeting materials and supply of information.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

#### 1.1 Board leadership *(Cont'd)*

##### v. Board Composition

The Board currently has seven (7) members comprising one (1) Executive Chairman, three (3) Executive Directors (including the Group Managing Director) and three (3) Independent Non-Executive Directors. The profile of each Director is presented on pages 25 to 27 of this Annual Report. The composition of independent non-executive directors is in compliance with the minimum prescribed in Paragraph 15.02(1) of MMLR (i.e. 3/7) which states that “a listed issuer must ensure that at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent directors” to ensure that there is sufficient independent element in the Board to provide the necessary check and balance within the Board.

Although, the above composition is depart from Practice 4.1 of MCGG which requires that at least half of the Board comprise of independent directors, the Board is in the opinion that, through formal assessments conducted on the Board and Board Committees and the independence of the independent directors, the Board concluded that the independent directors are professionals who have a diverse range of skills, knowledge and experiences in relevant fields and independent directors had demonstrated their independence and objectivity during the Board and Board committees' proceedings. Therefore, adequate degree of independence is maintained notwithstanding the fact that only 42.9% of the Board is independent directors. Therefore, there is no disproportionate imbalance of power and authority on the Board between the Non-Independent and Independent Directors. The Board will continue to monitor and review the adequacy and effectiveness of the independent and objectivity element within the Board from time to time to ensure that it is adequate and effective. Please refer to Practice 4.1 of CG Report for further details.

##### vi. Board Diversity

It is the Board's responsibility to ensure that the diversity within the Board is preserved so that required mix of knowledge, skills, expertise and experience are brought to the Group for business excellence while age, ethnic and gender diversity provides different of views points for issues under considerations. The Board is satisfied that, through the formal procedure for nomination and selection and annual performance appraisal of the Board, the Board Committees and individual directors, the current board composition represents a mix of knowledge, skills and experience required to discharge the Board's duties and responsibilities effectively as well as to ensure that no individual or small groups of individuals dominate the Board's decision-making process.

The Board is supporting age, ethnic and gender diversity within the Group including the workplace shall such potential candidate is available. At present, the Board does not establish formal policy on gender diversity with its targets established and measures formulated to meet those targets as the Board believes appointment of members of the Board and Senior Management shall be based on merit of the candidates as well as required mix of knowledge, skills, expertise and experience to be brought to the Group, instead of purely based on gender consideration alone. There was no women representation on the Board but representation of 2 female senior managers as members of senior management.

Please refer to Practice 4.4 of the CG Report for the detailed disclosure on the Boardroom Diversity and Practice 4.5 of the CG Report for the detailed disclosure on the gender diversity.

##### vii. Independent Directors

Independence of the candidates to act as independent director is assessed by Nominating Committee prior to their appointment based on independence assessment as well as nomination and selection process practiced with the results of the review are reported to the Board for consideration and decision.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

## PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

### 1.1 Board leadership *(Cont'd)*

#### vii. Independent Directors *(Cont'd)*

On annual basis, all Independent Directors are subjected to independence assessment based on prescribed criteria on his independence and objectivity and self-declaration of interests in Group, any corporation, partnership, business transactions and/or services with the Group for the Nominating Committee's review and recommendation to the Board to form an opinion on the independency and objectivity of the Independent Directors. Based on the above assessment performed in 2018, the Board is satisfied with the level of independence and objectivity demonstrated by all Independent Directors, and their ability to bring independent and objective judgement to board deliberations.

The tenure of an Independent Director, as stated in the Board Charter, shall not exceed a cumulative term of 9 years. In the event that such Director is to be remained as Independent Director, the Board shall first justify and obtain annual shareholders' approval. If the Board is to continue to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

As at the date of this Annual Report, all Independent Directors (i.e. Mr. Gow Kow, Mr. Goh Tyau Soon and Mr. Tey Ping Cheng) had served on the Board for cumulative term of more than twelve (12) years. During the year, based on the independent directors' self-assessment and self-declaration of interests in Group, any corporation, partnership, business transactions and/or services with the Group submitted to the Nominating Committee for review and recommendation and subsequent review and deliberation by the Board, the Board concluded that all Independent Directors (i.e. Mr. Gow Kow, Mr. Goh Tyau Soon and Mr. Tey Ping Cheng) remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees they are in. The length of their service on the Board did not interfere with their exercise of independent judgment and they act in the best interest of the Group.

To be remained as independent non-executive director, all Independent Directors (i.e. Mr. Gow Kow, Mr. Goh Tyau Soon and Mr. Tey Ping Cheng) will be subject to two-tier voting in forthcoming Annual General Meeting to be held.

Please refer to Practice 4.2 of CG Report for further details.

#### viii. Appointment of Directors and Senior Management/Re-election of Directors

Appointment of new Directors to the Board or Board Committee is recommended to the Nominating Committee for consideration and approved by the Board in accordance to the nomination and selection practiced by Nominating Committee and the Board. It is the practice of the Board that highly qualified candidates with sufficient and relevant knowledge, skills and competency are sought to serve as members of the Board and the Senior Management to effectively discharge its responsibilities and duties and contribute in the governance of the Group while at the same time gender and ethic balance are being upheld within the Board and the Senior Management shall such potential candidate is available.

The process for the nomination and selection practiced by the Nominating Committee and the Board involves identification of potential candidates, evaluation of suitability of candidates based on agreed upon criteria for experience, knowledge, skill and boardroom diversity, meeting up with candidates and background check, final deliberation by Nominating Committee and recommendation to the Board. The Board acknowledges that the process of nomination and selection of Directors and Senior Management can be enhanced by formalising the nomination and selection practiced by the Nominating Committee and the Board.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

#### 1.1 Board leadership *(Cont'd)*

##### viii. Appointment of Directors and Senior Management/Re-election of Directors *(Cont'd)*

Subject to prior discussion concerning the costs, Nominating Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities under nomination and selection of Directors.

All Board members who are newly appointed are subject to retirement at the subsequent Annual General Meeting of the Company. All Directors (including the Group Managing Director) will retire at regular intervals by rotation at least once every three years and shall be eligible for re-election.

While it is the intention of the Nominating Committee and the Board to have independent sources for the identification of candidates for appointment of directors, the existing members of the Board of the Company were recommended by the Board members and existing shareholders of the Company previously before MCCG came into effect. There was no appointment of new director during the financial year ended 31 December 2018.

Please refer to Practice 4.4 and 4.6 of CG Report for the details on the nomination and election process of the directors.

##### ix. Performance Assessment and Evaluation of Board

On annual basis, the Company Secretary circulates to each Director the relevant evaluations and assessments forms/checklist in relation to the evaluation of the Board, Board Committee, the Audit Committee, the contribution of each individual Director and independence assessment of independent directors with sufficient time for all the directors to complete in advance of the meeting of the Nominating Committee and the Board in order for the Company Secretary to collate the assessments/evaluations results for the Nominating Committee to review and report to the Board.

The following assessments and evaluations were performed during the financial year under:

1. The Board and Board Committees' performance evaluation;
2. Individual Directors and Chief Financial Officer performance appraisal pursuant to Paragraph 2.20A of MMLRs;
3. Self-assessment of independence and self-declaration of interests in the Group, any corporation, partnership, business transactions and/or services with the Group, employment history and identity of person connected to him by Independent Directors;
4. Audit Committee Evaluation and Audit Committee members pursuant to Paragraph 15.20 of the MMLRs.

With the above evaluation/review processes, the Board, through the Nominating Committee, reviewed and assessed its required mix of skills and experience and other qualities, including core competencies which directors should bring to the Board, and the size and composition of the Board to ensure that it has the appropriate mix of skills and competencies to lead the Group effectively.

Based on the above evaluations conducted for financial year ended 31 December 2018, the Board, through reports by the Nominating Committee, were satisfied with the composition, performance and effectiveness of the Board, Board Committees and Directors (including Finance Director).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

#### 1.1 Board leadership *(Cont'd)*

##### ix. Performance Assessment and Evaluation of Board *(Cont'd)*

Please refer to Practice 5.1 of CG Report for the details on the performance evaluation of the Board, Board Committee, the Audit Committee, the contribution of each individual Director (including the Financial Director) and independence assessment of independent directors.

##### x. Directors' and Senior Management's Remuneration

The Board assumes the overall responsibility to establish and implement effective remuneration policy for the members of the Board and Senior Management in order to attract, retain and motivate Directors and Senior Management positively in pursue of the medium to long term objectives of the Group and are reflective of their experience and level of responsibilities.

There is no formalised Directors and Senior Management Remuneration Framework established by the Board and published on the corporate website of the Company. The Board is committed to formalize the Directors' and Senior Management's Remuneration Framework in the next 5 year to be in line with the risk strategy and corporate values of the Company in consultation with those in charge of internal control and risk management functions to attract and retain suitable candidates in the Company.

In the nutshell, it is the practice of the Board that the Executive Directors' and Senior Management members' remuneration are determined by their performance, service, seniority, experience and scope of responsibilities while Non-Executive Directors shall be rewarded by director's fee based on his knowledge, skills, competency, responsibilities assigned to such director and his contributions to the Board and the Board Committees, subject to approval from shareholders (if applicable).

The Remuneration Committee is responsible for recommending to the Board the remuneration packages of the members of the Board. None of the Executive Directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of the Directors. Individual Directors are abstained from deliberation and approval of his own remuneration.

A summary of remuneration packages of the Directors of the Company who served during the FYE 31 December 2018 was as follows: -

	Executive Directors RM'000	Non-Executive Directors RM'000
Directors' Fees	-	90
Salaries	16,604	-
Allowances	180	14
Bonuses	13,206	-
<b>Total</b>	<b>29,990</b>	<b>104</b>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

#### 1.1 Board leadership *(Cont'd)*

##### x. Directors' and Senior Management's Remuneration *(Cont'd)*

Number of Directors whose remuneration falls into the following bands: -

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM 50,000	-	3
RM 450,001 to RM 500,000	1	-
RM 9,500,001 to RM 10,000,000	3	-

The detailed disclosure on named basis for the remuneration of individual directors was not made in the Annual Report as the Board is of the opinion that such disclosure may jeopardize the personal security of the individual members of the Board.

A summary of remuneration packages of the top Senior Management team of the Company during the FYE 31 December 2018 was as follows: -

Range of Remuneration	No. of members of Senior Management
RM 250,001 to RM 300,000	1
RM 1,050,001 to RM 1,100,000	1

Disclosure on named basis of the Senior Management's remuneration component in bands of RM50,000 is not made as the Board is of the opinion that the disclosure may jeopardize the personal security of the individual members of Senior Management and increase the risk of loss of key personnel as their remuneration packages are published publicly.

Please refer to Practice 7.1 and 7.2 of CG Report for the details on the disclosure on named basis for the remuneration of individual Directors and disclosure on a named basis the top five Senior Management's remuneration in bands of RM50,000.

##### xi. Directors' Training

As per the Board Charter, the Board is assigned with the responsibility to ensure Directors and Senior Management to update their knowledge and enhance their skills through attending training programs as well as to assess the training needs of the Directors and ensure the Directors have access to continuing education program.

Upon completion of annual assessment of the Board as a whole, Board committee and individual Directors, Nominating Committee Chairman will look into the skillset required for the role as of each committee chairman and selects the most ideal Independent Director who is capable to meet the required expectations within the next 5 years. The Board identified the training needs of the members of the Board through the formal evaluation of skills possessed by individual Directors (including members of Audit Committee) and reviewed by Nominating Committee to identify the knowledge and skills required by the Board to discharge its responsibilities.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

#### 1.1 Board leadership *(Cont'd)*

##### xi. Directors' Training *(Cont'd)*

All Executive Directors have been with the Company for several years and are familiar with their duties and responsibilities as Directors. In addition, any newly appointed Directors will be given briefings and orientation by the Executive Directors and Senior Management on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

All the Directors had completed the Mandatory Accreditation Program prescribed by Bursa Securities and they are mindful that they should receive appropriate continuous training and to attend seminars and briefings in order to broaden their perspective and to keep abreast with new developments for the furtherance of their duties. Specifically, the Audit Committee members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

During the financial year ended 31 December 2018, all Directors received regular briefings and updates on the Group's business and operations and received updates on new regulations and statutory requirements and all members of the Board have attended training(s) that were organized by regulatory bodies or professional organizations. The trainings attended by individual Board members are shown in the following table: -

Director	Name of Conference/Talk/Seminar Attended or Participated	Organiser
Khoo Cheng Hai @ Ku Cheng Hai	2019 Budget and Tax Conference Seminar	Ernst & Young
	Managing Your Tax in Challenging Year 2018	Ecovis
Ku Hwa Seng	2019 Budget and Tax Conference Seminar	Ernst & Young
	Managing Your Tax in Challenging Year 2018	Ecovis
Ku Tien Sek	2019 Budget and Tax Conference Seminar	Ernst & Young
	Managing Your Tax in Challenging Year 2018	Ecovis
Lee Chye Tee	Consideration of Tax Issues on Adoption of MFRS 15 Revenue from Contracts with Customers and MFRS 16 Leases Seminar	Ernst & Young
	2019 Budget Seminar	Malaysian Institute of Accountants
	Managing Your Tax in Challenging Year 2018	Ecovis
	GST to SST - The New SST Mechanism and Transitional Issues	Malaysian Institute of Accountants
	Technical Briefing for Company Secretary of Listed Issuers	Listing Division – Regulations of Bursa Malaysia Berhad

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS (Cont'd)

#### 1.1 Board leadership (Cont'd)

##### xi. Directors' Training (Cont'd)

Director	Name of Conference/Talk/Seminar Attended or Participated	Organiser
Gow Kow	New Public Rulings in 2017 & 2018	Malaysian Institute of Accountants
	MPERS : Case Studies in Practical Financial Reporting including impact of Companies Act, 2016 and Revised Auditors Report	Malaysian Institute of Accountants
	Revised Auditors Report: ISA 700, ISA 705, ISA 706 and ISA 720	Malaysian Institute of Accountants
	Seminar Percukaian Kebangsaan 2018	Lembaga Hasil Dalam Negeri Malaysia
	Tax Audits and Appeal Procedures	Malaysian Institute of Accountants
	MIA Technical Updates 2018	Malaysian Institute of Accountants
	Managing Your Tax in Challenging Year 2018	Ecovis
Goh Tyau Soon	2019 Budget and Tax Conference Seminar	Ernst & Young
	Managing Your Tax in Challenging Year 2018	Ecovis
Tey Ping Cheng	Minutes Writing/Drafting Resolution & Company Secretarial Practice and SSM Updates	Malaysian Association of Company Secretaries
	Goods and Services Tax (GST) – A preparatory Course for GST Consultants and Accountants	Malaysian Institute of Accountants
	Key Changes to Malaysian Code on Corporate Governance and Overview of CG Guide 3 <sup>rd</sup> Edition – Challenges to the Board & Management	Lee Ming On
	Seminar on "Introduction to MBRS"	Companies Commission of Malaysia & Malaysian Association of Company Secretaries
	Transitional Issues from GST to SST – Your Questions on SST answered	Chartered Tax Institute of Malaysia
	Seminar on "MBRS for Preparers – Financial Statements"	Companies Commission of Malaysia & Malaysian Association of Company Secretaries
	One Day Workshop on MBRS – Practical Aspects & Hands on Training	Malaysian Association of Company Secretaries
	2019 Budget Seminar	Chartered Tax Institute of Malaysia
	Managing Your Tax in Challenging Year 2018	Ecovis

# CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

## PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

### 1.1 Board leadership *(Cont'd)*

#### xii. Board Committees

In discharging its fiduciary duties, the Board has delegated specific duties to four (4) subcommittees (Audit, Remuneration, Nominating and Risk Management). The Committees have the authority to examine particular issues and report to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

All Committees have written terms of references and the Board receives reports on their proceedings and deliberations. The Chairman of the respective Committees will brief the Board on the matters discussed at the Committee meetings and minutes of these meetings are circulated at the Board meetings.

- **Audit Committee**

The terms of reference, the number of meetings held, and activities carried out during the financial year and the attendance of each member can be found in the Audit Committee Report on pages 29 to 32 of this Annual Report.

Please refer to Practice 8.1, 8.2, 8.3, 8.4 and 8.5 of CG Report on disclosure in relation Audit Committee.

- **Nominating Committee**

The Nominating Committee comprises exclusively of Independent Non-Executive Directors, in compliance with MMLR. The Nominating Committee is guided by written terms of reference duly approved by the Board with rights, authorities and responsibilities. The Nominating Committee is chaired by Senior Independent Director.

The full details of the Nominating Committee's Terms of Reference are published in "Others" section of the "News" tab of the corporate website at [www.ksl.my](http://www.ksl.my).

The Nominating Committee members and the attendance records for meeting held during financial year ended 31 December 2018 are as follows: -

<b>Nominating Committee</b>	<b><u>No. of Meetings Held</u></b>	<b><u>Attendance</u></b>
Goh Tyau Soon (Chairman)	1	1
Gow Kow	1	1
Tey Ping Cheng	1	1

During the financial year ended 31 December 2018, the Nominating Committee conducted evaluations and assessments of the performance of the Board, the Board Committees, the Audit Committee (including members), the contribution by each individual Directors (including Finance Director) and independence assessment of Independent Directors based on the pre-determined processes and evaluation/review criteria. The Nominating Committee reported the results of all evaluations and assessments to the Board for review and deliberation to enable effective actions (including trainings to be attended) to be formulated and implemented for the proper and effective functioning of the Board and its Committees.

Please refer to Practice 4.4, 4.5, 4.6, 4.7 and 5.1 of CG Report for details on the Nominating Committee and its activities.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

#### 1.1 Board leadership *(Cont'd)*

##### xii. Board Committees *(Cont'd)*

- **Remuneration Committee**

The Remuneration Committee was formed to assist the Board in determining, developing and recommending an appropriate remuneration policy and remuneration package for Directors and Senior Management so as to attract, retain and motivate the Directors and members of Senior Management. The Remuneration Committee is guided by formal Terms of Reference. Further disclosure on the Remuneration Committee (and its activities) and remuneration policy and procedure can be found in Practice 6.1 and 6.2 of CG Report.

The Remuneration Committee comprises three (3) Independent Directors and Group Managing Director. Their attendance records are as follows: -

<b>Remuneration Committee</b>	<b><u>No. of Meetings Held</u></b>	<b><u>Attendance</u></b>
Tey Ping Cheng (Chairman)	1	1
Gow Kow	1	1
Goh Tyau Soon	1	1
Khoo Cheng Hai @ Ku Cheng Hai	1	1

The Board intends to restructure the Remuneration Committee to be in compliance with MCCG whereby it comprises exclusively of Non-Executive Directors, majority of whom are independent.

The full details of the Remuneration Committee's Terms of Reference are published in "Others" section of the "News" tab of the corporate website at [www.ksl.my](http://www.ksl.my).

The Remuneration Committee held a meeting during the financial year ended 31 December 2018 to review the draft service contract of Directors, proposed director fees for Non-Executive Directors and proposed remuneration package of Executive Directors and with such recommended director fees and remuneration packages were submitted to the Board for approval and/or recommendation to shareholders for approval, as applicable.

- **Risk Management Committee**

The Risk Management Committee was formed on 26 February 2014 to provide oversight, direction and counsel to the Group risk management process and to assist the Board in identifying, mitigating and monitoring critical risk highlighted by businesses units. The Risk Management Committee comprises of Group Managing Director and three (3) Independent Directors, in compliance with the Step-Up practice recommended by MCCG:

<b>Risk Management Committee</b>	<b><u>No. of Meetings Held</u></b>	<b><u>Attendance</u></b>
Tey Ping Cheng (Chairman)	1	1
Khoo Cheng Hai @ Ku Cheng Hai	1	1
Gow Kow	1	1
Goh Tyau Soon	1	1

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE A: BOARD LEADERSHIP & EFFECTIVENESS *(Cont'd)*

#### 1.1 Board leadership *(Cont'd)*

##### xii. Board Committees *(Cont'd)*

- Risk Management Committee *(Cont'd)*

The full details of the Risk Management Committee's Terms of Reference are published in "Others" section of the "News" tab of the corporate website at [www.ksl.my](http://www.ksl.my).

During the financial year under review, Risk Management Committee met once to review and assess the risks associated with all proposed strategic transactions of the Group.

Further disclosure on the risk management activities during the financial year can be found in Practice 9.1 and 9.2 of CG Report and Statement on Risk Management and Internal Control.

##### xiii. Economic, Environment and Social

In order to promote sustainability of the Group's businesses, one of the business strategies adopted by the Board is to ensure the economics, environmental and social aspects of the businesses undertaken are well taken care of. The Group upheld the principle to maintain effective sustainability management continuously in order to contribute positively to the socio-economic development of the communities, to promote environmentally friendly business practices and to uphold good governance practice.

Please refer to the Sustainability Statement for the governance structure and process employed as well as the identification, assessment, management and reporting of sustainability matters during the financial year under review and up to the date of this Annual Report.

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit Committee is tasked with the oversight role on the effectiveness of Audit and Risk Management. The composition and terms of reference Audit Committee, the number of meetings held, attendance, and activities carried out during the financial year are available in the Audit Committee Report on page 29 to 32 of this Annual Report and Practice 8.1 to 8.5 of CG Report.

#### i. Relationship with Auditors

The Group maintains a close and transparent relationship with its External Auditors and Internal Audit Function in seeking professional advice and ensuring compliance with the Group's policies and procedures, approved accounting standards and relevant regulations in Malaysia and the countries it is operating.

The roles and responsibilities of the Audit Committee in relation to the External Auditors and Internal Audit Function are prescribed in the Audit Committee's Terms of Reference.

The engagement of the External Auditors is governed by the engagement letter with terms of engagement (which includes, amongst others, the scope of coverage, the responsibilities of the external auditors, confidentiality, independence and the proposed fees) reviewed by the Audit Committee and its recommendation to the Board. Furthermore, the External Auditors of the Group confirmed to the Audit Committee, prior to the commencement of the audit works and upon completion of the audit engagement, on their independence in relation to the audit works and their commitment to communicate to the Audit Committee on their independence status on ongoing manner.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT *(Cont'd)*

#### i. Relationship with Auditors *(Cont'd)*

The Audit Committee met with the External Auditors twice during the financial year under review to discuss their Audit Plans, their audit findings and other special matters that require the Audit Committee's attention and the financial statements. In addition, the Audit Committee met privately with the External Auditors twice without the presence of the Executive Directors and management to encourage free flow of information and views and for the External Auditors to freely express their opinion without undue pressure.

The Audit Committee had also considered the nature of other non-audit services provided during the year by the external auditors and the quantum of the fees as tabulated in the table below and was satisfied that the provision of these services did not in any way compromise their independence.

The audit and non-audit fees incurred for services rendered by the External Auditors and their affiliated firms and companies to the Company and its subsidiaries for the financial year were as follows:

	Company	Group	Description
Audit Fees (RM)	20,000	218,500	
Non-Audit Fees (RM)	6,076	12,724	Review of Statement On Risk Management and Internal Control and others non-audit services

The oversight roles of Audit Committee in relation to Internal Audit Function are detailed in Practice 10.1 & 10.2 of CG Report as well as Audit Committee Report and Statement on Risk Management and Internal Control on pages 29 to 32 and pages 52 to 58 of this Annual Report respectively.

#### ii. Risk Management

The Board recognises the importance of Risk Management in pursuing its company's objective and have in place a formal risk management framework. The details of the framework and risk management process are disclosed in Practice 9.1 and 9.2 of CG Report and Statement on Risk Management and Internal Control on pages 52 to 58 of this Annual Report.

#### iii. Internal Control & Internal Audit Function

The Board recognises the importance of sound internal control system for good corporate governance. As such, the Internal Audit Function is established to perform the review of the adequacy and integrity of the system of internal control in managing the principal risks of the Group. The Internal Audit Function is outsourced to a professional firm to assist the Audit Committee in reviewing the state of internal control of the Group and to highlight areas for management and operational improvements.

The state of system of internal control and Internal Audit Function of the Group is explained in greater detail in Statement on Risk Management and Internal Control on pages 52 to 58 of this Annual Report and Practice 10.1 & 10.2 of CG Report.

#### iv. Uphold integrity in financial reporting

The Directors strive to ensure that a balanced, clear and meaningful assessment of the financial positions and prospects of the Group are made in all disclosures to shareholders, investors and the regulatory authorities.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT *(Cont'd)*

#### iv. Uphold integrity in financial reporting *(Cont'd)*

All financial statements, both annual financial statements to shareholders and quarterly announcement of financial results, were reviewed by the Audit Committee and approved by the Board to ensure accuracy, adequacy and completeness of information and compliance with relevant accounting standard and regulations prior to release to regulatory authorities.

The Board, through the review by the Audit Committees and in consultation with the Management and the External Auditors, had presented fair and meaningful assessment of the Group's financial performance and position.

A summary of the works of the Audit Committee in the discharge of its functions and duties during the financial year is set out in the Audit Committee Report on pages 29 to 32 of this Annual Report.

### PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### i. Corporate Disclosure and Stakeholders Communication

The core communication channel with the stakeholders employed by the Company is the announcements made through Bursa Securities and all announcements to be made through Bursa Securities are to be approved by the Board, prior to its release. The Board is observing all disclosure requirements as laid down by MMLR and Capital Markets and Services Act 2007 in order to have all material event and information to be disseminated publicly and transparently on timely basis to ensure fair and equitable access by all stakeholders without selective disclosure.

The Board has adopted a practice for the disclosure of material information of the Group to ensure that communications to the relevant stakeholders are timely, factual, accurate, and complete. The Board is considering to establish a formal Corporate Disclosure Policy to manage stakeholder communication proactively and in compliance with MMLR and Capital Markets and Services Act 2007.

The Annual Report is the main communication tool between the Company and its stakeholders. The Annual Report communicates comprehensive information of the financial results and activities undertaken by the Group. As a listed issuer, the contents and disclosure requirements of the Annual Report are governed by the MMLR. To further improve the accessibility of the Directors to the shareholders for their understanding of the businesses of the Group and their investment decision, it is the requirement of the Board Charter that all Directors are to attend general meetings.

Please refer to Practice 11.1 of CG Report on further disclosure of stakeholders' communication.

#### ii. Encourage shareholders participation at general meetings

The general meetings are the principal forum for dialogue with shareholders. The shareholders are given the opportunity and are encouraged to participate in general meetings of the Company. The Board Charter includes the requirement that notice for the Annual General Meeting to be given to shareholders at least 28 days prior to the meeting.

To encourage shareholders' participation at general meetings, the Company allows a shareholder to appoint a proxy who may not be a member of the Company and no qualification of proxy is imposed.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *(Cont'd)*

#### ii. Encourage shareholders participation at general meetings *(Cont'd)*

Adequate time is given during general meetings to encourage and allow the shareholders to seek clarification or ask questions on pertinent and relevant matters. The external auditors are also present at Annual General Meeting to provide professional and independent clarification on issues and concerns raised by the shareholders during the meeting.

In addition to the above, the Company also welcomes requests for meetings and interviews with professionals from the investment community and is always willing to meet up with institutional investors when required.

Please refer to Practice 12.1 and 12.2 of CG Report on further disclosure of stakeholders' communication.

#### iii. Poll Voting

Pursuant to the Paragraph 8.29A(1) of the Listing Requirements of Bursa Securities, the Company is required to ensure that any resolution set out in the notice of general meetings is to be voted by poll. All resolutions put forth for shareholders' approval at the forthcoming Annual General Meeting to be held are to be voted by way of poll voting.

#### iv. Leverage on Information Technology

In order to promote transparency and thoroughness in public dissemination of material information, the Company's website incorporates an Investor Relations function by way of a dedicated "News" section which provides all relevant information on the Company and is accessible by the public via [www.ksl.my](http://www.ksl.my). The "News" section enhances the Investor Relations function by including all announcements made by the Company, annual reports of the Company, press releases, relevant Board Charter and policies as well as terms of reference of relevant Board Committees, Constitution and Whistleblowing policy established and implemented by the Board for the public to access.

During the financial year under review, while the Company had employed electronic voting for shareholders in its Annual General Meeting, the Company did not conduct its general meetings by leveraging technology to facilitate voting in absentia and webcast for remote shareholder participation.

Please refer to Practice 12.3 of CG Report on leverage technology to facilitate voting in absentia and remote shareholders' participation at General Meetings.

### Additional Compliance Statement

- **Material Contracts or Loan Involving the interests of the Directors, Chief Executive or Major Shareholders**

Except recurrent related party transactions as disclose below, there was no other material contract or loan subsisting at the financial year ended 31 December 2018 or entered into since the end of financial year by the Company and its subsidiaries which involve the interests of Director, Chief Executive who is not a director or major shareholders.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT *(Cont'd)*

### Additional Compliance Statement *(Cont'd)*

- **Recurrent Related Party Transactions**

The recurrent related party transactions entered into by the Group during the financial year under review which are disclosed in Note 29 to the Financial Statements on pages 170 to 171 of this Annual Report.

- **Utilisation of Proceeds**

There were no proceeds raised from corporate proposals during the financial year under review.

- **Employee Share Scheme**

The Company did not establish any employee share scheme and there was no subsisting employee share scheme during the financial year under review.

### Key Focus Areas and Future Priorities

One of the key focus areas of the Board on corporate governance practices during the financial year were to align the Group's corporate governance practices and disclosure requirements with the latest development in corporate governance and updates of MMLR. During the financial year, the Board has also updated and enhanced relevant charter, policies and terms of reference, namely, the Board Charter, Terms of Reference of Audit Committee, Nominating Committee and Remuneration Committee, Code of Conduct and Whistle-Blowing Policy. The Company also enhanced measure to enhance independence element within the Board by implemented two-tier voting system for independent director to be remained for cumulative term of more than twelve (12) years in last Annual General Meeting.

The Board's medium term's priorities in relation to the corporate governance are to formalise the Group's corporate governance practices into relevant Board's policies and procedures in line with the latest developments in MCGG and updates of MMLR, i.e. formal Board and Senior Management Remuneration Policy, Policy and Procedure on Nomination and Selection of Director and Senior Management, Policy and Procedure on Independence Assessment of Independent Directors, Policy and Procedure on Performance Appraisal of Board of Directors/Board Committees/Directors, Board and Senior Management Diversity Policy, Policy and Procedure on External Auditors and Corporate Disclosure Policy.

In the long term, the Board is to consider to strengthen the independent elements within the Board by restructure the Board's composition so that the independent directors make up to at least half of the composition of the Board, to have women representation at the Board and Senior Management (shall such vacancy available) and to leverage technology to facilitate voting in absentia and remote shareholders' participation at General Meetings.

The Board reviewed and approved this Statement on 26 March 2019.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors (“Board”) of KSL Holdings Berhad is pleased to provide the Statement on Risk Management and Internal Control (“Statement”) for the financial year ended 31 December 2018, which has been prepared pursuant to paragraph 15.26(b) and Practice Note 9 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements for the Main Market and as guided by Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“the Guidelines”) and Malaysian Code on Corporate Governance. The Statement outlines the process to be adopted by the Board in reviewing the adequacy and effectiveness of the risk management and internal control system of the Group. The scope of this Statement includes the Company and its operating subsidiaries.

## BOARD RESPONSIBILITIES

The Board affirms its overall responsibility for maintaining a sound risk management and internal control systems and for reviewing their adequacy and effectiveness so as to achieve the Group’s corporate objectives and strategies and to establish risk tolerance of the Group based on the corporate objectives, strategies, external environment, business nature and corporate lifecycle as well as safeguard all its stakeholders’ interests and protecting the Group’s assets. The Board is committed to the establishment and maintenance of an appropriate control environment and framework that is embedded into the corporate culture, processes and strategies of the Group. The Board delegates the duty of identification, assessment and management of key business risks to the Risk and Sustainability Management Committee (“RSMC”) while the oversight roles are delegated to the Risk Management Committee (for risk management) and Audit Committee (for internal controls) whereby the Risk Management Committee and Audit Committee are assigned with the duty, through its Terms of Reference approved by the Board, to provide assurance to the Board on the adequacy and effectiveness of risk management and internal control systems of the Group respectively. Through the Risk Management Committee and Audit Committee, the Board is kept informed of all significant control issues brought to the attention of the Risk Management Committee and Audit Committee by the Management, the Internal Audit Function and the External Auditors.

The system of internal controls covers inter-alia, risk assessment as well as financial, operational, environmental and compliance controls. However, in view of the limitations that are inherent in any system of internal controls, the system of internal controls is designed to manage, rather than to eliminate, the risk of failure to achieve the Group’s business objectives. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

## RISK MANAGEMENT

The Board recognises that a sound risk management system is critical in the pursuit of its strategic objectives and maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group during the financial year under review. The Board maintains an on-going commitment for identifying, evaluating and managing significant risks faced by the Group systematically during the financial year under review. During the financial year under review, the Board had put in place a structured Group Risk Management Policy, as the governance structure and processes for the risk management on enterprise wide, in order to embed the risk management practice into all level of the Group and to manage key business risks faced by the Group adequately and effectively as second line-of-defence. The duties for the identification, evaluation and management of the key business risk are delegated to RSMC, led by Group Managing Director. The Group Risk Management Policy is established with reference to ISO 31000:2018 - Risk Management Guidelines.

The Group Risk Management Policy established lays down the risk management’s objectives and processes established by the Board with formalized governance structure of the risk management activities of the Group established as follows:

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

### RISK MANAGEMENT *(Cont'd)*

Clear roles and responsibilities of the Board, Risk Management Committee, RSMC, risk owners, Key Risk and Sustainability Officer and Internal Audit Function are defined in the Group Risk Management Policy.



In particular, the roles and responsibilities of the RSMC in relation to the risk management are as follows:-

- a. implement the risk management policy as approved by the Board;
- b. implement the risk management process which includes the identification of key risks and devising appropriate action plan(s) in cases where existing controls are ineffective, inadequate or non-existence and communicate methodology to the risk owners;
- c. ensure that risk strategies adopted are aligned with the Group's organisational strategies (e.g. vision/mission, corporate strategies/goals, etc.), risk management policy & process and risk appetite/tolerance;
- d. continuous review and update of the Key Risk Profiles of the Group due to changes in internal business processes, business strategies or external environment and determination of management action plan, if required;
- e. update the Board, through the Risk Management Committee, on changes to the Key Risk Profiles on periodical basis (at least on annual basis) or when appropriate (due to significant change to the internal business processes, business strategies or external environment) and the course of action to be taken by management in managing the changes; and
- f. to perform risk identification and assessment in relation to major asset/business acquisition or divestment or business diversification or business consolidation and to report the results of the assessment to the Board for strategic decision making.

Apart from the duty to monitor the implementation and compliance with approved risk policies and processes of the Group and that significant risks identified are being responded to appropriately, the Risk Management Committee is entrusted the duty to review and assess the adequacy and effectiveness of the risk management strategies, governance structure and processes, risk monitoring and responses and to report to the Board on the results of its oversight roles and recommendations.

In addition, the risk owners, i.e. the heads of departments/divisions, are designated as risk owners within their area of expertise and operational responsibilities with the following roles and responsibilities:

- a. manage the risks of the business processes under his/her control;
- b. continuously identify risks and evaluate existing controls. If controls deemed ineffective, inadequate or non-existent, to establish and implement controls to reduce the likelihood and/or impact;

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

### RISK MANAGEMENT *(Cont'd)*

- c. to report to the RSMC of the emergence of new business risks or change in the existing business risks on a timely manner and assist the RSMC with the development of the management action plans and implement these action plans;
- d. assist the RSMC with the half-yearly update of the changes in the Key Risks Register, management action plans and the status of these plans; and
- e. ensure that staffs working under the him/her understand the risk exposure of the relevant process under his / her duty and the importance of the related controls.

Systematic risk management process is stipulated in the Policy, whereby each step of the risk identification, risk assessment, control identification, risk treatment and control activities are laid down for application by the RSMC and the risk owners. Risk assessment, at gross and residual level, are guided by the likelihood rating and impact rating established by the Board, incorporating the risk tolerance of the Board, are stipulated in the Policy.

Based on the risk management process, key risk registers were compiled by the RSMC with the participation of the risk owners, with relevant key risks identified rated based on the agreed upon risk rating. The key risk registers are used for the identification of high residual risks which is above the risk tolerance of the Group that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring. As an important risks monitoring mechanism, the Management is scheduled to review the key risk registers of key operating subsidiaries and assessment of emerging risks identified at strategic and operational level on annual basis or on more frequent basis if circumstances required and to report to the Risk Management Committee on the results of the review and assessment.

During the financial year under review, the Risk Management Committee met once to review and assess the risks associated with all proposed strategic transactions of the Group and reported to the Board on the results of its review.

At strategic level, business plans, business strategies and investment proposals with risks consideration are formulated by the Group Managing Director and/or Senior Management and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk tolerance approved by the Board. In addition, specific strategic and key operational risks are highlighted and deliberated by Audit Committee, Risk Management Committee and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As first-line-of-defence, respective risk owners, i.e. the heads of departments/divisions, are responsible for managing the risks under their responsibilities. Risk owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in the key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system supplemented by external data and information collected. Respective risk owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage the risks. Critical and material risks are highlighted to the Senior Management or the RSMC for the final decision on the formulation and implementation of effective internal controls and its reporting to Audit Committee, the Risk Management Committee and/or the Board.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal plan approved by the Audit Committee, in consultation with the RSMC.

The above process has been practiced by the Group for the financial year under review and up to the date of approval of this statement.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

## INTERNAL CONTROL SYSTEM

The key features of the Group's internal control systems are described below:-

- **Board of Directors/Board Committees**

The role, functions, composition, operation and processes of the Board are guided by formal Board Charter whereby roles and responsibilities of the Board, the Executive Chairman and the Group Managing Director are specified to preserve the independence of the Board from the Management.

Board Committees (i.e. Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.

Meetings of Board of Directors and respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the Senior Management for the Board's review and approval, after taking into risk consideration and responses.

- **Integrity and Ethical Value**

The tone from the top on integrity and ethical value are enshrined in formal Code of Conduct established and approved by the Board. This formal code forms the foundation of integrity and ethical value for the Group.

Integrity and ethical value expected from the employees are incorporated in the Employees Handbook whereby the ethical behaviours expected of the employees are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in Employees Handbook.

To further enhance the ethical value throughout the Group, formal Conflict of Interest Framework and Related Party Transactions and Conflict of Interest Policy and Procedure were approved by the Board for implementation by the Management to reduce the risk of conflict of interest within the Group.

- **Organisation Structure, Accountability and Authorisation**

The Group has a well-defined organisation structure in place with clear lines of reporting and accountability. The Group is committed to employing suitably qualified staff so that the appropriate level of authorities and responsibilities can be delegated while accountability of performance and controls are assigned accordingly to competent staffs to ensure operational efficiency. The authorisation requirements for key processes are incorporated in the design of the forms and stated in the Group's policies and procedures.

- **Policies and Procedures**

The Group has documented policies and procedures that are regularly reviewed and updated to ensure its relevance to support the Group's business activities in achieving the Group's business objectives.

- **Human Resource Policy**

Comprehensive guidelines on the human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently.

Performance evaluations are carried out for all levels of staff to identify performance gaps, for training needs identification and talent development.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

### INTERNAL CONTROL SYSTEM *(Cont'd)*

- **Information and Communication**

At operational level, clear reporting lines established across the Group and operation reports are prepared for dissemination to relevant personnel for effective communication of critical information throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and the Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerized systems, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection. Apart from that, relevant financial and management reports are generated for different level of the organization structure for review and decision making. The management and board meetings are held for effective two-way communication of information at different level of management and the Board.

- **Monitoring and Review**

As Executive Directors are closely and directly involved in daily operations of the Group, regular reviews of operational data including development progress, marketing and financial data are performed by the Executive Directors. Apart from the above, the quarterly financial performance review containing key financial results and comparison against previous corresponding financial results are presented to the Board for their review.

Periodical management meetings are held to discuss and review financial and operational performance of key divisions/departments of the Group. The monitoring of compliance with relevant laws and regulations are further enhanced by independent review of specific areas of safety, health and environment by independent consultants engaged by the Group, served as the fourth-line-of-defence.

Apart from the above, monthly management accounts and the quarterly financial statement containing key financial results are presented to the Board for their review. Operational and financial performance report is also presented by the Senior Management during the Board's meeting for the Board to assess the operational performance and future prospect of the Group as well as the external environment faced by the Group ahead.

Furthermore, internal audits are carried out by the internal audit function (which reports directly to the Audit Committee) on key risk areas identified based on the key risk registers of the Group. The Internal Audit Function assess the adequacy and effectiveness of internal controls in relation to specific governance, risk and control processes and highlights potential risks and implications of its observations that may impact the Group as well as recommend improvements on the observations made to minimise the risks. The results of the internal audits carried out are reported to the Audit Committee.

### INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to independent professional firm, who, through the Audit Committee, provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's systems of the risk management and internal control.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

### INTERNAL AUDIT FUNCTIONS AND ACTIVITIES *(Cont'd)*

The outsourced internal audit function is reporting to the Audit Committee directly and the engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.

Risk-based internal audit plan in respect of financial year ended 31 December 2018 was drafted by the outsourced internal audit function, after taking into consideration existing and emergent key business risks identified in the key risk registers of the Group, the Senior Management's opinion and previous internal audits performed, and was reviewed and approved by the Audit Committee, in consultation with Risk Management Committee, prior to execution. Each internal audit cycles within the internal audit plan are specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

As third-line-of-defence, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formulation, subject to the nature of testing and verification of the samples.

During financial year ended 31 December 2018, the outsourced internal audit function has conducted review for the following business processes as approved by the Audit Committee:

1. Front Office management (included room reservation, check-in and check-out, billing management, collections, night auditing, shift management and customer service), Housekeeping Management (included housekeeping planning, consumables and linen, inventory management, quality control and room inventory management) and Maintenance management (included maintenance request and spare part management) of hotel operations at Johor Bahru, Johor, Malaysia;
2. Food and Beverage Management (included order management, billing management, food safety, shift management, collections, kitchen planning and management, inventory management, wastage and disposal and banquet management) and Procurement management of hotel operations at Johor Bahru, Johor, Malaysia.

Upon the completion of the individual internal audit field works during the financial year, the internal audit reports were presented to the Audit Committee during its scheduled meetings. During the presentation, the internal audit findings and recommendations as well as management response and action plans are presented and deliberated with the members of the Audit Committee to ensure its adequacy to address the potential risks identified. Update on the status of action plans as identified in the previous internal audit report are presented at subsequent Audit Committee meeting for review and deliberation.

In addition, during the scheduled Audit Committee meetings, the outsourced internal function reported its staff strength, qualification and experience as well as continuous professional education for the Audit Committee's review.

The cost incurred in maintaining the outsourced internal audit functions for the financial year ended 31 December 2018 amounted to RM48,210.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *(Cont'd)*

### ASSURANCE PROVIDED BY GROUP MANAGING DIRECTOR AND FINANCE DIRECTOR

In line with the Guidelines, Group Managing Director, being highest ranking executive in the Company and Finance Director, being the person primarily responsible for the management of the financial affairs of the Company, have provided assurance to the Board stating that the Group's risk management and internal control systems, have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

### OPINION AND CONCLUSION

Based on the review of the risk management process and internal control system as well as the monitoring and review mechanism stipulated above coupled with the assurance provided by Group Managing Director and the Finance Director, the Board is of the opinion that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control systems in meeting the Group's strategic objectives.

The Board is committed towards maintaining an effective risk management and internal control systems throughout the Group and where necessary put in place appropriate plans to further enhance the Group's systems of internal control. Notwithstanding this, the Board will continue to evaluate and manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

### REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 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. RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

# SUSTAINABILITY STATEMENT

## Introduction

Subsequent to the first Sustainability Statement of KSL Holdings Berhad's ("the Company") reported for the financial year ended 31 December 2017, the Board of Directors ("the Board") recognises the significance of developing the business operations of the Company in a sustainable and responsible manner, by having its business operating strategies and corporate culture being continuously aligned to the Sustainable Development Goals ("SDGs") developed by the United Nations.

The Board is committed to continuously promote good sustainability practices, update the sustainability progress and engage openly with the Company and its subsidiaries' ("the Group") stakeholders through transparent sustainability reporting. We recognise that stakeholder engagement plays an important role to ensure the businesses pursued by the Group is sustainable in the long term. Through Sustainability Statement, we provide our stakeholders a better understanding on our approach to create sustainable long-term value for stakeholders as well as the progress in meeting these commitments.

The Board of the Company acknowledges that businesses are not solely judged by its financial performance but also, not to a lesser extent, on its conducts in respect of governance, economic, environment and social aspect in order to withstand in this challenging environment and to create value to its stakeholders on long term sustainable manner. It is, therefore, the underlying value of the Group to achieve optimum equilibrium between short-term financial performance and its long-term business sustainability and value creation. In demonstrating the Board's commitment towards embracing good sustainability practices, the Board has continuously integrated such practices into its working environment, business processes and strategy making process in developing sustainable businesses that brings positive impact on the community, economy and environment. As such, the Group is committed to be accountable and transparent in its sustainability performance.

The Board is pleased to present this Sustainability Statement for the financial year ended 31 December 2018 prepared pursuant to paragraph 6.1, 6.2 and 6.3 of Practice Note 9 of the Main Market Listing Requirements ("MMLR") of Bursa Securities Malaysia Berhad ("Bursa Malaysia"). In particular, the management of material sustainability matters is disclosed in accordance with Part III of Practice Note 9 of MMLR and Sustainability Reporting Guide issued by Bursa Malaysia ("the Guide") on the content of the Sustainability Statement.

## Scope of the Statement

This Sustainability Statement covers all business operations of the Group, i.e. property development and property investment, for the only geographical location the Group is operating in, namely, Malaysia. The contents of this Statement primarily include activities carried out during the financial year ended 31 December 2018 and up to the date of this Statement. This Statement covers the Group's economic, environmental and social management and performance across all business operations in Malaysia. The Board have adhered to the sustainability requirement in which the Statement defines stakeholder engagement, materiality assessment, sustainability commitment and achievement, and the complete information of significant economic, environmental, and social impact for assessment of the Group's management and performance.

The disclosures of the corporate governance practices and compliance with relevant provisions and requirements per MMLR and Malaysia Code on Corporate Governance 2017 are made in the Corporate Governance Overview Statement and Corporate Governance Report in the Annual Report.

## Values and Aspirations Championed by the Group

- Creativity, Innovation, Lifestyle and Functionality are the main elements in providing a niche and exclusive development to its buyers.
- Shares common values in creating a quality lifestyle and eco-friendly living environment for its residents.
- The creation of a holistic community which spurs socioeconomic growth as a whole.
- Earning loyalty from customers by providing incessant value for money with good product quality and eminent services in the industry whilst delivering innovative and excellent products that provide customer satisfaction.
- Developing an exhilarating concept that exhibits style, elegance and distinct design, creating an invigorating environment, leveraging on the best technological, innovative and creative methods at hand.

## SUSTAINABILITY STATEMENT *(Cont'd)*

### Values and Aspirations Championed by the Group *(Cont'd)*

- Cultivating better investor relations with stakeholders in sustaining business growth, accountability and profitability in providing continuous growth and development.
- Creating a good and cohesive working environment between employers and employees to provide the best results and successful outcome.

### Sustainability Principles

As the highest governance body within the Group, the Board assume the ultimate accountability for the integration of sustainability in the Group, including sustainability-related strategy and performance. The sustainability principles instilled by the Board are:

- To observe and comply with all relevant legislation, regulations, recommended trade practice and code of practice applicable and relevant to the Group;
- To consider sustainability matters and integrate these considerations into the Group's business operations and when making and implementing business strategies;
- To manage sustainability matters in structured and systematic manner, whereby sustainability matters are embedded throughout the Group and to be documented, continuously assessed and managed with reporting to the Board on scheduled interval or as and when the materiality of the sustainability matters requires such reporting;
- To continuously promote, train and communicate with all employees, suppliers, business partners and other relevant stakeholders to ensure that they are aware of, and are committed to, implementing and measuring sustainability activities as part of the Group's or their strategy, taking into consideration economic, environment, social and governance aspects;
- To continuously engage and communicate with all relevant stakeholders for the identification, assessment and management of material sustainable issues; and
- To strive to improve the Group's sustainability performance over times.

### Sustainability Policy

The Sustainability Policy established by the Board is guided by the 17 Sustainable Development Goals ("SDGs") developed by the United Nations to address a range of social and economic development issues such as poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, environment and social justice.



## SUSTAINABILITY STATEMENT *(Cont'd)*

### Sustainability Policy *(Cont'd)*

#### ➤ Sustainable Economic Policy

- To ensure economic interest of all relevant stakeholders are preserved in all significant business operations and strategic business decisions.
- To promote the economic development of the communities where the significant business operations are carried out or when making business strategy decision or when implementing business strategies.

#### ➤ Sustainable Environment Policy

- To comply with all guidelines and regulations relating to the preservation of environmental aspects in relevant jurisdiction where the Group is operating.
- Comply with good environment practice in the business conducts and implement appropriate measures to reduce the impact on the environmental aspect arising from activities of the Group.
- To avoid contamination and improve the quality of environmental management.
- To reduce carbon footprint through product designs that is energy-efficient, optimise manufacturing efficiency and through investment in energy-efficient production machinery.
- To conserve the consumption of water, electricity and other natural resources in the business operations.
- To implement "Reuse, Reduce and Recycle" policy across the Group and along the internal value chain.
- To ensure all materials, where possible, are sourced from sustainable, renewable or recycled means and assess and monitor external value chain partners to make sure the Group's environment objectives and procedures are compiled.
- To protect, and proactively manage our impact on biodiversity in the ecosystems over which the Group is operating.

#### ➤ Sustainable Social Policy

- To ensure that all stakeholders should receive fair treatment and do not engage in or support discrimination based on race, nationality, religion, disability, gender, age, sexual orientation, union membership and political body.
- To ensure that the Group's and the suppliers'/subcontractors' human resources are with the right to not be discriminated against, not to be enslaved, to be treated with dignity, to have the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay and the right to freedom of opinion and expression.
- To ensure that the Group, the suppliers/subcontractor to not allow an individual under the age of 18 to be employed at the workplaces of the Group accordance with applicable laws and regulations.
- To provide a safe and healthy workplace for all of its human resources, customers, suppliers, subcontractors, business partners and the public at large and all the relevant stakeholders have the right to work in a safe and healthy environment, consistent with the Occupational Safety and Health Act and any other applicable legislation.
- To prohibit agreements or other coordinated activities with competitors, customers or suppliers that limit competition, abuse of a dominant position, monopolisation or attempted monopolisation and concentrations between companies that may substantially lessen competition.
- To conduct its business in an open, honest and ethical manner with conflict of interest situation properly addressed and to adopt a zero-tolerance approach to all forms of bribery and corruption. To ensure that all level of employees, suppliers/subcontractors, customers, business partners and other stakeholders do not engage in corrupt practice, take unfair advantage of any other person, including without limitation, participating in illegal practices (for example, misleading and deceptive conduct, misrepresentation and undue influence, as well as conduct which are legal but unethical).
- To promote development of the local communities through direct support of local communities, charitable donations and support of non-profit agencies in the communities in which the Group is operating. To nurture long term relationship with the local communities and to provide safe and healthier environment for the local communities.

## SUSTAINABILITY STATEMENT *(Cont'd)*

### Sustainability Policy *(Cont'd)*

#### > Sustainable Social Policy *(Cont'd)*

- To preserve and respect local heritage and customs of the local communities.
- To work with the local authorities and government bodies for the development of conducive environment for stakeholders.
- To uphold the quality, safety and health of our products and services with expected standard of legitimacy and integrity.
- To uphold the highest standard in the preserving confidentiality and privacy of information collected by us in the course of the Group's business and to ensure employees, customers and business partners receives such information to observe the confidentiality and privacy of such information.

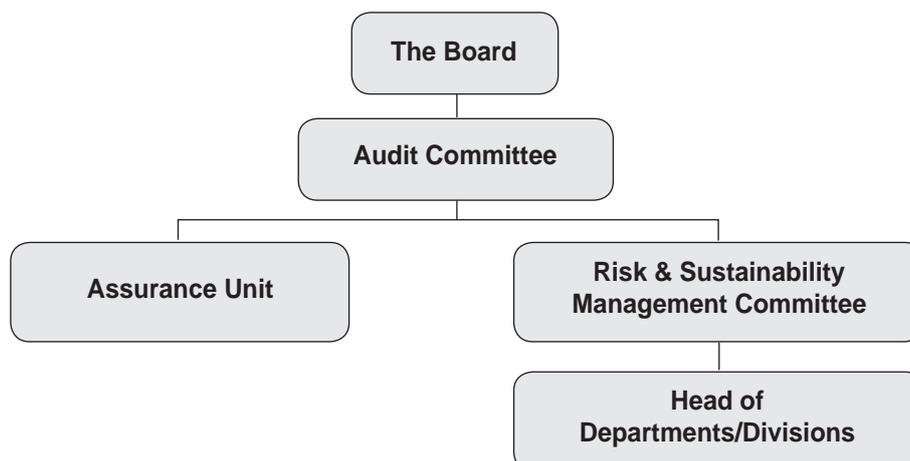
### Governance Structure and Process

The Board affirms its overall responsibility for integration of the recommended sustainable economic, environment and social practices throughout the Group to ensure business strategies of the Group are developed with regards to the sustainability consideration and to ensure sustainability performance are monitored for its attainment from time to time. The governance structure in relation to the Group's sustainability management is guided by the Guide and Toolkit: Governance issued by Bursa Malaysia with necessary adaption based on the nature and scale of the businesses of the Group.

The Group's commitment towards sustainable business practices is imputed throughout all levels of its organisation. At the leadership level, the Board, Executive Directors and Management recognise the importance of ensuring good sustainable economic, environment and social practices are comprehended and implemented by all levels of organisation.

To ensure such commitment of good sustainable economic, environment and social practices is embedded throughout the Group, the Board put in place formal structure to ensure accountability, oversight and review in the identification, management and reporting of sustainability matters and performance. Such formal structure is important to ensure that execution of the sustainability initiatives at all levels of organisation and business units are aligned with the Board's sustainability and business strategies with reporting at predetermined intervals and the Group is able to response timely with the sustainability risks and opportunities applicable to the Group. The duties for the identification, management and reporting of sustainability matters and performance are delegated to the Risk and Sustainability Management Committee.

The Board has formalised the sustainability principles, policies and processes envisaged by the Board through the establishment of Sustainability Policy. Furthermore, formal governance structure, based on the existing geographical scope, scale and nature of the business the Group is pursuing, i.e. property development and property investment in Malaysia, for the identification, management and reporting of sustainability matters and performance of the Group, is established by the Board in the following manner:



## SUSTAINABILITY STATEMENT *(Cont'd)*

### Governance Structure and Process *(Cont'd)*

The governance structure defines clearly on the roles and responsibilities expected of the Board, the Audit Committee, Risk and Sustainability Management Committee, head of departments and divisions, key risk and sustainability officer and assurance function. In a nutshell, the Board assumes to possess the ultimate responsibility for sustainability management and performance within the Group while the Audit Committee is tasked with the duties to oversee the sustainability management and performance of the Group for reporting to the Board.

The Risk and Sustainability Management Committee, chaired by the Executive Chairman of the Company, is tasked with the following duties:-

- a. implement the sustainability strategy and management policy as approved by the Board;
- b. lead and implement the process of sustainability matters identification, assessment and management and devising appropriate action plan in cases where sustainability issues are not adequately or effectively addressed and communicate proposed action plans to the Heads of Department/Division;
- c. To conduct periodic review of all sustainability matters of the Group (at least on an annual basis) and determine the adequacy of the response and the current standing of the sustainability matters and to report the review results (including material sustainability matters) and recommendations to the Audit Committee;
- d. To manage stakeholder engagement for input for assessment and communication of results of review and response;
- e. To implement the material sustainability matters' indicator and the target and performance monitoring thereof and the preparation of sustainability disclosures as required by laws and/or rules, and to report to the Audit Committee for review;
- f. To oversee the Heads of Department/Division in the implementation of systems of sustainability management;
- g. To update the Audit Committee on changes to the material sustainability matters on periodical basis (at least on annual basis) respectively or when appropriate (due to change in external environment or internally) and the course of action to be taken by management in managing the changes; and
- h. To ensure relevant sustainability trainings are provided for appropriate level of employees to cultivate a positive attitude and promote correct approach toward sustainability management.

As for the heads of departments/divisions, their primary responsibilities are to manage sustainability matters of the business processes under his/her control and to assist the Risk and Sustainability Management Committee with the implementation of the sustainability process of identification, assessment, management and monitoring of all sustainability matters.

The sustainability matters management process is established by the Board in compliance with the Guide and Toolkit: Materiality Assessment issued by Bursa Malaysia with necessary adaption based on the nature and scale of the businesses of the Group, taking into consideration the business strategies promoted by the Board.

## SUSTAINABILITY STATEMENT *(Cont'd)*

### Stakeholders' Engagement

The Board recognises and admits that the contribution and support of the internal and external stakeholders are utmost important for realisation of the Group's missions and long-term business sustainability and excellence. It is on this basis that the Board is pursuing the sustainable strategy of continuous engagement with internal and external stakeholders who is dependent on and influenced by the activities undertaken by the Group and to ensure that such engagements are to include all internal and external stakeholders across the value chain and to respond proactively, via formal and informal channels, to the concerns and views of respective stakeholder groups.

By actively engaging with all stakeholders, the Board is able to identify risks and opportunities in the way the businesses of the Group are carried out. During such engagement, the Group is able to validate the sustainable matters identified by the Management of the Group. The Group's stakeholder engagement process is guided by the Guide and Toolkit: Stakeholder Engagement issued by Bursa Malaysia with necessary adaption based on the nature and scale of the businesses of the Group.

During the financial year under review and up to the date of this Statement, there is no collective agreement entered between the Group and any trade unions in Malaysia that remains effective and the Group do not intend to enter any collective agreements with any trade unions in Malaysia.

In addition, during the financial year under review with regards to the sustainability assessment, management and monitoring process, the Risk and Sustainability Management Committee relied on the informal channels (such as, meetings, face-to-face communication) employed by the Head of Departments/Divisions and Executive Directors, supported by formal channel of communication (such as, employees' performance appraisal) to engage with the stakeholders.

The Board acknowledges that the stakeholder engagement engaged by the Risk and Sustainability Management Committee can be further enhanced by employing preferred level of engagement per Stakeholders' Profile at preferred frequency as determined by the Board so that key topics and concerns of respective stakeholder groups are communicated timely and reliably to the correct governance body of the Group to respond to such topics and concerns.

## SUSTAINABILITY STATEMENT (Cont'd)

### Stakeholders' Engagement (Cont'd)

The Board has determined that, through stakeholder mapping and profiling exercise conducted by the Risk and Sustainability Management Committee and reported to them, the following stakeholders are dependent on and have influence over the Group in the context of the businesses carried out by the Group and industries that the Group is participating in:

Property Development		
Stakeholder Group	Engagement Objective(s)	Preferred Engagement Method(s)
<b>Investor</b>	<ul style="list-style-type: none"> <li>To ensure continuous financial support from investors</li> </ul>	<ul style="list-style-type: none"> <li>Annual report</li> <li>Annual general meeting</li> <li>Shareholders' dialogue</li> <li>Press release and public announcements</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>To retain competent employees</li> </ul>	<ul style="list-style-type: none"> <li>Employees' survey</li> <li>Employees' dialogue</li> <li>Annual appraisal</li> <li>Memorandum</li> <li>Electronic mail system</li> </ul>
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>To ensure business strategy take into consideration of sustainable practices</li> </ul>	<ul style="list-style-type: none"> <li>Committee meetings</li> <li>Board of Directors meeting</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>To ensure sustainable supply of quality services and materials</li> </ul>	<ul style="list-style-type: none"> <li>Supplier's evaluation and appraisal</li> <li>Meetings</li> <li>Conflict of Interest Policy</li> <li>Code of Conduct</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>To improve customer's satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Customer's Feedback Form</li> <li>Defect Form</li> <li>Face-to-face meetings</li> <li>Meetings</li> <li>Electronic mail system</li> <li>Social media and printed medium</li> </ul>
<b>Financial Institutions</b>	<ul style="list-style-type: none"> <li>To ensure continuous financial support from financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>Annual report</li> <li>Press release</li> <li>Public announcements</li> <li>Face-to-face meetings</li> </ul>
<b>Government and Regulators</b>	<ul style="list-style-type: none"> <li>To ensure full compliance with relevant laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Official submission</li> <li>Official letter</li> <li>Public dialogue involving government officials</li> <li>Public announcements</li> <li>Telephone conversation</li> <li>Face-to-face meetings</li> <li>Electronic mail system</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>To minimise instances of inaccurate reporting</li> </ul>	<ul style="list-style-type: none"> <li>Press conference/ release</li> <li>Face-to-face interview/ visit</li> </ul>
<b>Local Society</b>	<ul style="list-style-type: none"> <li>To improve the acceptance of local communities of the business</li> </ul>	<ul style="list-style-type: none"> <li>Corporate social responsibility programme</li> <li>Face-to-face meetings</li> <li>Press release</li> </ul>
<b>Industry Peers</b>	<ul style="list-style-type: none"> <li>To ensure business practice is in line with the policy</li> </ul>	<ul style="list-style-type: none"> <li>Participation in trade associations</li> <li>Newsletters and meeting</li> </ul>

## SUSTAINABILITY STATEMENT (Cont'd)

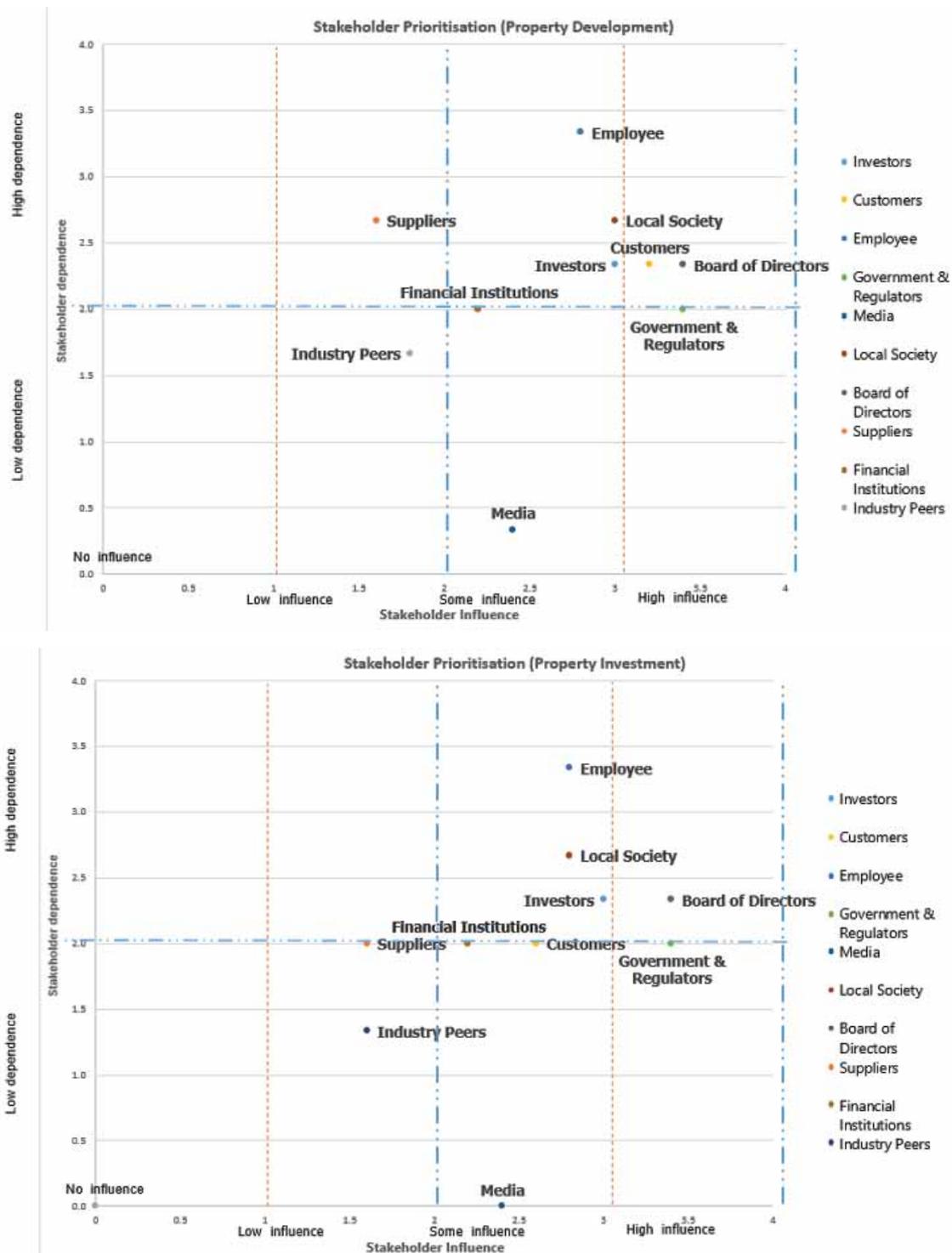
### Stakeholders' Engagement (Cont'd)

Property Investment		
Stakeholder Group	Engagement Objective(s)	Preferred Engagement Method(s)
<b>Investor</b>	<ul style="list-style-type: none"> <li>To ensure continuous financial support from investors</li> </ul>	<ul style="list-style-type: none"> <li>Annual report</li> <li>Annual general meeting</li> <li>Shareholders' dialogue</li> <li>Press release and public announcements</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>To retain competent employees and contractors</li> </ul>	<ul style="list-style-type: none"> <li>Employees' survey</li> <li>Employees' dialogue</li> <li>Annual appraisal</li> <li>Memorandum</li> <li>Electronic mail system</li> </ul>
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>To align business strategy with sustainable practices</li> </ul>	<ul style="list-style-type: none"> <li>Committee meetings</li> <li>Board of Directors meeting</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>To ensure sustainable supply of quality services and materials</li> </ul>	<ul style="list-style-type: none"> <li>Supplier's evaluation and appraisal</li> <li>Meetings</li> <li>Conflict of Interest Policy</li> <li>Code of Conduct</li> </ul>
Customers	<ul style="list-style-type: none"> <li>To improve customer's satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Customer's Feedback Form</li> <li>Face-to-face meetings</li> <li>Electronic mail system</li> <li>Social media and printed medium</li> </ul>
Financial Institutions	<ul style="list-style-type: none"> <li>To ensure continuous financial support from financial institutions</li> </ul>	<ul style="list-style-type: none"> <li>Annual report</li> <li>Press release</li> <li>Public announcements</li> <li>Face-to-face meetings</li> </ul>
Government and Regulators	<ul style="list-style-type: none"> <li>To ensure full compliance with relevant laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>Official submission</li> <li>Official letter</li> <li>Public dialogue involving government officials</li> <li>Public announcements</li> <li>Telephone conversation</li> <li>Face-to-face meetings</li> <li>Electronic mail system</li> </ul>
Media	<ul style="list-style-type: none"> <li>To minimise instances of inaccurate reporting</li> </ul>	<ul style="list-style-type: none"> <li>Press conference/ release</li> <li>Face-to-face interview/ visit</li> </ul>
Local Society	<ul style="list-style-type: none"> <li>To improve the acceptance of local communities of the business</li> </ul>	<ul style="list-style-type: none"> <li>Corporate social responsibility programme</li> <li>Face-to-face meetings</li> <li>Press release</li> </ul>
Industry Peers	<ul style="list-style-type: none"> <li>To ensure business practice is in line with the policy</li> </ul>	<ul style="list-style-type: none"> <li>Participation in trade associations</li> <li>Newsletters and meetings</li> </ul>

# SUSTAINABILITY STATEMENT (Cont'd)

## Stakeholders' Engagement (Cont'd)

Subsequent to the stakeholder groups identification with respective engagement methods proposed, the Risk and Sustainability Management Committee conducted stakeholders prioritisation exercise for both property development segment and property investment segment to rank respective stakeholder groups' influence over and dependence on the Group based on influence over and dependence rating criteria and scale approved by the Board. The results of the stakeholders prioritisation exercise for both property development segment and property investment segment are tabulated in the following Stakeholder Prioritisation Matrix with recommended level of engagement for respective quadrum:



## SUSTAINABILITY STATEMENT *(Cont'd)*

### Sustainability Management Activity

During the financial year under review and up to the date of this Statement, the Group had performed the following activities in relation to the identification, management and reporting of sustainability matters and performance:

- Identification of the internal and external stakeholders for property development segment and property investment segment that have influence over and dependence on the Group through Stakeholder's Mapping and with individual Stakeholder Profile established for each stakeholder identified.
- Internal and external stakeholders for both property development segment and property investment segment identified by the Risk and Sustainability Management Committee were assessed and prioritised for its degree of influence over and dependence on the Group based on the agreed upon criteria and rating scale approved by the Board via the Stakeholder Prioritisation exercise.
- The Risk and Sustainability Management Committee performed identification of the sustainability matters through internal sources and informal stakeholders' engagement through direct communication with relevant internal and external stakeholders by Head of Departments/Divisions and Executive Directors. The sustainability matters identified are categorised by the Risk and Sustainable Management Committee accordingly into the relevant sustainable category for assessment purposes by way of Sustainability Matters Listing.
- The Risk and Sustainability Management Committee performed the internal materiality assessment by using predetermined criteria and rating scale approved by the Board in order to prioritise the sustainability matters for assessment by internal and external stakeholders and to determine the significance of the sustainability matters from the Group perspective.
- Subsequently, the degree of significance of the sustainable matters to influence on the assessment and decision by internal and external stakeholders were performed by the Risk and Sustainability Management Committee by using informal stakeholders' engagement through direct communication with relevant internal and external stakeholders by Head of Departments/Divisions and Executive Directors.
- The results of the Stakeholder Prioritisation exercise, internal materiality assessment and degree of significance of the sustainable matters to influence on the assessment and decision by internal and external stakeholder were used to prioritise sustainability matters and identification of material sustainable matters by the Risk and Sustainability Management Committee. An identified sustainability matter is considered to be material by the Risk and Sustainability Management Committee if it is above the material threshold established by the Board.

### Material Sustainability Matters

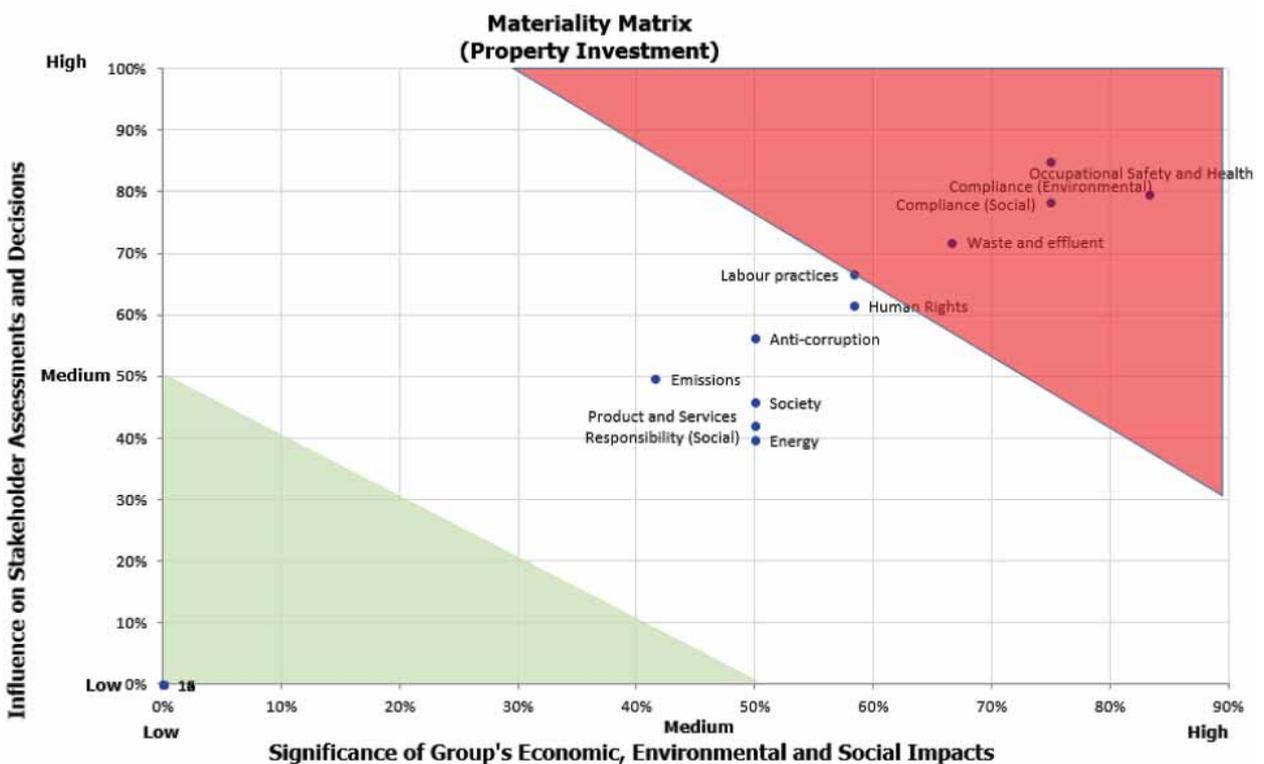
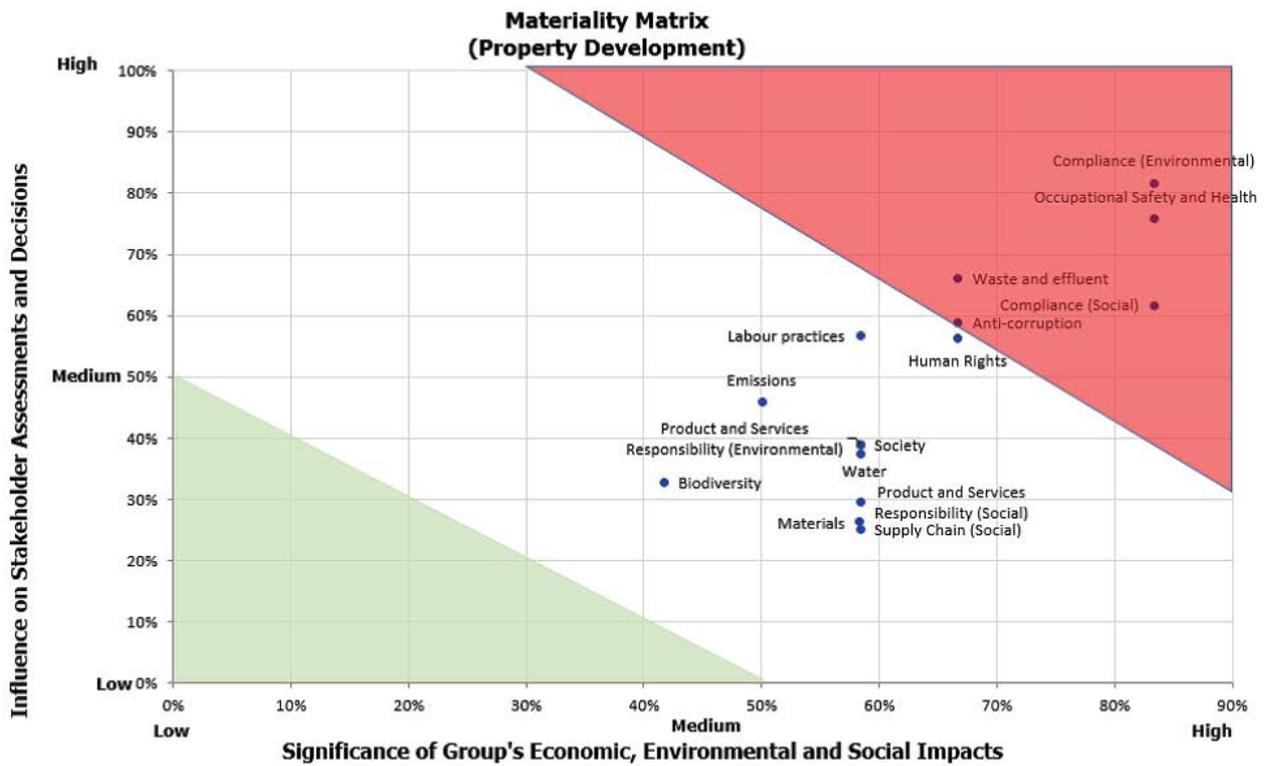
The Group's material sustainability matters are identified through the materiality assessment process, whereby the Economic, Environmental and Social ("EES") matters relevant and important to the Group's long-term sustainability are identified and prioritised through structured process and assessment mechanism as approved by the Board, guided by the Guide Toolkit: Materiality Assessment issued by Bursa Malaysia with necessary adaption based on the nature and scale of the businesses of the Group on sustainability context, materiality, completeness and stakeholder inclusiveness through a cycle of identification, prioritisation, validation and review.

A list of material sustainability issues was identified and determined by the sustainability matters assessment and prioritisation exercise undertaken by the Risk and Sustainability Management Committee that reflected the critical sustainable considerations expected of the Group in respect of the businesses and geographical extent the Group is operating in and highlighted the expectations and concerns of stakeholder group. The sustainability matters are rated as "Material", "Low and Medium" and "Not Material", through material matrix, in respect of its significance from the Management's perspective on the impact as well as all significant stakeholders' perspectives in terms of its influence on the respective stakeholders' assessments and decisions.

# SUSTAINABILITY STATEMENT (Cont'd)

## Material Sustainability Matters (Cont'd)

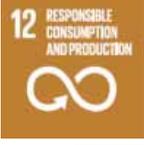
The final list of sustainability matters together with its details of identification and assessment were reviewed by the Audit Committee and reported the Board for its approval during the financial year under review and up to the date of this Statement to ensure effective sustainability management and monitoring.



## SUSTAINABILITY STATEMENT (Cont'd)

### Material Sustainability Matters (Cont'd)

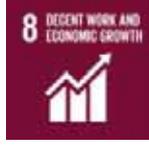
The following sustainability matters are considered material both by the Management of the Group and the stakeholder groups:

Property Development				
		Aspect Boundary		
Sustainability Matters	Definition	Internal Stakeholders	External Stakeholders	Relevant SDG Goals
Compliance (Environmental)	Compliance identifies the adherence of an organisation's activities to relevant laws and guidelines	Investors, Board of Directors, Employees, Financial Institutions	Local Society, Customers, Media, government & regulators	 
Occupational Safety and Health (Social)	Anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers and stakeholders	Investors, Board of Directors, Employees, Financial Institutions	Government & Regulators, Customers, Media, Industry Peers	 
Waste and Effluent (Environmental)	Waste and effluent discharged from operations into public areas	Investors, Board of Directors, Employees, Financial Institutions	Local Society, Customers, Media, Government & Regulators	    
Compliance (Social)	The adherence of an organisation's activities to relevant laws and guidelines	Investors, Board of Directors, Employees, Financial Institutions	Government & Regulators, Local Society, Customers, Media, Industry Peers	

## SUSTAINABILITY STATEMENT (Cont'd)

### Material Sustainability Matters (Cont'd)

Property Development				
		Aspect Boundary		
Sustainability Matters	Definition	Internal Stakeholders	External Stakeholders	Relevant SDG Goals
Anti-corruption (Social)	Abuse of entrusted power for private gain. This theme discusses activities that promote transparency and guard against various forms of corruption	Investors, Board of Directors, Financial Institutions	Government & Regulators, Customers, Media, Industry Peers	

Property Investment				
		Aspect Boundary		
Category	Definition	Internal Stakeholders	External Stakeholders	Relevant SDG Goals
Occupational Safety and Health (Social)	Anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers and stakeholders	Investors, Board of Directors, Employees, Financial Institutions	Government & Regulators, Customers, Media, Industry Peers	 
Compliance (Environmental)	Compliance identifies the adherence of an organisation's activities to relevant laws and guidelines	Investors, Board of Directors, Employees, Financial Institutions	Local Society, Customers, Media, Government & Regulators	 
Compliance (Social)	The adherence of an organisation's activities to relevant laws and guidelines	Investors, Board of Directors, Employees, Financial Institutions	Government & Regulators, Local Society, Customers, Media, Industry Peers	

## SUSTAINABILITY STATEMENT (Cont'd)

### Material Sustainability Matters (Cont'd)

Property Investment				
		Aspect Boundary		
Category	Definition	Internal Stakeholders	External Stakeholders	Relevant SDG Goals
Waste and Effluent (Environmental)	Waste and effluent discharged from operations into public areas	Investors, Board of Directors, Employees, Financial Institutions	Local Society, Customers, Media, Government & Regulators	    

### Occupational Safety and Health (Social)

The Group's long-term sustainability hinged heavily on the safety and well-being of the employees and not to a lesser extent, the stakeholders. A safe and healthy workplace and our properties are not only the fundamental right of the employees but also relevant stakeholder groups, such as customers, suppliers and contractors. It is the Group's priority to take the responsibility to maintain a productive workplace and properties by minimising the risk of accidents, injury and exposure to health hazards.

#### > Property Development

The safety and health management at the construction site is managed by Safety and Health Committee in compliance with the Occupational Safety and Health Act 1994 and Occupational Safety and Health (Safety and Health Committee) Regulations 1996 as well as guided by the Safety and Health Policy, Site Safety and Health Information (Do's and Don't's), Environmental Policy, House Keeping Standard Practice, Occupational Safety and Health – Penalty/ Compound Policy and Job Safety Analysis established by the Safety and Health Committee. Safety and health rules and regulations are established by the Safety and Health Committee to ensure the construction activities are carried out in a safe and well-trained manner to minimise industrial accidents.

Qualified Safety and Health Officer and Safety and Health Supervisor are employed by the Group to oversee due observance of safety and health rules and regulations established by the Management at construction sites and to promote safe and healthy conducts and environment at each active construction site, in compliance with the Occupational Safety and Health Act 1994 and Occupational Safety and Health (Safety and Health Officer) Order 1997. Through routine inspections by the Safety and Health Officer and Safety and Health Supervisor, incidents of non-compliance of the safety and health rules and regulations by the construction workers are identified promptly and corrective actions are implemented swiftly.

Scheduled meetings of the Safety and Health Committee are held at predetermined interval in accordance with the rules and regulations in order to communicate to employees on ways to perform jobs/ tasks safer and better in the work sites, meanwhile, to relay and discuss any safety and health concerns or work sites improvement, as well as to report and resolve any unsafe acts/ conditions and findings with measurements given. Awareness to safety and health at work sites are emphasized to ensure that all site employees are competent to uphold the safety and health measurements during the execution of their duties and responsibilities.

# SUSTAINABILITY STATEMENT *(Cont'd)*

## Occupational Safety and Health (Social) *(Cont'd)*

### > Property Development *(Cont'd)*

The Group enforce strict compliance of the Green Card requirement on all employees that require access to the construction sites as well as all employees of the contractors and subcontractors performing construction services at the Group’s construction sites. With the strict adherence of the Green Card requirement, the Group ensure that all personnel entering the construction sites underwent compulsory safety trainings per Construction Industry Development Board’s requirement and equipped with the required safety awareness and knowledge to ensure the undertaken of safe construction activities. Furthermore, safety toolbox briefings are given by the Safety and Health Supervisor to new construction personnel and thereafter at a regular interval to ensure that the safety and health related awareness and knowledge are not diminished through the passage of time.

As safety measures, the surrounding of all construction sites of the Group are fully barricaded by protective hoarding before the start of the construction works so that the general public would be protected from work in progress and unauthorised personnel are prohibited from entering the work sites. In addition, all personnel are required to report to the security personnel for access to the work sites in order to ensure only the authorised and qualified personnel are granted the access to the work sites. It is the Group’s important measure to put up safety notice and indicators at the relevant and strategic areas.

The operating of the construction equipment and scaffolds are guided by the Factories and Machinery Act 1967 and Factories and Machinery (Building Operations and Works of Engineering Construction) (Safety) Regulations 1986. These construction equipment and scaffolds are subject to routine inspections, service and maintenance by the competent person or vendor at predetermined interval to ensure the equipment and scaffolds are safe for usage. Fogging and mosquito prevention activities at construction sites are carried out too at a regular interval as part of the preventive measures.

For one of the high-rise property development projects located at Johor, occupational safety and health performance are regularly monitored and reported in monthly progress reports, identifying any new or recurring safety and health issues that may occur on site and the measures undertaken to address the issues identified. The Group targets a zero-fatality and zero-injury (both minor and major) rate for the said project. With the above controls put in place, there was no fatal injury reported and notifiable industry events under CIMAH Regulations 1996 from financial year ended 31 December 2016 to financial year ended 31 December 2018.



## SUSTAINABILITY STATEMENT *(Cont'd)*

### Occupational Safety and Health (Social) *(Cont'd)*

#### ➤ Property Investment

Similarly, KSL Hot Spring Resort at Taman Daya, Johor, KSL Hotel and Resort at Johor Bahru and KSL City Mall at Johor Bahru, operating as resort only for the former one and the two latter as an integrated resort and mall opened to public, placed safety and health of its resorts and mall properties as one of its utmost important elements of sustainable business. The tone from the top on safety and health is communicated through Safety and Health Policy established by the Safety and Health Committee. Safety and Health Committee plays a pivotal role in the management and monitoring of safety and health in the resorts and mall by formulating safety and health rules and regulations to be strictly complied by all employees, tenants, contractors and subcontractors.

The Group strives to provide a safe and healthy environment for the stakeholders (employees, customers, tenants, contractors and subcontractors) and to ensure safe practices in all aspects of our business operations. Regular inspections are conducted by representatives of the Safety and Health Committee on the compliance of safety and health rules and regulations, whereby corrective and preventive actions are implemented timely for incidents of non-compliances identified. Safety notices or signboards and indicators are placed at strategic and hazard-prone locations to convey safety messages and potential safety hazard information to customers, employees, tenants, contractors and subcontractors. Compliance monitoring of the relevant requirements per Occupational Safety and Health Act 1994 and Factories and Machinery Act 1967 (and its orders and regulations) are performed by the Safety and Health Committee from time to time.

Door access controls are installed at restricted areas to prevent unauthorised access. Access to the floors with hotel rooms required electronic card access and strategic locations at the mall and resorts are monitored through closed-circuit television system connecting to the surveillance control room. Clear escape route plans and exit signboards are placed in strategic locations and every rooms and function rooms. Equipment used by the public are maintained at predetermined interval to ensure safe usage of the equipment is preserved. Security guards are employed and deployed at important safety control points in the mall and resorts, including car park areas to ensure general safety of the public within the building is maintained.

Besides, fire preventive equipment and systems are installed, maintained and tested at regular interval to ensure its functionalities are not being compromised. In order to ensure our readiness in the event of unfortunate event, our emergency response team carried out fire drills and practices with the presence of the team of firemen from the Fire and Rescue Department of Malaysia at regular interval to ensure that such unlikely incident, if happen, is handled satisfactorily and promptly to minimise damage to the properties and people.

For both property development and property investment businesses of the Group in Malaysia, there was no major legal action taken against the Group nor any fine or monetary sanction imposed related to occupational safety and health aspects during the financial year under review.

During the implementation of structured sustainability management system, the Risk and Sustainability Management Committee and the Board had yet to finalise the performance indicator(s) and target(s) to be used to measure progress, effectiveness or efficiency of the policies, measures or actions taken to manage the associated risks in relation to the occupational safety and health. The Risk and Sustainability Management Committee and the Board are committed to finalise the indicator(s) and target(s) to be used in relation to the safe and healthy working environment and management during the financial year ending 31 December 2019 and to report the actual performance with comparison to preceding financial year(s) and target(s) in the Annual Report for financial year ending 31 December 2019.

## SUSTAINABILITY STATEMENT *(Cont'd)*

### Waste and Effluent, Compliance (Environmental)

The Group is committed to comply with the environmental laws and regulations of the jurisdictions the Group is operating, i.e. Environmental Quality Act and its regulations. As a responsible group of companies in property development and property investment activity, the Group is committed wholeheartedly to ensure strict compliance of relevant environmental laws and regulations pertaining to the property development and property investment activities.

In particular, for property development activity, the environmental laws and regulations compliance are delegated to the Executive Directors and Senior Management whereby relevant environmental preservation practices are formulated for compliance by the employees and contractors/subcontractors. For every development projects of more than 50 acres, relevant subsidiary is required to perform Environmental Impact Assessment, together with the approved Environmental Impact Assessment consultant, during the feasibility study stage and only to commence construction works upon obtaining approval from the Director General of Environmental and Ministry of Natural Resources and Environment.

The Group is practicing no open burning by all employees and contractors/subcontractors and routine surveillances are conducted by the Site Supervisor to ensure strict compliance. The noise level at the construction sites are monitored by the Site Supervisors and Manager so that incidents of unacceptable noise level are brought down to the recommended level for residential areas in sub-urban and urban areas. No construction activity to be undertaken during night time unless it is approved by the Project Manager for works with low noise level without affecting the quality of living of the people staying in residential areas nearby.

At construction site, it is the practice of the Group that construction wastes are to be reused and recycled to the extent possible. All disposals of construction wastes that cannot be reused and recycled are obliged to comply with the requirements of the relevant environmental laws and regulations and illegal dumping is strictly disallowed. The usages of the pesticides are to be in compliance with Pesticides (Highly Toxic Pesticides) Regulations 1996. It is the policy of the Group that silt traps and sediment control facilities to be set up at each construction site to minimise the impact of the construction activities to the environment. Furthermore, the scheduled wastes mandated under Environmental Quality (Scheduled Waste) Regulation 2005 generated from the construction activities are monitored by the Project Department and disposed to the approved scheduled waste operators in Malaysia in accordance with the regulation. Besides, rainwater harvesting tank is constructed and installed for every high rise and residential project for retention of rainwater harvested for future usage.

As for property investment activity, the management and monitoring of the environmental compliance is assigned to the Executive Directors and Safety and Health Committee with relevant policies and procedures being established to manage such compliance. It is the practice of the Group that the policy and procedures in relation to hazardous materials as well as other environmental preservation related activities shall be adhered by all suppliers or contractors. All hazardous materials are required to be kept in a separate storage room and away from the food storage and preparation areas, whereby only authorised personnel are allowed to access to the storage room. Suppliers are required to provide the necessary trainings to the relevant staffs of the Group on the proper handling procedures of the hazardous materials in order to minimize the wastage or spillage. Stickers related to the hazardous chemicals or materials are also provided by suppliers or contractors to the staffs as a reminder of the danger of such hazardous chemicals or materials.

The Board placed importance on the reduction of food wastes through effective material planning and utilisation process. For instance, food consumption is monitored by the Management on daily basis in order to have a better material planning on food preparation to reduce food wastage. In the event that the disposal of food and general wastes is inevitable, such disposal of wastes is to be through authorized landfill's operators. On the other hand, the effluent discharged from the operations is to be treated in compliance with the relevant laws and regulations before such discharge is made.

## SUSTAINABILITY STATEMENT *(Cont'd)*

### Waste and Effluent, Compliance (Environmental) *(Cont'd)*

The Group practices the “Reduce, Reuse and Recycle” policy to uphold its value on environmental proposition. It is worth to note that the KSL Hotel and Resort at Johor Bahru is equipped with solar water heating system to generate and supply hot water to the hot water system of the property. Furthermore, there is an on-site retention storage being maintained in KSL Hotel and Resort at Johor Bahru, whereby the water is recycled for the usage of WC and gardening. Whereas, a rainwater harvesting tank is also constructed and installed in the Group’s new hotel and resort, named KSL Hot Spring Resort at Taman Daya, Johor in collecting the harvested rainwater. On the other hand, the Group has also appointed an independent consultant in studying the electricity consumption of the KSL Hotel and Resort at Johor Bahru and is in the midst of engaging the consultant to carry out the proposed electricity conservation program focusing on chiller plant and air handling unit (“AHU”).

For both property development and property investment businesses of the Group in Malaysia, there was no major legal action taken against the Group nor any fine or monetary sanction imposed related to waste and effluent and environmental aspects during the financial year under review.

During the implementation of structured sustainability management system, the Risk and Sustainability Management Committee and the Board had yet to finalise the performance indicator(s) and target(s) to be used to measure progress, effectiveness or efficiency of the policies, measures or actions taken to manage associated risks in relation to compliance with environmental laws and regulations, waste and effluent. The Risk and Sustainability Management Committee and the Board are committed to finalise the indicator(s) and target(s) to be used in relation to the compliance with environmental laws and regulations, waste and effluent during the financial year ending 31 December 2019 and to report the actual performance with comparison to preceding financial year(s) and target(s) in the Annual Report for financial year ending 31 December 2019.

### Compliance (Social)

The Group recognises the importance to uphold the social value along with its value chain to cater for the needs of stakeholders it is affecting through its activities undertaken. The employees are recognised as an important and valuable resource as well as a key business differentiator for the Group to support the continued growth and expansion of the Group. The Group’s success lies heavily in every employee and it is essential to treat them equally, provide them with a safe and sustainable working environment and assist them to further develop their skills, knowledge and competencies.

The Group champions the culture that respects and leverages on the diverse ethnicities and cultures of our country. This is of paramount important for the Group to respect the needs of respective ethnic groups and cater their needs and requirements in our businesses. The Group practices fair treatment and equitable opportunities for all stakeholders regardless of race, religion, nationality, age, marital status, or any other characteristics as protected by the local legislation and regulations.

Needless to say, it is paramount for the Group to strictly comply with the relevant social laws and regulations, such as the Federal Constitution, Employment Act and Regulations, Minimum Wages Order, Competition Act, Personal Data Protection Act, Minimum Retirement Age Act and Children and Young Persons Act, just to name few important ones.

For employees, management of human resources are embodied in the Employee Handbook and human resource related policies and procedures established by the Senior Management for group-wide execution, whereby minimum requirements of fair treatment of legitimate employees are specified for strict compliance. The Group prohibits all forms of discrimination in the work place, such as race, religion, nationality, gender, age, marital/ pregnancy and disable status, whereby every individual has an equal right and voice to make a difference. The Group also observes strict enforcement of no illegal employment in the work place, including the contractors and subcontractors.

## SUSTAINABILITY STATEMENT *(Cont'd)*

### Compliance (Social) *(Cont'd)*

Apart from the whistle-blowing mechanism put in place, specific grievance procedure is established by the Management to enable the employees to voice their grievances through multiple communication channels to the appropriate level of authority. This is part of the Group's efforts to establish and uphold impartiality in the work place. Privacy Policy is put in place by the Group to collect and manage the confidential personal data collected from employees in compliance with Personal Data Protection Act.

For both property development and property investment businesses of the Group in Malaysia, there was no major legal action taken against the Group nor any fine or monetary sanction imposed related to social aspects during the financial year under review.

During the implementation of structured sustainability management system, the Risk and Sustainability Management Committee and the Board had yet to finalise the performance indicator(s) and target(s) to be used to measure progress, effectiveness or efficiency of the policies, measures or actions taken to manage associated risks in relation to compliance with social laws and regulations. The Risk and Sustainability Management Committee and the Board are committed to finalise the indicator(s) and target(s) to be used in relation to the compliance with social laws and regulations during the financial year ending 31 December 2019 and to report the actual performance with comparison to preceding financial year(s) and target(s) in the Annual Report for financial year ending 31 December 2019.

### Anti-Corruption (Social)

It is of no argument that the corruption and bribery malpractice stifle economic growth and necessary public investment for social development due to misallocation of public funds, deprive the access of basic necessities by the needy, undermining the legitimate business activities, distorting competition, threaten the democratic development of the country and exacerbate the income inequality gap within the country.

The Group is holding the integrity value close to its heart and walks the extra-mile to combat corruption and bribery practices throughout the Group and along the value chain. The spirit of anti-corruption and bribery of the Group is enshrined in the Code of Conduct and Conflict of Interest Framework approved by the Board as well as the ethic requirements, gift policy, conflicts of interest and anti-fraud policy as specified in the Human Resource Procedure and Employee Handbook. Therefore, these have explicitly define the expectations of the Board on each employee to comply with the terms of good business practices and high personal conduct.

The Group recognises the importance of lawful and ethical conducts in its business activities and is committed to observe the values of transparency, integrity, objectivity and accountability in the conduct of its businesses and affairs in its workplace. The Group has put in place a Whistle-blowing policy which is approved by the Board and administered by the Audit Committee and Senior Independent Director to support the Group's values and code of conduct. A proper channel for whistle-blowing is established to encourage all stakeholders (including but not limited to, employees, customers, suppliers, government bodies and financial institutions) to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices in an appropriate way on a confidential basis, unless prohibited by law, without fear of any form of reprisal, harassment, victimisation or retaliation as well as with safeguard of the interest of the whistle blower in place. Throughout the three (3) financial years under review from year 2016 to year 2018, there was zero incident of whistleblowing reported through the established whistleblowing channel.

For both property development and property investment businesses in Malaysia, there was no legal action taken against the Group nor any fine or monetary sanction imposed related to corruption or bribery practice during the financial year under review.

## SUSTAINABILITY STATEMENT *(Cont'd)*

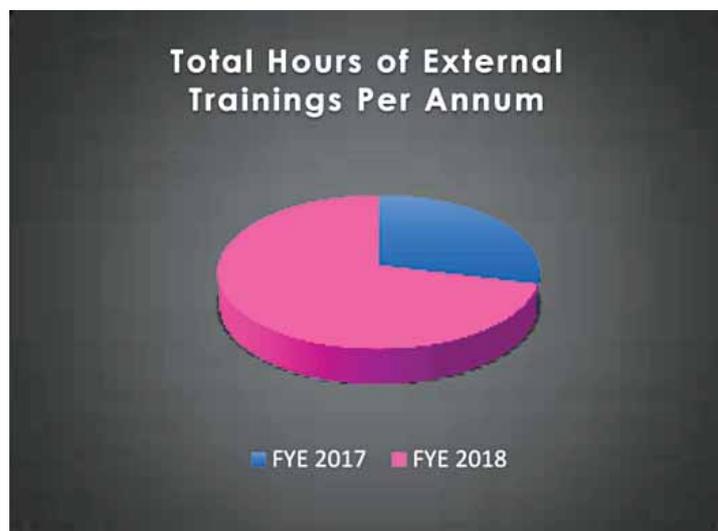
### Other Major Economic and Social Activities Undertaken During Financial Year

Apart from the control activities undertaken to manage the material sustainability matters identified as above, the Group had undertaken the following control activities in managing other sustainability matters identified by the Group during the financial year under review.

#### A. Our Employees and Workforce

The Board believes the employees are a valuable resource and a key business success factor for the Group. The long-term business success and sustainability of the Group lies in every employee. Therefore, it is vital for the Board aims to treat them equally, provide them with a safe, healthy and sustainable working environment as well as to actively develop, invest in and foster growth amongst our employees to further develop the skills and talents of our employees. We have developed Employee Handbook and Human Resource policies and procedures in that respect for transparency in employee's benefits and entitlements.

We respect our employees and strive to develop talented and motivated employees to support their performance delivery and growth for our business operations. It is our top priority to build a sense of purpose among our employees in the work we do throughout the Group. To this end, hence, our people are provided with induction programmes to further equip them with the basic knowledge and skill sets for their job requirements with continuous on-the-job trainings being provided to develop their skills and talents for a better career development. Furthermore, external trainings on technical knowledge and soft skills developments are planned by the Management for identified employees for their personal and professional development and to prepare them for the next level of long-term career with the Group.



The Board acknowledges the efforts of the employees and remunerates our people with remuneration and benefits commensurate with their duties and responsibilities, offer on-going opportunities for trainings and developments, and long-term career prospects. The Board is committed to build performance-based culture by allowing the employees to demonstrate their capabilities. We are mindful that fair compensation is essential in motivating and engaging workforce to achieve our growth target. Thus, employees are to be reasonably rewarded based on the competencies demonstrated and efforts dedicated by them in delivering their duties and responsibilities. Approved career scale with relevant salary range is implemented to the respect too. Annual performance appraisals are undertaken by the Management, not only for the performance-based remuneration, but also to have effective two-way communication with our people whereby the past performance and expectations for the future years by the Management on our people are communicated while our people's commitment and concerns are conveyed for future monitoring.

## SUSTAINABILITY STATEMENT (Cont'd)

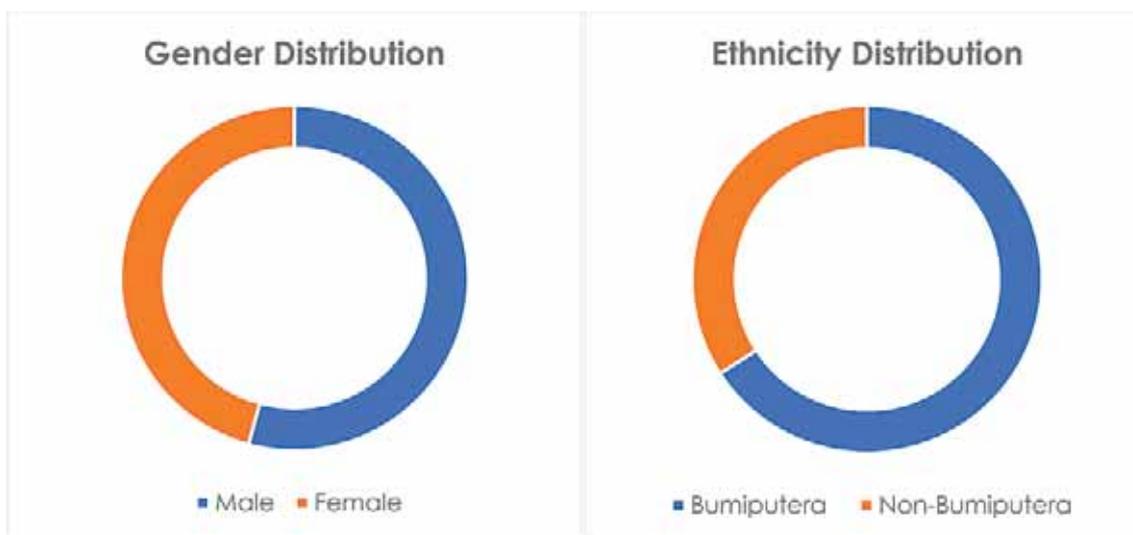
### Other Major Economic and Social Activities Undertaken During Financial Year (Cont'd)

#### A. Our Employees and Workforce (Cont'd)

By having a diverse workforce in the Group, the Board is also championing equal opportunities for all employees regardless of race/ethnicity, religion, nationality, age, gender, marital status, or any other characteristics. We are committed to providing a work environment that is free from discrimination for our employees. Equal access and opportunities are provided to our employees in terms of recruitment, salary increment, promotion, retention and training, notwithstanding the nature of our property development operations which come with not conducive working environment. This is evidenced by the diversity profile of our human capital in the Group as illustrated in the table below.

No. of Employees	Johor		Klang Valley		Total	
	Male	Female	Male	Female	Male	Female
Permanent <sup>1</sup>	292	247	45	37	337	284

No. of Employees	Propety Development		Property Investment		Total	
	Male	Female	Male	Female	Male	Female
Permanent	132	111	205	173	337	284



#### B. Our Community Commitments

It is our strategy to be a responsible corporate citizen by giving back and investing in the community in which the Group operates. Our strategy is to generate sustainable value for both the community and economic growth through effective use of the Group's capabilities and resources as well as sharing of financial resources with local community for their developments. During the financial year, we have supported various community causes through corporate donations and community events for the less fortunate as well as industrial trainings for students pursuing undergraduate programmes. The Group is committed to continue investing in community programmes and other corporate social responsibility initiatives to contribute towards the betterment of local communities.

<sup>1</sup> Exclude members of the Board of Directors

## SUSTAINABILITY STATEMENT *(Cont'd)*

### Other Major Economic and Social Activities Undertaken During Financial Year *(Cont'd)*

#### B. Our Community Commitments *(Cont'd)*

Beyond building sustainability in the business operations, we also recognise the importance of being responsible to the society by not only providing financial and non-financial support to the local communities and those in need, but also to share our knowledge base for the next generation for the community developments. As for the past financial years, we continue with our internship programme to provide students with opportunities to work with us during their semester breaks and at the same time in fulfilling their internship requirements. Such internship programme is not only aimed to develop confidence and skill sets of the undergraduates for future job requirements but also to present the Group a ready source of new recruits for its business operations and business expansion.

Our Group's policy has always been to construct quality and affordable houses for the community to buy and own. Over the years, in response to the voice to provide houses at prices not to burden further on the general public, our Group has helped hundreds and thousands of people to have their own houses at an affordable price. We will continue to strive to provide affordable opportunities to people to have their own shelters over their heads which is also in line with the Government's desire to realise more home ownerships.

During the financial year, in order to promote education and literacy in next generations which enable next generations to be well-educated and armed with relevant knowledge so that people's quality of life is improved and sustainable development is enhanced, the Group is contributing to the development of education of the young children. Our donations are not limited to only education but also to sport associations and clubs for sport development and health awareness in Johor, to non-profit associations for the social and economic development initiatives as well as charity donations for the people in needs.

We have made our efforts to connect with the communities in places we have operations by going beyond contributing monetary donations. We placed importance to reach out and give back to the community directly with our active organisation and participation in the locally organised events. We held two (2) charitable events for the third year, named as follows:-

- (i) "Pre-CNY Celebration with unfortunate kids of Good Samaritan Home" by Khoo Soon Lee Realty Sdn Bhd – As part of the Company's corporate social responsibility initiative to provide orphans with financial and non-financial supports in conjunction with the festive season. Monetary donation, basic necessity items and lunch were sponsored by the Company to the orphans and orphanage house, along with the organisation of art and craft activities and festive decorations carried out as well as entertainment performed by a Marry Brown mascot during lunch to bring joy to the children in celebrating a joyous Chinese New Year.
- (ii) "KSL Ramadhan Contribution to Anak Yatim" by KSL Hotel and Resort Johor Bahru – In conjunction with the holy fasting month, "Duit Raya", goodies and breaking fast meals were provided on the first day of Ramadhan to the orphans from one of the orphanage homes. The event was held in the hotel's Infusion Café to bring joy to these children.

Apart from the sharing the joyous moment during the festive season and holy fasting month, the Group sponsored a few other charity events too in raising funds for the well-being of the society and communities, as follows:-

- (i) "Bear Hunt" (A collaboration project between Khoo Soon Lee Realty Sdn Bhd with the National Autism Society of Malaysia ("NASOM")) – The Company sponsored the venue with various activities carried out in raising a targeted fund of at least RM 6,000 for donation to NASOM while raising people's awareness on children with autism. It was also a good opportunity in providing the children with a great educational and fun outing with their families.
- (ii) "Save The Stray with SPCA Malaysia" – A collaboration project between Khoo Soon Lee Realty Sdn Bhd and SPCA Malaysia with the objective of collecting funds for the centre through various animal related activities conducted during the event.

# SUSTAINABILITY STATEMENT (Cont'd)

## Other Major Economic and Social Activities Undertaken During Financial Year (Cont'd)

### B. Our Community Commitments (Cont'd)

- (iii) "Wellness with Master Chris Leong" – A charity event sponsored and organised by Khoo Soon Lee Realty Sdn Bhd in promoting health awareness among the city dwellers, whereby bone setting treatment and health check-up by Master Chris Leong were carried out for those in need.

Last but not least, it is the practice of the Group to promote the participation of local community and to improve the well-being of the local community by offering the part-time job opportunities in its food and beverage and banquet operations. The practice by the Group increased the financial capacity of the locals, especially during the current economic unfriendly environment.



# SUSTAINABILITY STATEMENT (Cont'd)

## Other Major Economic and Social Activities Undertaken During Financial Year (Cont'd)

### C. Awards and Recognitions of Excellence

The Group's strong commitment to excellence in its business operations has been, and continues to be attested by numerous awards and recognition over the past few years. The Group has received a few prestigious awards for the past years for best in property and hotel sector in recognition of its exemplary performance. The awards recognised the efficiency and effectiveness of the usage of our capital.

This year, the Group has received the following awards:-

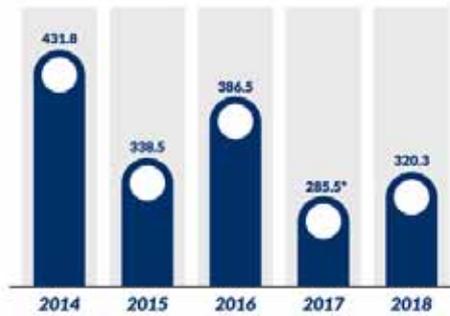
1. Agoda's 2018 Gold Circle Award - Awarded by Agoda for providing top travel value to guests and exceptional partnership to Agoda.
2. BCI Asia Top 10 Developers Award 2018 Malaysia – Recognition in providing the greatest impact on the built environment in Southeast Asia.

These awards motivate the Group to continue its commitment to excellence in everything it performs.

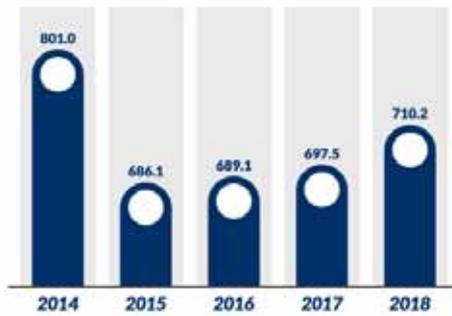


# 5 Years Group Financial Highlights

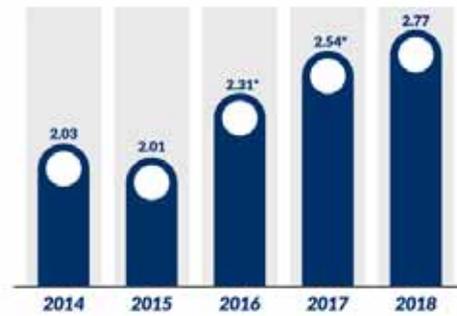
Profit Before Taxation



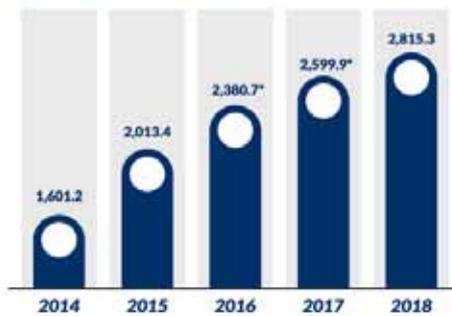
Revenue



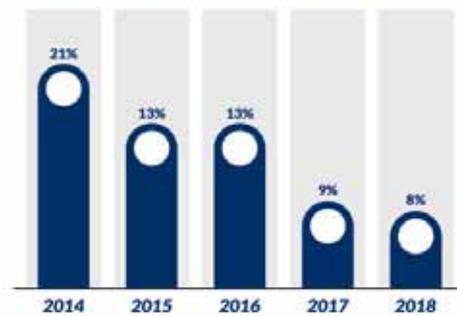
Net Assets Per Share



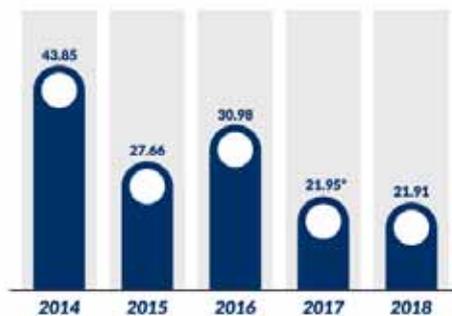
Shareholders' Equity



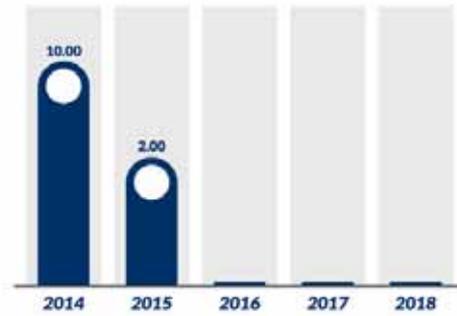
Return on Shareholders' Equity



Basic Earnings Per Share



Dividend Per Share



\*restated - effect of transition to MFRS

## 5 Years Group Financial Highlights

Year Ended 31st December

2014 2015 2016 2017 2018

### Income Statement

Revenue	RM Million	801.0	686.1	689.1	697.5	710.2
Profit Before Taxation	RM Million	431.8	338.5	386.5	285.5*	320.3
Profit Attributable to Shareholders	RM Million	342.3	266.1	314.5	224.7*	223.2

### Balance Sheet

Issued and Paid Up Capital	Million Unit	788.8	1,007.6	1,037.5	1,037.5	1,037.5
Shareholders' Equity	RM Million	1,601.2	2,013.4	2,380.7*	2,599.9*	2,815.3

### Share Information

Basic Earnings Per Share	Sen	43.85	27.66	30.98	21.95*	21.91
Dividend Per Share - Gross	Sen	10.00	2.00	-	-	-
Net Assets Per Share	RM	2.03	2.01	2.31*	2.54*	2.77
Return on Shareholders' Equity	%	21%	13%	13%	9%	8%

\*restated - effect of transition to MFRS

## LIST OF MAJOR PROPERTIES HELD BY THE GROUP AS AT 31 DECEMBER 2018

No.	Lot No.	Description	Land Area (sq. ft.)	Existing Use	Tenure	Approximate Age (Year)	Net Book Value as at 31.12.2018 (RM)	Date of Last Revaluation or if none, Date of Acquisition
01.	PTB 22817 Mukim of Johor Bahru District of Johor Bahru Johor Darul Takzim	Commercial complex	295,515	KSL City Mall	Freehold	8	400,000,000	28.12.2018
02.	Lot 6412 & Lot 6415 Mukim of Klang District of Klang Selangor Darul Ehsan	Subdivided land under development	6,373,555	Bandar Bestari	Freehold	-	289,845,338	01.11.2007
03.	Lot 113158, 113159, 113162, Lot 113164, 113165, 55044, Lot 55054, 55056 & 63409 Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Land held for development	8,208,099	Vacant Land	Freehold	-	180,674,963	20.03.2018
04.	PTD 163673 - 163674 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Land held for development	5,137,998	Vacant Land	Leasehold	-	134,021,551	12.03.2018
05.	PT 143339 Mukim of Klang District of Klang Selangor Darul Ehsan	Commercial complex	788,000	Propose KSL Esplanade Mall	Freehold	-	118,649,163	20.12.2017
06.	Lot 2437 Mukim of Tebrau District of Johor Bahru Johor Darul Takzim	Subdivided land under development	9,772,242	Taman Bestari Indah	Freehold	-	114,451,469	27.02.2002
07.	Lot 18973 - 19011, Lot 19013 - 19040, Lot 19048 - 19054, Lot 19062 - 19063, Lot 19105 - 19113, Lot 19041 - 19047, Lot 19055 - 19061, Lot 19064 - 19104, Lot 19114 - 19136 Mukim Simpang Kanan District of Batu Pahat Johor Darul Takzim	Propose land for mix development	12,945,196	Bukit Banang	Freehold	-	98,964,771	30.01.2015
08.	Lot 3054 - Lot 3059, Lot 3068 - Lot 3071, Lot 3080 - Lot 3088 Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Subdivided land under development	4,318,882	Taman Mutiara Bestari	Freehold	-	82,540,147	21.12.2009
09.	PTB 22817 Mukim of Johor Bahru District of Johor Bahru Johor Darul Takzim	Resort	295,515	KSL Resort	Freehold	6	82,006,127	21.03.2006
10.	PTD 136166 (Partially) Mukim of Pulai District of Johor Bahru Johor Darul Takzim	Commercial complex	186,872	Giant Nusa Bestari	Freehold	10	63,800,000	28.12.2018

# STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES

**THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser immediately.

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused this Statement prior to its issuance as it is an exempt statement. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

## DEFINITIONS

*Except where the context otherwise requires, the following definitions and terms shall apply throughout this Statement:-*

“Act”	: Companies Act, 2016
“AGM”	: Annual General Meeting
“Board” or the “Directors”	: The Board of Directors of KSL Holdings Berhad
“Bursa Securities”	: Bursa Malaysia Securities Berhad (635998-W)
“Code”	: Malaysian Code on Take-Overs and Mergers, 2016
“EPS”	: Earnings per share
“KSL” or the “Company”	: KSL Holdings Berhad (511433-P)
“KSL Group” or the “Group”	: KSL and its subsidiary companies, collectively
“KSL Shares” or the “Shares”	: Ordinary shares in KSL
“Listing Requirements”	: The Main Market Listing Requirements of Bursa Securities, including any amendment thereto that may be made from time to time
“Major shareholder”	: means a person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is –  (a) 10% or more of the total number of voting shares in the corporation; or  (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation.  For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in section 8 of the Companies Act.
“NA”	: Net Assets

## STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES *(Cont'd)*

- “Proposed Share Buy-Back” : Proposed purchase of up to 10% of total number of issued shares of the Company
- “PSSB” : Premiere Sector Sdn Bhd (539226-U)
- “Person connected” : Have the same meaning in paragraph 1.01 of the listing requirement
- “RM” and “sen” : Ringgit Malaysia and sen respectively
- “Subsidiary” : A subsidiary company of KSL as defined in Section 4 of the Act

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# STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES *(Cont'd)*

## 1. INTRODUCTION

On 26 March 2019, the Company announced that the approval granted by the shareholders at the Eighteenth AGM of KSL held on 28 May 2018 for the Company to purchase its own shares shall expire at the conclusion of the forthcoming Nineteenth AGM and that the Company proposed to seek a renewal of the approval from the shareholders at the forthcoming Nineteenth AGM to be held on 30 May 2019, to purchase and/or hold as treasury shares, its own Shares representing up to 10% of the total number of issued shares of the Company through Bursa Securities.

The renewal of approval for the Proposed Share Buy-Back will be effective immediately upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the Company's Nineteenth AGM to be held on 30 May 2019 until:-

- a) the conclusion of the next Annual General Meeting ("AGM") of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- b) the expiration of the period within which the next AGM is required by law to be held; or
- c) revoked or varied by ordinary resolution passed by the members of the Company in a general meeting, whichever occurs first.

Section 127 (2) of the Act states that a company shall not purchase its own shares unless:-

- a) the company is solvent at the date of the purchase and will not become insolvent by incurring the debts involved in the obligation to pay for the shares so purchased;
- b) the purchase is made through the stock exchange on which the shares of the company are quoted and in accordance with the relevant rules of the stock exchange; and
- c) the purchase is made in good faith and in the interests of the company.

A company satisfies the solvency test in accordance with Sections 112 and 113 of the Act if -

- i. the share buyback would not result in the Company being insolvent and its capital being impaired at the date of the solvency statement; and
- ii. the Company will remain solvent after each buyback during the period of six months after the date of the declaration made.

## 2. TREATMENT OF THE PURCHASED SHARES

Pursuant to Section 127(4) of the Act, the Directors of the Company may deal with the purchased Shares in the following manner:-

- i. cancel all the shares so purchased;
- ii. retain all the shares so purchased as treasury shares;
- iii. retain part of the shares so purchased as treasury shares and cancel the remainder of the shares; or
- iv. deal with the treasury shares in the manners as allowed by the Act from time to time.

## STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES (Cont'd)

### 2. TREATMENT OF THE PURCHASED SHARES (Cont'd)

It is the present intention of the Board to retain the purchased Shares as Treasury Shares and subsequently resell them on Bursa Securities if the opportunity arises for the Company to realise gains from the resale on Bursa Securities. However, the Board may distribute the Treasury Shares as share dividends, which will depend on the availability of, amongst others, retained earnings and tax credits of the Company, transfer the Treasury Shares for the purpose of or under a share scheme, or cancel the Treasury Shares if the Board decides to change the capital structure of the Company.

An immediate announcement will be made to Bursa Securities in respect of the intention of the Directors to either retain the purchased Shares as treasury shares or cancel them or a combination of both following any transaction(s) executed pursuant to the authority granted under the Proposed Share Buy-Back.

In the event the purchased Shares are held as treasury shares, the rights attaching to them in relation to voting, dividends and participation in any other distribution or otherwise, would be suspended and the Treasury Shares would not be taken into account in calculating the number of percentage of shares, or of a class of shares in the Company for any purposes including the determination of major shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for meetings and the result of a vote on resolution(s) at meetings.

### 3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back will enable KSL Group to utilise its surplus financial resources to purchase its own Shares from the market. It may stabilise the supply and demand as well as the prices of KSL Shares traded on the Main Market of Bursa Securities and thereby supporting its fundamental values.

Should KSL Shares be cancelled, either immediately or subsequently after being held as treasury shares, the Proposed Share Buy-Back is expected to strengthen the EPS of the Group and benefit the shareholders of the Company.

The purchased Shares could also be kept as treasury shares and resold on Bursa Securities at a higher price with the intention of realising a potential gain for the Company without affecting the total number of issued shares of the Company. In the event that the treasury shares are distributed as share dividend, it will serve to reward the shareholders of the Company.

The Proposed Share Buy-Back authority is not expected to have any potential material disadvantage to the Company and its shareholders, as it will be exercised only after in-depth consideration of the financial resources of KSL Group, the alternative business opportunities available and the resultant impact on its shareholders. The Directors in exercising any decision on the Proposed Share Buy-Back authority shall be mindful of the interest of the Company and its shareholders.

### 4. SOURCES OF FUNDS

The Proposed Share Buy-Back shall be financed through internally generated funds and/or bank borrowings. The actual amount of bank borrowings will depend on the financial resources available at the time of the Proposed Share Buy-Back. The Proposed Share Buy-Back will reduce the cash of the Company by an amount equivalent to the multiple of the purchase price of KSL Shares and the actual number of KSL Shares purchased.

## STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES *(Cont'd)*

### 4. SOURCES OF FUNDS *(Cont'd)*

In the event the Company decides to utilise bank borrowings to finance the Proposed Share Buy-Back, it will ensure that it has sufficient funds to repay the bank borrowings and interest expense and that the repayment will not have a material impact on the cash flows of the Company.

The maximum amount of funds to be allocated for the Proposed Share Buy-Back shall not exceed the aggregate amount of the retained earnings of the Company.

Based on the audited financial statements of the Company as at 31 December 2018, the retained profits of the Company amounted to RM278,947,657. For information purposes, the latest unaudited retained profits of the Company as at 29 March 2019 amounted to RM278,632,704.

The actual number of KSL Shares to be purchased, the total amount of funds involved for each purchase and timing of purchase(s) will depend on, inter-alia, the market conditions and sentiments of the stock markets as well as the availability of financial resources of the KSL Group at the time of the purchase(s).

### 5. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

The potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (i) All things being equal, the Proposed Share Buy-Back shall enhance the EPS of the Group. This is expected to have a positive impact on the market price of KSL Shares which will benefit the shareholders of KSL.
- (ii) The Company may be able to stabilise the supply and demand of its Shares in the open market and thereby supporting the fundamental values of KSL Shares.
- (iii) If the purchased Shares are retained as treasury shares, it will provide the Board with an option to sell the Shares at a higher price and therefore make an exceptional gain for the Company. Alternatively, the purchased KSL Shares can be distributed as share dividends to the shareholders.

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (i) As the Proposed Share Buy-Back can only be made out of retained profits, it may reduce the financial resources available for distribution to the shareholders of the Company in the immediate future.
- (ii) It may result in the Company foregoing other investment opportunities that may emerge in the future with the reduction in financial resources of the KSL Group available after financing the Proposed Share Buy-Back.

In any event, the Directors will be mindful of the interests of KSL and its shareholders in implementing the Proposed Share Buy-Back.

### 6 FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

On the assumption that the Proposed Share Buy-Back is carried out in full, the effects of the Proposed Share Buy-Back on the share capital, shareholdings of Directors, major shareholders and persons connected to Directors and major shareholders of KSL, NA, working capital and EPS are set out below:-

# STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES (Cont'd)

## 6 FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK (Cont'd)

On the assumption that the Proposed Share Buy-Back is carried out in full, the effects of the Proposed Share Buy-Back on the share capital, shareholdings of Directors, major shareholders and persons connected to Directors and major shareholders of KSL, NA, working capital and EPS are set out below:-

### 6.1 Share Capital

The effects of the Proposed Share Buy-Back on the share capital of KSL will depend on the intention of the Board with regard to the purchased Shares. In the event that the Proposed Share Buy-Back is carried out in full and the purchased Shares are cancelled, the Proposed Share Buy-Back will result in a reduction in the total number of issued shares of the Company as follows:-

	No. of Shares
Total Number of Issued Shares	1,037,508,399
Less:-	
Shares purchased amounting to 10% of the Share Capital and Number of Issued Shares pursuant to the Proposed Share Buy-Back*	103,750,839
Upon completion of the Proposed Share Buy-Back	933,757,560

*Note:-*

\* Includes a total of 20,292,400 KSL Shares (representing 1.956% of total number of issued shares) that have been purchased and held as treasury shares as at 29 March 2019. Accordingly, the number of shares which are available for further buy back by the Company is up to the maximum of 103,750,839 KSL Shares, which together with the 20,292,400 Treasury Shares, represents approximately 10% of the total number of issued shares of the Company of 1,037,508,399 KSL Shares as at *today*.

### 6.2 NA

The effect of the Proposed Share Buy-Back on the consolidated NA per Share is dependent on the purchase price(s) of KSL Shares purchased. If the purchase price is less than the audited NA per Share of the Group at the time of purchase, the consolidated NA per Share will increase. Conversely, if the purchase price exceeds the audited consolidated NA per Share at the time of the purchase, the consolidated NA per Share will decrease.

### 6.3 Working Capital

The Proposed Share Buy-Back will reduce the working capital of the Company, the quantum of which depends on, amongst others, the number of Shares purchased and the purchase prices of the Shares.

For Shares so purchased which are kept as treasury shares, upon its resale, the working capital of the Company will increase. Again, the quantum of the increase in the working capital will depend on the actual selling price of the treasury shares and the number of treasury shares resold.

## STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES *(Cont'd)*

### 6 FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK *(Cont'd)*

#### 6.5 Dividends

The Proposed Share Buy-Back is not expected to adversely affect the payment of dividends to shareholders. If the amount of dividends to be paid remain in the same in Ringgit term as in the previous year and as there will be less Share qualifying for dividends, the remaining shareholders would potentially receive a higher dividend payment.

On the other hand, if the percentage of dividend payable remains the same as before the Company purchase its own Shares, the Proposed Share Buy-Back will not affect the amount of dividend received by the shareholders. However, if the Shares so purchased are retained as Treasury Shares, they can be used for subsequent payment of dividends in the form of share dividends.

### 7. MAJOR SHAREHOLDERS' SHAREHOLDINGS, DIRECTORS' SHAREHOLDINGS AND PERSON CONNECTED TO THEM

The effects of the Proposed Share Buy-Back on the share capital of KSL will depend on the intention of the Board with regards to the purchased Shares. In the event that the Shares purchased are retained as treasury shares, the Proposed Share Buy-Back will have no effect on the number of issued shares of KSL and the shareholdings of the major shareholders, Directors and person connected to them. In the event that the Shares purchased by the Company and subsequently cancelled, the Proposed Share Buy-Back will result in a reduction of the number of issued shares of the Company.

The Proforma effect on the direct and indirect interests of the Directors and major shareholders of KSL as at 29 March 2019, being the most practicable date prior to the printing of this Statement has been shown based on the following scenario:-

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## STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES (Cont'd)

Name	As at 29 March 2019 <sup>(i)</sup>				After Proposed Share Buy-Back <sup>(ii)</sup>			
	Direct Shareholdings		Indirect Shareholdings		Direct Shareholdings		Indirect Shareholdings	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Directors</b>								
Khoo Cheng Hai @ Ku Cheng Hai	84,394,051	8.30	339,937,722 <sup>(a)</sup>	33.42	84,394,051	9.04	339,937,722 <sup>(a)</sup>	36.41
Ku Tien Sek	53,818,457	5.29	323,546,642 <sup>(b)</sup>	31.81	53,818,457	5.76	323,546,642 <sup>(b)</sup>	34.65
Ku Hwa Seng	80,889,521	7.95	335,116,642 <sup>(b)</sup>	32.94	80,889,521	8.66	335,116,642 <sup>(b)</sup>	35.89
Lee Chye Tee	-	-	-	-	-	-	-	-
Gow Kow	-	-	-	-	-	-	-	-
Goh Tyau Soon	-	-	-	-	-	-	-	-
Tey Ping Cheng	-	-	-	-	-	-	-	-
<b>Major Shareholders</b>								
PSSB	323,546,642	31.81	-	-	323,546,642	34.65	-	-
Khoo Cheng Hai @ Ku Cheng Hai	84,394,051	8.30	339,937,722 <sup>(a)</sup>	33.42	84,394,051	9.04	339,937,722 <sup>(a)</sup>	36.41
Ku Tien Sek	53,818,457	5.29	323,546,642 <sup>(b)</sup>	31.81	53,818,457	5.76	323,546,642 <sup>(b)</sup>	34.65
Ku Hwa Seng	80,889,521	7.95	335,116,642 <sup>(b)</sup>	32.94	80,889,521	8.66	335,116,642 <sup>(b)</sup>	35.89
Ku Wa Chong	12,379,075	1.22	323,546,642 <sup>(b)</sup>	31.81	12,379,075	1.33	323,546,642 <sup>(b)</sup>	34.65
<b>Person connected</b>								
Gorgeous Horizon Sdn Bhd	11,570,000	1.14	-	-	11,570,000	1.24	-	-
Khoo Lee Feng	853,400	0.08	84,394,051 <sup>(c)</sup>	8.30	853,400	0.09	84,394,051 <sup>(c)</sup>	9.04
Khoo Keng Ghiap	3,967,680	0.39	84,394,051 <sup>(c)</sup>	8.30	3,967,680	0.42	84,394,051 <sup>(c)</sup>	9.04

(i) After taking into account the total of 20,292,400 KSL Shares (representing 1.956% of the total number of issued shares) that have been purchased and held as treasury shares.

(ii) Assuming 10% of KSL Shares are fully purchased.

(a) Deemed interested by virtue of his interest pursuant to Section 8 and Section 59 (11)(c) of the Act.

(b) Deemed interested by virtue of his respective interest pursuant to Section 8 of the Act.

(c) Deemed interested through parents

## STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES (Cont'd)

### 8. PURCHASE OF SHARES DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

During the financial year, the Company has repurchased 20,292,400 of its total number of issued shares from the open market for a total consideration of RM24,776,017. The average price paid for the shares repurchased was RM1.22 per share.

The shares repurchased are being held as Treasury Shares and treated in accordance with the requirements of Section 127 of the Act. Details of the shares buyback for the current financial year under review are as follows:

	Number of Shares RM	Purchase Price			RM
		Highest price RM	Lowest price RM	Average Cost RM	
As at 1 January 2018	12,286,400	4.100	1.000	1.388	16,890,762.25
02.03.2018	839,000	1.030	1.020	1.025	862,000.21
06.03.2018	586,100	1.010	1.020	1.015	597,765.45
07.03.2018	734,600	1.010	1.010	1.010	742,968.42
09.03.2018	102,700	1.010	1.010	1.010	103,869.94
12.03.2018	323,300	1.010	1.010	1.010	326,982.96
13.03.2018	558,100	1.000	1.010	1.005	563,898.89
14.03.2018	500,000	1.010	1.010	1.010	505,695.89
16.03.2018	1,000,000	1.010	1.010	1.010	1,011,391.78
20.03.2018	300,000	1.000	1.000	1.000	300,413.40
22.03.2018	27,400	0.975	0.975	0.975	26,753.18
26.03.2018	49,700	0.950	0.955	0.953	47,469.18
29.03.2018	88,100	0.935	0.945	0.940	83,113.38
03.04.2018	316,800	0.945	0.950	0.948	299,883.72
04.04.2018	1,048,200	0.940	0.945	0.943	986,875.69
05.04.2018	500,000	0.930	0.930	0.930	465,640.77
06.04.2018	52,100	0.930	0.930	0.930	48,519.77
25.04.2018	479,900	0.930	0.930	0.930	446,922.02
26.04.2018	500,000	0.925	0.930	0.928	465,090.02
As at 31 December 2018	20,292,400	4.100	0.930	1.220	24,776,016.92

The repurchase transactions were funded by internally generated funds. The shares repurchased are held as treasury shares.

As at 31 December 2018, the Company held 20,292,400 issued ordinary shares as treasury shares out of its total number of issued shares of 1,037,508,399 shares.

## STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES (Cont'd)

### 9. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of Shares as traded on Bursa Securities for the past 12 months from March 2018 to February 2019 are as follows:-

	LOWEST (RM)	HIGHEST (RM)
<b>2018</b>		
March	1.05	0.93
April	0.97	0.92
May	1.04	0.85
June	0.92	0.83
July	0.93	0.81
August	0.91	0.84
September	0.86	0.79
October	0.83	0.69
November	0.74	0.68
December	0.72	0.68
<b>2019</b>		
January	0.91	0.69
February	0.88	0.83

Last transacted market price before printing the circular RM0.92

(Source: Bursa Malaysia)

### 10. PUBLIC SHAREHOLDING SPREAD

The public shareholding spread of 25% of the number of issued shares of the Company was maintained at all times. Based on the Record of Depositors of the Company as at 29 March 2019, the public shareholding spread of KSL is 43.83%.

### 11. IMPLICATION RELATING TO THE CODE

The major shareholders of KSL, namely PSSB, Mr. Khoo Cheng Hai @ Ku Cheng Hai, Mr. Ku Tien Sek, Mr. Ku Hwa Seng, Mr. Ku Wa Chong and persons connected to them, who are deemed to be persons acting in concert ("PAC") are holding 56.17% of the total issued and paid-up share capital of the Company, collectively. In the event that the Proposed Share Buy-Back of up to 10% is carried out in full in a period of six (6) months, the shareholdings of the PAC in KSL would increase to 61.20% of the total number of issued shares of the Company, if the number of KSL Shares held by the PAC remains unchanged.

Pursuant to Rule 4.01 of the Code, if a person or a group of persons acting in concert holding more than 33% but less than 50% of the voting shares of a company and such person or group of persons acting in concert acquiring or intends to acquire in any period of six (6) months more than 2% of the voting shares of the company, there is an obligation to undertake a mandatory general offer for the remaining ordinary shares of the company not already owned by the said person or persons acting in concert.

## STATEMENT IN RELATION TO PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES *(Cont'd)*

### 11. IMPLICATION RELATING TO THE CODE *(Cont'd)*

In addition, pursuant to Rule 4.13 of the Code, where a group of persons acting in concert hold more further acquisition by such persons acting in concert unless a single member in the group of persons acting in concert acquires voting shares sufficient to increase his holding to more than 33% of the offeree or, if he holds more than 33% and less than 50%, acquires more than 2% of the voting shares of the offeree in any six (6) months period.

As at the date of this Statement, the Company has yet to decide on the percentage of its own Shares to be purchased under the Proposed Share Buy-Back. However, should the Company decide to purchase its own Shares which will result in PSSB's shareholding in KSL in any period of six (6) months increasing by more than 2% of the voting shares of the Company, it will seek a waiver from the Securities Commission under Rule 4.06 of the Code before the Company purchases its own Shares resulting the trigger point being breached.

Save as disclosed above, none of the other existing major shareholders of KSL is expected to trigger the obligation to undertake the mandatory general offer under the Code as a result of the Proposed Share Buy-Back.

### 12. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Save for the proportionate increase in the percentage of shareholdings and/or voting rights of shareholders in the Company as a consequence of the Proposed Share Buy-Back, none of the Directors or major shareholders of the Company or persons connected to them, has any interest, direct or indirect, in the Proposed Share Buy-Back.

### 13. DIRECTORS' RECOMMENDATION

The Board, having considered the rationale for the Proposed Share Buy-Back and after careful deliberation, is of the opinion that the Proposed Share Buy-Back is in the best interests of KSL and its shareholders and accordingly, recommends that you vote in favour of the ordinary resolution pertaining to the Proposed Share Buy-Back to be tabled at the forthcoming 19th AGM to be convened.

**Further Information****1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Statement has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy, completeness and correctness of the information given herein and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of KSL at Suite 9D, Level 9, Menara Ansar, 65 Jalan Trus, 80000 Johor Bahru, Johor from Mondays to Fridays (except public holidays) during normal business hours from the date of this Statement up to and including the date of the forthcoming 19th AGM:-

- i. Constitution of KSL; and
- ii. Audited Financial Statements of KSL for the past two (2) financial years ended 31 December 2017 and 2018.

## STATEMENT OF SHAREHOLDINGS AS AT 29 MARCH 2019

Total number of issued shares : 1,037,508,399

Class of shares : Ordinary shares

Voting rights : One vote per share

### ANALYSIS OF SHAREHOLDINGS

Holdings	Number of Holders	Number of Shares	% of Shares
Less than 100	530	20,989	0.00
100 - 1,000	703	358,052	0.04
1,001 - 10,000	2,830	14,669,563	1.44
10,001- 100,000	1,793	55,298,970	5.43
100,001 to less than 5% of issued shares	372	551,521,783	54.22
5% and above of issued shares	2	395,346,642	38.87
	6,230	1,017,215,999*	100.00

\* excluding a total of 20,292,400 ordinary shares bought back and retained as treasury shares.

### THIRTY LARGEST SHAREHOLDERS

No.	Shareholders	Number of Shares	Percentage of Shares (%)
1.	PREMIERE SECTOR SDN BHD	323,546,642	31.81
2.	URUSHARTA JAMAAH SDN BHD	71,800,000	7.06
3.	KHOO CHENG HAI @ KU CHENG HAI	50,581,813	4.97
4.	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK JULIUS BAER & CO. LTD.	50,463,898	4.96
5.	KU HWA SENG	47,815,338	4.70
6.	KU TIEN SEK	42,747,415	4.20
7.	KHOO CHENG HAI @ KU CHENG HAI	33,812,238	3.32
8.	KU HWA SENG	33,074,183	3.25
9.	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	27,455,286	2.70
10.	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	12,573,915	1.24
11.	GORGEOUS HORIZON SDN BHD	11,570,000	1.14
12.	KU TIEN SEK	11,071,042	1.09
13.	STRATA CENTURY SDN BHD	10,117,573	0.99
14.	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD	9,537,695	0.94

## STATEMENT OF SHAREHOLDINGS (Cont'd)

### AS AT 29 MARCH 2019

#### THIRTY LARGEST SHAREHOLDERS (Cont'd)

No.	Shareholders	Number of Shares	Percentage of Shares (%)
15.	KU WA CHONG	9,249,879	0.91
16.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	9,077,273	0.89
17.	AMANAHRAYA TRUSTEES BERHAD PB SMALL CAP GROWTH FUND	7,996,500	0.79
18.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS		
19.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	6,674,011	0.66
20.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	5,481,816	0.54
21.	LTK (MELAKA) SDN BHD	4,911,315	0.48
22.	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	4,411,518	0.43
23.	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	4,097,300	0.40
24.	KHOO KENG GHIAP	3,967,680	0.39
25.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN)	3,646,978	0.36
26.	CITIGROUP NOMINEES (ASING) SDN BHD MACQUARIE BANK LIMITED (LONDON BRANCH)	3,356,700	0.33
27.	AMANAHRAYA TRUSTEES BERHAD PUBLIC FAR-EAST PROPERTY & RESORTS FUND	3,136,130	0.31
28.	KU WA CHONG	3,129,196	0.31
29.	RHB NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR SUSY DING	2,770,000	0.27
30.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED	2,710,000	0.27

## SUBSTANTIAL SHAREHOLDERS

According to the Register required to be kept under Section 144 of the Companies Act, 2016, the following are the substantial shareholders of the Company: -

No.	Substantial Shareholders	Direct Interest		Deemed Interest	
		Number of Shares	% of Shares	Number of Shares	% of Shares
1.	PREMIERE SECTOR SDN BHD	323,546,642	31.81	-	-
2.	KHOO CHENG HAI @ KU CHENG HAI	84,394,051	8.30	339,937,722 <sup>(2)</sup>	33.42
3.	KU HWA SENG	80,889,521	7.95	335,116,642 <sup>(1)</sup>	32.94
4.	URUSHARTA JAMAAH SDN BHD	71,800,000	7.06	-	-
5.	KU TIEN SEK	53,818,457	5.29	323,546,642 <sup>(1)</sup>	31.81

Notes:

(1) Deemed interested through his shareholdings by virtue of Section 8 of the Companies Act, 2016.

(2) Deemed interested pursuant to Section 8 and Section 59 (1) (c) of the Companies Act, 2016.

## LIST OF DIRECTORS' SHAREHOLDINGS

No.	Directors	Direct Interest		Deemed Interest	
		Number of Shares	% of Shares	Number of Shares	% of Shares
1.	KHOO CHENG HAI @ KU CHENG HAI	84,394,051	8.30	339,937,722 <sup>(2)</sup>	33.42
2.	KU HWA SENG	80,889,521	7.95	335,116,642 <sup>(1)</sup>	32.94
3.	KU TIEN SEK	53,818,457	5.29	323,546,642 <sup>(1)</sup>	31.81
4.	LEE CHYE TEE	-	-	-	-
5.	GOW KOW	-	-	-	-
6.	GOH TYAU SOON	-	-	-	-
7.	TEY PING CHENG	-	-	-	-

Notes:

(1) Deemed interested through his shareholdings by virtue of Section 8 of the Companies Act, 2016.

(2) Deemed interested pursuant to Section 8 and Section 59 (1) (c) of the Companies Act, 2016.

# ***REPORTS AND FINANCIAL STATEMENTS***

## ***31 DECEMBER 2018***

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## CORPORATE INFORMATION

### Registered Office

Wisma KSL, No. 148  
Batu 1 ½, Jalan Buloh Kasap  
85000 Segamat  
Johor Darul Ta'zim

### Principal Place of Business

Wisma KSL, No. 148  
Batu 1 ½, Jalan Buloh Kasap  
85000 Segamat  
Johor Darul Ta'zim

### Company Secretary

Leong Siew Foong (MAICSA 7007572)  
Santhi A/P Saminathan (MAICSA 7069709)

### Auditors

ECOVIS AHL PLT  
(LLP0003185-LCA) & (AF 001825)  
No. 54, Jalan Kempas Utama 2/2  
Taman Kempas Utama  
81200 Johor Bahru  
Johor Darul Ta'zim

### Principal Bankers

AmBank (M) Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad

## DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries which are principally engaged in the property development and hotel operations. The details of the subsidiaries are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

### FINANCIAL RESULTS

	Group RM	Company RM
Profit for the year attributable to owners of the Company	<u>223,230,084</u>	<u>75,478,974</u>

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of previous financial year. The directors do not recommend any dividend in respect of the current financial year.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

### ISSUE OF SHARES AND DEBENTURES

There was no issue of shares or debentures by the Company during the financial year.

### SHARE BUY-BACK

During the financial year, the Company has repurchased 8,006,000 (2017: 4,368,900) of its issued ordinary shares from the open market for a total consideration of RM7,885,255 (2017: RM5,470,464). The average price paid for the shares repurchased was RM0.98 (2017: RM1.25) per share.

The repurchase transactions were funded by internally generated funds. The shares repurchased are held as treasury shares.

As at 31 December 2018, the Company held 20,292,400 issued ordinary shares as treasury shares out of its total issued and paid-up share capital of 1,037,508,399 shares. Such treasury shares are held at a carrying amount of RM24,776,017. Further information is disclosed in Note 12 to the financial statements.

## DIRECTORS' REPORT (Cont'd)

### OPTIONS

No option has been granted during the financial year covered by the Statements of Profit or Loss and Other Comprehensive Income to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

### DIRECTORS

The directors who served during the financial year up to the date of this report are: -

Khoo Cheng Hai @ Ku Cheng Hai  
 Ku Hwa Seng  
 Ku Tien Sek  
 Lee Chye Tee  
 Gow Kow  
 Goh Tyau Soon  
 Tey Ping Cheng

The names of directors of subsidiary companies are set out in the respective subsidiary companies' statutory accounts and the said information is deemed incorporated herein by such reference and made a part hereof.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit, other than a benefit included in the aggregate amount of fees and emoluments received or due and receivable by the directors from the Company, or the fixed salary of a full time employee of the Company as disclosed in the financial statements, by reason of a contract made by the Company 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 the Company in the ordinary course of business.

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, being arrangements with the object of enabling directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests and deemed interests of directors in office at the end of the financial year in the shares of the Company during the financial year are as follows: -

Company	← Number of ordinary shares →			As at 31.12.2018
	As at 1.1.2018	Acquired	Disposed	
<i>Direct interest</i>				
Khoo Cheng Hai @				
Ku Cheng Hai	84,394,051	-	-	84,394,051
Ku Hwa Seng	80,889,521	-	-	80,889,521
Ku Tien Sek	53,818,457	-	-	53,818,457
<i>Indirect interest (+)</i>				
Khoo Cheng Hai @				
Ku Cheng Hai	4,821,080	-	-	4,821,080

## DIRECTORS' REPORT (Cont'd)

### DIRECTORS' INTERESTS (Cont'd)

	← Number of ordinary shares →			As at 31.12.2018
	As at 1.1.2018	Acquired	Disposed	
<i>Deemed interest (#)</i>				
Khoo Cheng Hai @ Ku Cheng Hai	323,546,642	-	-	323,546,642
Ku Hwa Seng	323,546,642	-	-	323,546,642
Ku Tien Sek	323,546,642	-	-	323,546,642
<i>Deemed interest (*)</i>				
Khoo Cheng Hai @ Ku Cheng Hai	-	5,719,100	-	5,719,100
Ku Hwa Seng	-	5,719,100	-	5,719,100

+ By virtue of his children's direct shareholding

# Held through Premiere Sector Sdn. Bhd.

\* Held through Gorgeous Horizon Sdn. Bhd. by their children

By virtue of their interests in the shares of the Company, Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng and Ku Tien Sek are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

None of the other directors in office at the end of the financial year hold any shares in the Company or its related corporations during the financial year.

### DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 29 to the financial statements.

### INDEMNIFYING DIRECTORS AND AUDITORS

No indemnities has been given or insurance premium paid, during or since the end of the year, for any person who is or has been director and auditor of the Company.

### OTHER STATUTORY INFORMATION

- (a) The directors, before the Statements of Profit or Loss and Other Comprehensive Income and Statements of Financial Position of the Group and of the Company were prepared, took reasonable steps: -
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there are no known bad debts and that no allowance for doubtful debts was necessary; and
  - (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.
- (b) The directors are not aware of any circumstances, at the date of this report, which would render: -
- (i) the amount written off for bad debts or to providing of allowance for doubtful debts in respect of the financial statements of the Group and of the Company; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

## DIRECTORS' REPORT (Cont'd)

### OTHER STATUTORY INFORMATION (Cont'd)

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist: -
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors: -
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 21 to the financial statements.

### AUDITORS

The auditors, ECOVIS AHL PLT, have expressed their willingness to accept re-appointment.

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

---

KHOO CHENG HAI @ KU CHENG HAI

---

LEE CHYE TEE

## STATEMENT BY DIRECTORS

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

We, KHOO CHENG HAI @ KU CHENG HAI and LEE CHYE TEE, being two of the directors of KSL HOLDINGS BERHAD, do hereby state that, in the opinion of the directors, the financial statements set out on pages 114 to 174 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and 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 of 31 December 2018 and of their financial performance and cash flows for the year then ended.

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

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KHOO CHENG HAI @ KU CHENG HAI

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LEE CHYE TEE

JOHOR BAHRU  
Date: 26 March 2019

## STATUTORY DECLARATION

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

I, LEE CHYE TEE (MIA 8492), being the director primarily responsible for the financial management of KSL HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 114 to 174, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed )  
 LEE CHYE TEE (MIA 8492) at Johor Bahru in the state of Johor )  
 Darul Ta'zim on 26 March 2019 )

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LEE CHYE TEE (MIA 8492)

Before me,  
 Commissioner of Oath  
 HJ Zamani Bin HJ Ahmad (J253)

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KSL HOLDINGS BERHAD (Incorporated in Malaysia)

## Report on the Financial Statements

### Opinion

We have audited the financial statements of KSL HOLDINGS 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 for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 of 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 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 ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our 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 judgement, 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.

For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined that there are no key audit matters to be communicated in respect of the audit of the separate financial statements of the Company.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KSL HOLDINGS BERHAD (Cont'd) (Incorporated in Malaysia)

## Key audit matter

### *Accounting for property development activities*

The Group recognises revenue from ongoing property development projects in the statement of profit or loss by using the stage of completion method. The stage of completion is measured by reference to the property development costs incurred up to the end of the reporting period as a percentage of total estimated costs for the property development projects.

The Group recognised revenue of RM544,283,206 from property development activities recognised over time from the financial year ended 31 December 2018.

Given the nature of property development projects, we focused on this area as significant estimates and judgements are required in:

- Stage of completion;
- Extent of property development costs incurred to date; and
- Estimated total property development costs.

Refer to Notes 2(i)(ii), 2(j), 2(q), 17 and 18 to the financial statements.

## How our audit addressed the key audit matter

We checked the revenue recognised, on a sample basis, by agreeing to the contracted selling price of the property development units and multiplied with their respective stage of completion.

We recomputed stage of completion percentages by computing the proportion of property development costs incurred for work performed to date to the estimated total property development costs.

We evaluated variances between actual costs incurred and budgeted property development costs to assess whether total estimated costs to completion have been properly updated.

We agreed, on a sample basis, the costs incurred to supporting documentation such as the sub-contractors' claim certificates and invoices from vendors.

We checked the reasonableness of the estimated total property development costs of major projects, allocation of costs and subsequent changes to the costs by agreeing to supporting documentation.

We also considered the historical accuracy of management's judgement and assumption.

Based on the above audit procedures performed, we noticed that there was no material exception being noted.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KSL HOLDINGS BERHAD (*Cont'd*) (Incorporated in Malaysia)

### Key audit matter

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#### *Valuation of investment properties*

As at 31 December 2018, the Group's investment properties, which are carried at fair value, amounting to approximately RM842 million.

Significant judgement is required by the directors in determining the fair value of the properties and for the purpose of our audit; we identified the valuation for investment properties as representing a key audit matter due to the significance of the estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuation assumptions, when aggregated, could result in material misstatement.

The valuations were carried out annually by third party independent valuers engaged by the Group, and the models used to determine the fair values depends on the nature of the properties. The valuers take into account property specific current information such as the current tenancy agreements and rental income earned by the asset. They then apply assumptions in relation to capitalization rates and current market rent and growth, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate.

Refer to Notes 2(h)(i) and 4 to the financial statements.

### How our audit addressed the key audit matter

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#### *External valuations*

It was evident from our discussions with management and the valuers and our review of the valuation reports, we noted that the valuers have considered factors related to each property's individual characteristics and its overall quality, geographical location and desirability as a whole in arriving at the fair value. There was no evidence of management bias or influence on the valuers.

We assessed the competence, capabilities and objectivity of the independent valuers, and verified their professional qualifications. In addition, we discussed the scope of their work with management to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We also considered other engagements which might exist between the Group and the valuers. We found no evidence to suggest that the objectivity of any valuers in their performance of the valuations was compromised.

#### *Assumptions*

For certain properties revalued using the comparison method was valued by reference to similar transactions with adjustments made for relevant differences in order to arrive at a common basis for comparison. We compare the fair values of few samples of properties with the average values of several similar properties in and around the area. We found the comparisons to be within a reasonable range.

For certain properties revalued by using the investment method, we tested a selection of data inputs underpinning the investment property valuation including rental income, tenancy schedules and square metre details, against appropriate supporting documentation. We found that the models used for the various properties were appropriate and the discount rates were comparable to the market.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KSL HOLDINGS BERHAD (*Cont'd*) (Incorporated in Malaysia)

## *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 Directors' Report and other information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information 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 other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the 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 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 Group's and the Company's ability 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 has 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 ISAs 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 basis of these financial statements.

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

- (a) 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.
- (b) 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 Group's and the Company's internal control.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KSL HOLDINGS BERHAD (*Cont'd*) (Incorporated in Malaysia)

### *Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)*

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (d) 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 Group's or the Company's ability 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.
- (e) 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 achieves fair presentation.
- (f) 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other Matters**

As stated in Note 2 to the financial statements, KSL HOLDINGS BERHAD adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017, 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 of the Company for the year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and the financial performance and cash flows for the year then ended.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KSL HOLDINGS BERHAD *(Cont'd)* (Incorporated in Malaysia)

## Other Matters *(Cont'd)*

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.

ECOVIS AHL PLT  
AF 001825  
Chartered Accountants

KHOR KENG LIEH  
02733/07/2019 (J)  
Chartered Accountant

## JOHOR BAHRU

Date: 26 March 2019

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM	Group 31.12.2017 RM (Restated)	1.1.2017 RM (Restated)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	3	175,697,912	151,681,177	141,258,134
Investment properties	4	841,633,162	789,038,543	740,940,784
Inventories	6	1,012,814,485	700,934,005	646,627,920
		<u>2,030,145,559</u>	<u>1,641,653,725</u>	<u>1,528,826,838</u>
<b>CURRENT ASSETS</b>				
Inventories	6	805,559,516	780,285,967	707,672,202
Trade and other receivables	7	105,584,049	91,036,438	449,309,774
Contract assets	8	13,400,320	133,907,778	52,360,140
Cash and bank balances	10	296,867,382	254,182,393	42,944,084
		<u>1,221,411,267</u>	<u>1,259,412,576</u>	<u>1,252,286,200</u>
<b>TOTAL ASSETS</b>		<u><u>3,251,556,826</u></u>	<u><u>2,901,066,301</u></u>	<u><u>2,781,113,038</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	11	699,234,524	518,754,200	518,754,200
Reserves	12	2,116,053,835	2,081,189,330	1,861,984,159
<b>TOTAL EQUITY</b>		<u><u>2,815,288,359</u></u>	<u><u>2,599,943,530</u></u>	<u><u>2,380,738,359</u></u>
<b>NON-CURRENT LIABILITIES</b>				
Other payables	16	25,358,055	27,634,505	25,582,976
Loans and borrowings	13	145,285,972	42,789,350	68,975,741
Hire purchase payables	14	-	-	70,979
Deferred tax liabilities	15	69,544,665	48,359,965	47,119,965
		<u>240,188,692</u>	<u>118,783,820</u>	<u>141,749,661</u>

The accompanying notes form an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd) AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM	Group 31.12.2017 RM (Restated)	1.1.2017 RM (Restated)
<b>CURRENT LIABILITIES</b>				
Trade and other payables	16	141,705,496	116,423,307	120,427,409
Contract liabilities	8	14,653,192	25,808,324	32,244,460
Loans and borrowings	13	24,308,348	26,941,680	90,093,634
Hire purchase payables	14	-	69,721	71,773
Current tax liabilities		15,412,739	13,095,919	15,787,742
		<hr/>	<hr/>	<hr/>
		196,079,775	182,338,951	258,625,018
		<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		436,268,467	301,122,771	400,374,679
		<hr/>	<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		3,251,556,826	2,901,066,301	2,781,113,038
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*The accompanying notes form an integral part of the financial statements.*

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM	Company 31.12.2017 RM (Restated)	1.1.2017 RM (Restated)
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	3	2	2	2
Investment in subsidiaries	5	175,521,958	175,521,958	175,521,958
		<u>175,521,960</u>	<u>175,521,960</u>	<u>175,521,960</u>
<b>CURRENT ASSETS</b>				
Trade and other receivables	7	408	385	385
Amount due by subsidiaries	9	910,812,000	750,741,086	665,045,356
Cash and bank balances	10	94,834	151,547	15,547
		<u>910,907,242</u>	<u>750,893,018</u>	<u>665,061,288</u>
<b>TOTAL ASSETS</b>		<u>1,086,429,202</u>	<u>926,414,978</u>	<u>840,583,248</u>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	11	699,234,524	518,754,200	518,754,200
Reserves	12	254,171,640	367,058,245	291,670,783
<b>TOTAL EQUITY</b>		<u>953,406,164</u>	<u>885,812,445</u>	<u>810,424,983</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	16	164,640	207,588	230,257
Amount due to subsidiaries	9	130,797,777	38,814,824	28,407,387
Current tax liabilities		2,060,621	1,580,121	1,520,621
		<u>133,023,038</u>	<u>40,602,533</u>	<u>30,158,265</u>
<b>TOTAL LIABILITIES</b>		<u>133,023,038</u>	<u>40,602,533</u>	<u>30,158,265</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,086,429,202</u>	<u>926,414,978</u>	<u>840,583,248</u>

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM	Group 2017 RM (Restated)	2018 RM	Company 2017 RM
REVENUE	17	710,205,386	697,503,528	58,010,000	66,387,000
COST OF SALES	18	(274,942,979)	(297,179,735)	-	-
GROSS PROFIT		435,262,407	400,323,793	58,010,000	66,387,000
ADD: OTHER INCOME	19	28,337,773	35,846,054	25,989,897	21,656,715
LESS: DISTRIBUTION EXPENSES		(25,154,006)	(39,478,886)	(6,106)	(5,775)
LESS: ADMINISTRATIVE EXPENSES		(111,054,590)	(106,352,913)	(1,176,974)	(1,094,005)
LESS: OTHER EXPENSES		(28,272)	(20,807)	-	-
LESS: FINANCE COSTS	20	(7,072,315)	(4,800,516)	(1,216,672)	(945,801)
PROFIT BEFORE TAX	21	320,290,997	285,516,725	81,600,145	85,998,134
INCOME TAX EXPENSE	22	(97,060,913)	(60,841,090)	(6,121,171)	(5,140,208)
PROFIT FOR THE YEAR		223,230,084	224,675,635	75,478,974	80,857,926
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		223,230,084	224,675,635	75,478,974	80,857,926
EARNINGS PER ORDINARY SHARE (SEN): -					
Basic	23	21.95	21.91		

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Group	← Attributable to owners of the Company →					Total equity RM
	← Non-Distributable →			Distributable		
	Share capital (Note 11) RM	Share premium (Note 12) RM	Treasury shares (Note 12) RM	Revaluation reserve (Note 12) RM	Retained earnings (Note 12) RM	
At 1 January 2017 (Restated)	518,754,200	180,480,324	(11,420,298)	17,401,150	1,675,522,983	2,380,738,359
<i>Contributions by and distributions to owners of the Company:</i>						
- Own shares acquired	-	-	(5,470,464)	-	-	(5,470,464)
Profit/Total comprehensive income for the year	-	-	-	-	224,675,635	224,675,635
At 31 December 2017	518,754,200	180,480,324	(16,890,762)	17,401,150	1,900,198,618	2,599,943,530

Group	← Attributable to owners of the Company →					Total equity RM
	← Non-Distributable →			Distributable		
	Share capital (Note 11) RM	Share premium (Note 12) RM	Treasury shares (Note 12) RM	Revaluation reserve (Note 12) RM	Retained earnings (Note 12) RM	
At 1 January 2018 (Restated)	518,754,200	180,480,324	(16,890,762)	17,401,150	1,900,198,618	2,599,943,530
<i>Transfer in accordance with Section 618(2) of the Companies Act 2016</i>						
	180,480,324	(180,480,324)	-	-	-	-
<i>Contributions by and distributions to owners of the Company:</i>						
- Own shares acquired	-	-	(7,885,255)	-	-	(7,885,255)
Realised of revaluation surplus	-	-	-	(3,876)	3,876	-
Profit/Total comprehensive income for the year	-	-	-	-	223,230,084	223,230,084
At 31 December 2018	699,234,524	-	(24,776,017)	17,397,274	2,123,432,578	2,815,288,359

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY (Cont'd) FOR THE YEAR ENDED 31 DECEMBER 2018

Company	Non-distributable			Distributable	Total equity RM
	Share capital (Note 11) RM	Share premium (Note 12) RM	Treasury shares (Note 12) RM	Retained earnings (Note 12) RM	
At 1 January 2017	518,754,200	180,480,324	(11,420,298)	122,610,757	810,424,983
<i>Contributions by and distributions to owners of the Company:</i>					
- Own shares acquired	-	-	(5,470,464)	-	(5,470,464)
Profit/Total comprehensive income for the year	-	-	-	80,857,926	80,857,926
At 31 December 2017	518,754,200	180,480,324	(16,890,762)	203,468,683	885,812,445
Transfer in accordance with Section 618(2) of the Companies Act 2016	180,480,324	(180,480,324)	-	-	-
<i>Contributions by and distributions to owners of the Company:</i>					
- Own shares acquired	-	-	(7,885,255)	-	(7,885,255)
Profit/Total comprehensive income for the year	-	-	-	75,478,974	75,478,974
At 31 December 2018	699,234,524	-	(24,776,017)	278,947,657	953,406,164

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	320,290,997	285,516,725	81,600,145	85,998,134
Adjustments for: -				
Depreciation of property, plant and equipment	9,862,543	8,877,933	-	-
Gain on disposal of investment properties	(90,000)	-	-	-
Loss on disposal of property, plant and equipment	24,988	849	-	-
Interest expenses	6,054,171	3,735,405	1,213,857	943,314
Property, plant and equipment written off	-	25	-	-
Fair value adjustment of investment properties	(10,268,000)	(18,632,000)	-	-
Interest income	(9,648,802)	(8,035,597)	(25,989,897)	(21,656,715)
Operating profit before working capital changes	<u>316,225,897</u>	<u>271,463,340</u>	<u>56,824,105</u>	<u>65,284,733</u>
Decrease/(Increase) in working capital				
Inventories of property development costs	(150,975,252)	(154,639,965)	-	-
Inventories of completed projects	137,637,210	128,735,327	-	-
Contract assets and liabilities	109,352,326	-	-	-
Trade and other receivables	(14,547,611)	182,374,903	(23)	-
Trade and other payables	23,005,739	(16,378,708)	(42,948)	(22,669)
Amount due by/(to) subsidiaries	-	-	(68,087,961)	(75,288,293)
Cash generated from/(used in) operations	<u>420,698,309</u>	<u>411,554,897</u>	<u>(11,306,827)</u>	<u>(10,026,229)</u>
Interest paid	(6,054,171)	(3,735,405)	(1,213,857)	(943,314)
Tax paid	(73,559,393)	(62,292,913)	(5,640,671)	(5,080,708)
Net cash from/(used in) operating activities	<u>341,084,745</u>	<u>345,526,579</u>	<u>(18,161,355)</u>	<u>(16,050,251)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Addition of land held for property development	(323,815,987)	1,325,582	-	-
Addition of investment properties	(42,886,619)	(29,465,759)	-	-
Purchase of property, plant and equipment (Note 24)	(33,921,266)	(19,302,301)	-	-
Proceeds from disposal of property, plant and equipment	17,000	451	-	-
Proceeds from disposal of investment properties	650,000	-	-	-
Interest received	9,648,802	8,035,597	25,989,897	21,656,715
Net cash (used in)/from investing activities	<u>(390,308,070)</u>	<u>(39,406,430)</u>	<u>25,989,897</u>	<u>21,656,715</u>

*The accompanying notes form an integral part of the financial statements.*

## STATEMENTS OF CASH FLOWS (Cont'd)

### FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repurchase of treasury shares	(7,885,255)	(5,470,464)	(7,885,255)	(5,470,464)
Repayment of term loans	(33,753,378)	(30,194,391)	-	-
Drawdown of revolving credit	139,000,000	5,383,332	-	-
Repayment of revolving credit	(5,383,332)	(50,000,000)	-	-
Repayment of bankers acceptances	-	(5,500,000)	-	-
Repayment of hire purchase payables	(69,721)	(73,031)	-	-
Net cash from/(used in) financing activities	91,908,314	(85,854,554)	(7,885,255)	(5,470,464)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	42,684,989	220,265,595	(56,713)	136,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	254,182,393	33,916,798	151,547	15,547
CASH AND CASH EQUIVALENTS AT END OF YEAR	296,867,382	254,182,393	94,834	151,547
Cash and cash equivalents comprise the following: -				
Cash and bank balances	296,867,382	254,182,393	94,834	151,547

The accompanying notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries which are principally engaged in the property development and hotel operations. The details of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at Wisma KSL, No. 148, Batu 1 ½, Jalan Buloh Kasap, 85000 Segamat, Johor Darul Ta'zim.

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").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 March 2019.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and comply with Malaysian Financial Reporting Standards (MFRSs), International Financial Reporting Standards (IFRSs) and the Companies Act, 2016 in Malaysia.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards (FRSs) in Malaysia. These financial statements for the year ended 31 December 2018 are the first financial statements of the Group and of the Company prepared in accordance with MFRS, including MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customers. Please refer to Note 30 for information on the Group's and the Company's adoption of MFRS and the impact of transition to MFRS.

The financial statements are reported in Ringgit Malaysia, which is the Company's functional currency.

#### (b) Statement of compliance

The followings are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (b) Statement of compliance (Cont'd)

##### **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 Treatment
- Amendments to MFRS 3, Business Combinations (Annual Improvements 2015 - 2017 Cycle)
- Amendments to MFRS 9, Financial Instruments - Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements 2015 - 2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements 2015 - 2017 Cycle)
- Amendments to MFRS 119, Employee Benefits - Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements 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 Business
- Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards

##### **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 a date yet to be confirmed**

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

The Group plans to apply the abovementioned standards, amendments and interpretations in the respective financial years when the above standards, amendments and interpretations become effective.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior period financial statements of the Group upon their first adoption.

#### (c) Basis of consolidation

##### (i) **Subsidiaries**

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from the involvement with the investee; and
- has the ability to affect those returns through its power over investee.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (c) Basis of consolidation *(Cont'd)*

##### (i) Subsidiaries *(Cont'd)*

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

When the Group has less than a majority of the voting rights but has rights that are sufficient to give it the practical ability to direct the relevant activities unilaterally, the Group considers all facts and circumstances in assessing whether or not the voting rights give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary companies are consolidated from the date on which the Group controls, and ceases from the date that control ceases. The financial results of the subsidiary companies are included in the consolidated financial statements from the date that control is obtained until the date that the Group loses control.

##### (ii) Business combination

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 noncontrolling 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 treats 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.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (c) Basis of consolidation *(Cont'd)*

##### (iv) Loss of control

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

##### (v) Associates

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

Investment in an associate is accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associate, 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 profit or loss.

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

Investment in an associate is 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.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (c) Basis of consolidation *(Cont'd)*

##### (vi) Joint arrangements *(Cont'd)*

Joint arrangements are classified and accounted for as follows:

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

##### (vii) Non-controlling interests

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

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

##### (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 associate and joint venture 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.

##### Investment in subsidiaries

Investment in subsidiaries is recorded at costs less accumulated impairment losses, if any, in the Company's financial statements.

#### (d) Financial instruments

##### (i) Initial recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions for the instrument.

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (d) Financial instruments (Cont'd)

##### (i) Initial recognition and measurement (Cont'd)

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

##### (ii) Classification and subsequent measurement

###### Financial assets: Classification

On initial recognition, a financial asset is classified as measured at:

- (a) amortised cost;
- (b) fair value through other comprehensive income (FVOCI) - debt investment;
- (c) fair value through other comprehensive income (FVOCI) - equity investment; or
- (d) fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group 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 in the business model.

A financial asset is measured at amortised cost if it is 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 at FVTPL.

A debt investment is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, 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 debt investment is not designated as at FVTPL.

An equity investment is measured at FVOCI if it is not held for trading and the Group irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### Financial assets: Subsequent measurement and gains and losses

##### (a) Financial assets at amortised cost

These assets are subsequently 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 where the effective interest rate is applied to the amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (d) Financial instruments *(Cont'd)*

##### (ii) Classification and subsequent measurement *(Cont'd)*

###### **Financial assets: Subsequent measurement and gains and losses *(Cont'd)***

#### (b) Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

#### (c) Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

#### (d) Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividend are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

###### **Financial liabilities: Classification and subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss. For financial liabilities categorised as fair value through profit or loss upon initial recognition, the Group recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (d) Financial instruments *(Cont'd)*

##### (iii) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified terms are substantially different. 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.

##### (iv) 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 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 settle the liability simultaneously.

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

##### (i) Recognition and measurement

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. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of the 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 or which a property could be exchanged between knowledgeable, 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.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (e) Property, plant and equipment *(Cont'd)*

##### (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 costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### (iii) Depreciation

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

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

The annual depreciation rates used for the current and comparative periods are as follows: -

	%
Buildings	2
Plant and machinery	10 - 20
Motor vehicles	20
Other assets	
- Office equipment	10 - 25
- Tele-communication equipment	10 - 20
- Renovation	10
- Sales office	10
- Site office	10
- Signboards	10
- Furniture and fittings	5- 10
- Hotel equipment	20
- Food and beverage equipment	20

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

#### (f) Leased asset

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(f) Leased asset *(Cont'd)*

**(i) Finance lease *(Cont'd)***

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.

**(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.

(g) Goodwill

Goodwill which arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investees.

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(h) Investment property

**(i) Investment property carried at fair value**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (h) Investment property *(Cont'd)*

##### (i) Investment property carried at fair value *(Cont'd)*

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

##### (ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

#### (i) Inventories

##### (i) Land held for property development

Land held for property development consists of land where no significant 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 within non-current assets and is stated at cost less any accumulated impairment losses.

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.

##### (ii) Property development cost

Property development costs are properties being constructed for sale in the ordinary course of business and are stated at the lower of costs and net realisable value. The cost of land, related development costs common to whole projects and direct building costs less cumulative amounts recognised as expense in the profit or loss for property under development are carried in the statements of financial position as property development costs.

The property development cost is subsequently recognised as an expense in profit or loss as and when the control of the inventory is transferred to the customer. Property development cost of unsold unit is transferred to completed development unit once the development is completed.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (i) Inventories (Cont'd)

##### (iii) Completed development units

Units of development properties completed and held for sale are stated at the lower of cost and net realisable value. Costs comprise costs of acquisition of land including all related costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, related development costs to projects and direct building costs.

##### (iv) Food and beverage and other hotel supplies

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of purchase plus incidental cost and other costs of bringing the inventories to their present location and condition. The cost of inventories is determined on a weighted average basis.

Net realisable value is the estimate of the selling price in the ordinary course of business, less costs to completion and selling expenses.

#### (j) Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. Contract asset is recognised when the entity has performed under the contract but has not yet billed the customer. Contract asset is stated at cost less accumulated impairment.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer. Contract liability is recognised when the entity has not yet performed under the contract but has received advanced payments from the customer. Contract liabilities also include downpayments received from customers.

Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the entity performs under the contract.

#### (k) Contract cost

##### Incremental cost if obtaining a contract

The Group recognises incremental costs of obtaining contracts when the Group expects to recover these costs.

##### Cost to fulfil a contract

The Group recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (l) 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 and pledged deposits.

#### (m) Impairment

##### Financial Assets

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and lease receivables.

The Group measures 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 balances 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 considers 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 forwardlooking 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 is exposed to credit risk.

The Group estimates the expected credit losses on trade receivables with contractual payments past due and reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in the 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 the profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group assesses 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 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 writeoff. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery amounts due.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (m) Impairment (Cont'd)

##### **Other assets**

The carrying amounts of the other assets (except for inventories, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) 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 goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

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

#### (n) Equity instruments

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

Cost directly attributable to the issue of instruments classified as equity are recognized as a deduction from equity.

#### (i) **Ordinary shares**

Ordinary shares are classified as equity.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (n) Equity instruments *(Cont'd)*

##### (ii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount to the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

#### (o) 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.

#### (p) Provision

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 pretax 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.

#### (q) Revenue

Revenue is measured at the fair value of consideration received or receivable in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service.

The Group recognises revenue from contracts with customers at a point in time unless one of the following over time criteria is met:

- (i) Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date; or

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (q) Revenue *(Cont'd)*

- (ii) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

#### (a) Revenue from contracts with customers

##### (i) Revenue from development property

The Group develops and sells residential and commercial properties before completion of construction of the properties. The revenue from property development is measured at the fixed transaction price agreed under the sales and purchase agreement. Revenue is recognised when control over the property has been transferred to customer, either over time or at a point in time, depending on the contractual terms.

For development properties whereby the Group is restricted contractually from directing the properties for another use, has no alternative use and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the entity does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset, usually upon transfer of legal title.

Progress billings to the customers based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones.

The Group recognises sales at a point in time for the sale of completed properties, when the control of the properties has been transferred to the purchasers, being when the properties have been completed and delivered to the customers and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange for the assets sold.

##### (ii) Sales of land

Revenue relating to sale of land is recognised at a point in time when control of the asset is transferred to customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of land.

##### (iii) Services

Revenue is recognised at a point in time as those services are provided. The total consideration in the service contracts is allocated to all services based on their stand-alone selling prices.

##### (iv) Hotel and food and beverage revenue

Hotel room revenue is recognised when service is rendered to the customer over their stay at the hotel. The transaction price is the net amount collected from the customer. Advance deposits on hotel rooms are recorded as customer deposits (i.e. contract liability) until services are provided to the customer.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(q) Revenue *(Cont'd)*

**(a) Revenue from contracts with customers *(Cont'd)***

**(iv) Hotel and food and beverage revenue *(Cont'd)***

Revenue from the sale of goods or services is recognised when the food and beverage, entertainment and attractions and retail goods is delivered, rendered or control transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the food and beverage, retail goods or services. Advance ticket sales for entertainment and attractions are recorded as customer deposits (i.e. contract liability) until services are rendered to the customer.

**(v) Car park income**

Car park income is accounted for on receipt and receivable basis.

**(vi) Management fees**

Management fees are recognised at a point in time when services are rendered.

**(b) Dividend income**

Dividend income is recognised in profit or loss on the date 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.

**(c) Rental income**

Rental income from investment property is recognised in profit or loss on a straightline 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. Rental income from investment and subleased properties are recognised as other income.

**(d) 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.

(r) 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 eligible for capitalisation.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Goods and services tax ("GST")

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset. Receivables and payables relate to such revenue, expenses or acquisitions of assets are presented in the statement of financial position inclusive of GST recoverable or GST payable.

GST recoverable from or payable to tax authority may be presented on net basis should such amounts are related to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

(t) Income tax

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

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

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

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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 liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(u) Earnings per ordinary share

The Group presents basic 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.

(v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating 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.

(w) 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 statement 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**

Where it is not probable that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statement of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

(x) Fair value measurement

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

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

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### (x) Fair value measurement *(Cont'd)*

When measuring the fair value of an asset or a liability, the Company 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 price (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

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

Level 3: unobservable inputs for the asset or liability.

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

#### (y) Use of estimates and judgments

The preparation of the financial statements in conformity with MFRSs requires management to make judgments, 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:

#### (i) Valuation of investment properties

The fair value of investment property is arrived at by reference to market evidence of transaction prices for similar property or by considering the aggregate of the present value of the estimated cash flows expected to be received from renting out the property and is performed by registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

#### (ii) Revenue and cost recognition from property development activities

Revenue is recognised as and when the control of the asset is transferred to customers and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation based on the contract work-to-date. Significant judgement is required in determining the progress towards complete satisfaction of that performance obligation based on the contract work-to-date corroborated by the level of completion of the development based on actual costs incurred to date over the estimated total property development costs. The total estimated costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgements, management relies on past experience and the work of specialists.

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 2. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

(y) Use of estimates and judgments *(Cont'd)*

**(iii) Classification between investment property and property, plant and equipment**

The Group has developed certain criteria based on MFRS 116 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT

Group 2018	As at 1.1.2018 RM	Additions RM	Disposals/ Written off RM	Reclassification RM	As at 31.12.2018 RM
<b>Cost</b>					
Freehold land	9,930,084	-	-	3,900,000	13,830,084
Buildings	124,201,804	-	-	12,563,229	136,765,033
Buiding-in-progress	32,439,691	15,585,138	-	(48,024,829)	-
Plant and machinery	7,757,522	12,205,011	-	-	19,962,533
Motor vehicles	9,290,296	1,745,674	(690,000)	-	10,345,970
Other assets	28,419,000	4,385,443	(35,740)	31,561,600	64,330,303
	212,038,397	33,921,266	(725,740)	-	245,233,923
<b>Accumulated depreciation</b>					
Buildings	31,323,609	2,832,188	-	(15,780,800)	18,374,997
Plant and machinery	2,507,596	1,032,127	-	-	3,539,723
Motor vehicles	6,610,706	929,376	(663,000)	-	6,877,082
Other assets	19,915,309	5,068,852	(20,752)	15,780,800	40,744,209
	60,357,220	9,862,543	(683,752)	-	69,536,011
<b>Group 2017</b>					
<b>Cost</b>					
Freehold land	9,930,084	-	-	-	9,930,084
Buildings	107,664,714	16,537,090	-	-	124,201,804
Buiding-in-progress	32,439,691	-	-	-	32,439,691
Plant and machinery	6,434,512	1,323,010	-	-	7,757,522
Motor vehicles	8,819,410	479,276	(8,390)	-	9,290,296
Other assets	27,473,435	962,925	(17,360)	-	28,419,000
	192,761,846	19,302,301	(25,750)	-	212,038,397
<b>Accumulated depreciation</b>					
Buildings	25,444,241	5,879,368	-	-	31,323,609
Plant and machinery	1,838,971	668,625	-	-	2,507,596
Motor vehicles	6,196,363	421,408	(7,065)	-	6,610,706
Other assets	18,024,137	1,908,532	(17,360)	-	19,915,309
	51,503,712	8,877,933	(24,425)	-	60,357,220

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	2018 RM	2017 RM
<b>Net carrying amount</b>		
Freehold land	13,830,084	9,930,084
Buildings	118,390,036	92,878,195
Buiding-in-progress	-	32,439,691
Plant and machinery	16,422,810	5,249,926
Motor vehicles	3,468,888	2,679,590
Other assets	23,586,094	8,503,691
	175,697,912	151,681,177

	Signboard	
	2018 RM	2017 RM
<b>Company</b>		
Cost	27,853	27,853
Accumulated depreciation	(27,851)	(27,851)
	2	2

Property, plant and equipment of the Group at cost of RM15,983,832 (2017: RM14,469,373) are fully depreciated and still in use.

### 4. INVESTMENT PROPERTIES

	2018 RM	Group 2017 RM
At 1 January	789,038,543	740,940,784
Additions	42,886,619	29,465,759
Disposals	(560,000)	-
Fair value adjustments (Note 19)	10,268,000	18,632,000
	52,594,619	48,097,759
At 31 December	841,633,162	789,038,543
Included in the above are:		
At fair value:-		
Land	588,610,742	578,653,381
Buildings	163,487,387	163,736,748
	752,098,129	742,390,129
At cost:-		
Building-in-progress	89,535,033	46,648,414
	841,633,162	789,038,543

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 4. INVESTMENT PROPERTIES (Cont'd)

Investment properties with an aggregate carrying amount of RM450,580,000 (2017: RM588,535,759) are pledged as securities for loans and borrowings as referred to in Note 13.

Investment properties comprise a number of freehold shop houses and commercial properties leased to third parties. Each of the leases contains an initial cancellable period of average 2 years and subsequent renewals are negotiated with the lessee and average renewal period is 2 years.

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

	2018 RM	Group 2017 RM
Rental income	92,278,012	85,726,114
Direct operating expenses - income generating investment property	(11,716,941)	(13,012,227)
- non-income generating investment property	(4,870)	(3,053)
	92,278,012	85,726,114

The fair values of the investment properties were based on indicative valuation by external, independent valuers having appropriate recognised professional qualification as follows:

- (a) RM283,275,759 (2017: RM256,782,000) arrived at by reference to transaction prices for comparable properties. The most significant input into this valuation approach is price per square foot of comparable properties. The estimated fair value would increase if the higher of the price per square foot.
- (b) RM515,470,784 (2017: RM502,790,784) determined by considering the aggregate of the present value of the estimated cash flows expected to be received from renting out the property using yield rates range from 7% to 9% (2017: 7% to 9%) and weighted average rate at 8% (2017: 8%). The estimated fair value would decrease if the lower of the yield rate or the higher of the discount rate.

RM42,886,619 (2017: RM29,465,759) measured at cost because the fair value of the properties under construction is not yet determinable as of 31 December 2018. The fair value of the property is expected to be reliably determinable when construction is complete.

Fair value of investment properties are categorised as Level 3 as described in Note 2(x) to the financial statements.

### 5. INVESTMENT IN SUBSIDIARIES

	2018 RM	Company 2017 RM
At cost:-		
Unquoted shares	175,521,958	175,521,958
	175,521,958	175,521,958

## NOTES TO THE FINANCIAL STATEMENTS *(Cont'd)*

### 5. INVESTMENT IN SUBSIDIARIES *(Cont'd)*

Details of the subsidiaries are as follows: -

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2018	2017
Bintang-Bintang Development Sdn Bhd	Malaysia	Property investment and development	100%	100%
Bintang-Bintang Enterprise Sdn Bhd	Malaysia	Property development	100%	100%
Clarion Housing Development Sdn Bhd	Malaysia	Property investment	100%	100%
Eversonic Sdn Bhd	Malaysia	Property investment and development	100%	100%
Exportex Sdn Bhd	Malaysia	Property development	100%	100%
Goodpark Development Sdn Bhd	Malaysia	Property development	100%	100%
Harapan Terang Sdn Bhd	Malaysia	Property development	100%	100%
Harapan Terang Properties Sdn Bhd	Malaysia	Property development	100%	100%
Harapan Terang Realty Sdn Bhd	Malaysia	Property development	100%	100%
Khoo Soon Lee Realty Sdn Bhd	Malaysia	Property investment and development	100%	100%
KSL Medini Development Sdn Bhd	Malaysia	Property development	100%	100%
KSL City Management Sdn Bhd	Malaysia	Property management	100%	100%
KSL Perfect Builder Sdn Bhd	Malaysia	Property investment	100%	100%
KSL Properties Construction Sdn Bhd	Malaysia	Dormant	100%	100%
KSL Properties Sdn Bhd	Malaysia	Property investment, development and hotel operations	100%	100%
KSL Properties Management Sdn Bhd	Malaysia	Car park operations and property management services	100%	100%
Prosper Plus Industry Sdn Bhd	Malaysia	Property development	100%	100%
Sejota Sdn Bhd	Malaysia	Property development	100%	100%
Sering Cemerlang Sdn Bhd	Malaysia	Dormant	100%	100%
Sure Success Properties Sdn Bhd	Malaysia	Property investment and hotel operations	100%	100%

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 5. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2018	2017
Tai Lik Development (Batu Anam) Sdn Bhd	Malaysia	Property development	100%	100%
Villa Bestari Sdn Bhd	Malaysia	Dormant	100%	100%
VIP Beyond Sdn Bhd	Malaysia	Property development	100%	100%
<b>Held through subsidiary:</b>				
KSL Development * Sdn Bhd	Malaysia	Property investment and development	100%	100%
Gantang Jaya Sdn Bhd **	Malaysia	Property development	100%	100%

\* Subsidiary of Harapan Terang Sdn. Bhd.

\*\* Subsidiary of KSL Perfect Builder Sdn. Bhd.

### 6. INVENTORIES

	2018 RM	Group 2017 RM (restated)
<b>Non-current</b>		
Land held for property development	1,012,814,485	700,934,005
<b>Current</b>		
Property development cost	421,890,907	455,807,922
Completed development units, at cost	383,000,899	323,922,200
Food and beverages and other hotel supplies, at cost	667,710	555,845
	805,559,516	780,285,967
<b>Total inventories</b>	1,818,374,001	1,481,219,972
<b>(i) Land held for property development</b>		
	2018 RM	2017 RM (Restated)
At cost:-		
<b>At 1 January</b>	700,934,005	646,627,920
Additions	323,815,987	97,709,509
Transfer to property development costs (Note 6(ii))	(11,935,507)	(43,403,424)
<b>At 31 December</b>	1,012,814,485	700,934,005
Included in the above are:		
Freehold land	681,911,114	480,772,082
Leasehold land	185,998,095	208,774,307
Development costs	144,905,276	11,387,616
	1,012,814,485	700,934,005

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 6. INVENTORIES (Cont'd)

Freehold land of the Group amounting to RM135,148,014 (2017: RM189,332,766) have been charged as security for loans and borrowings as referred to in Note 13.

#### (ii) Property development costs

	2018 RM	Group 2017 RM (Restated)
<b>At 1 January:</b>		
- Freehold land	134,186,986	116,174,845
- Development expenditure	427,150,215	316,663,486
- Cumulative costs recognised to profit or loss	(105,529,279)	(83,384,759)
	<u>455,807,922</u>	<u>349,453,572</u>
 Cost incurred during the year:		
- Leasehold land	-	4,700,131
- Development expenditure	249,356,521	286,209,611
- Contract costs	2,943,003	-
Recognised during the year (Note 18)	(101,324,272)	(129,490,986)
	<u>150,975,252</u>	<u>161,418,756</u>
 Transfer from land held for property development (Note 6(i))	11,935,507	43,403,424
Transfer to inventories of completed development units	(196,827,774)	(98,467,830)
	<u>(184,892,267)</u>	<u>(55,064,406)</u>
 <b>At 31 December</b>	<u>421,890,907</u>	<u>455,807,922</u>
 Included in the above are:-		
 Freehold land, at cost	129,486,855	116,174,845
Leasehold land, at cost	4,700,131	4,700,131
Development costs	386,085,190	464,423,932
Recognised in profit or loss	(101,324,272)	(129,490,986)
	<u>418,947,904</u>	<u>455,807,922</u>
 Contract costs as at 1 January	-	-
Incurred during the year	23,767,992	34,087,763
Less: Amortised in profit or loss	(20,824,989)	(34,087,763)
	<u>2,943,003</u>	<u>-</u>
	<u>421,890,907</u>	<u>455,807,922</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 6. INVENTORIES (Cont'd)

#### (ii) Property development costs (Cont'd)

Included in the development costs of the Group are following expenses capitalised during the financial year:

	2018 RM	2017 RM
Revolving credit interest	20,308	155,930
Rental of machinery	6,628,235	6,927,101

Contract cost represents cost to obtain a contract which incremental costs as a result of obtaining contracts and they are recoverable. It primarily comprises promotion expenses, sales commission and legal costs.

Capitalised contract costs are amortised when the related revenues are recognised for the respective financial years. In year of 2018, the amount of amortisation was RM2,943,003 (2017: RM Nil).

### 7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM
Trade receivables:-				
Receivables from contracts with customers	85,662,129	76,052,451	-	-
Other receivables:-				
Deposit for acquisition of land	4,699,108	4,360,373	-	-
Sundry receivables	6,042,462	5,142,111	-	-
Sundry deposits	9,179,703	5,157,332	-	-
Prepayments	647	324,171	408	385
	19,921,920	14,983,987	408	385
	105,584,049	91,036,438	408	385

Credit terms of trade receivables range from 1 to 3 months (2017: 1 to 3 months).

### 8. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2018 RM	Group 2017 RM (Restated)
Contract assets		
Property development	13,400,320	133,907,778
Contract liabilities		
Property development	14,653,192	25,808,324

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 8. CONTRACT ASSETS AND CONTRACT LIABILITIES (Cont'd)

#### Property Development

The Group issues progress billings to purchasers when the billing milestones are attained. The Group recognises revenue when the performance obligation is satisfied over time.

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

	2018 RM	Group 2017 RM
Revenue recognised that was included in the contract liability balance at the beginning of the year	25,808,324	32,244,460
Transfer from contract assets recognised at the beginning of the year to trade receivables	17,803,256	15,499,134
	<u>17,803,256</u>	<u>15,499,134</u>

The revenue in related to unsatisfied performance obligations at the end of the reporting period are expected to be recognised in the following periods:

	2018 RM	Group 2017 RM
Within 1 year	118,253,913	285,086,396
Between 1 and 4 years	278,588	56,458,926
	<u>118,532,501</u>	<u>341,545,322</u>

### 9. AMOUNT DUE BY/(TO) SUBSIDIARIES

The amounts due by/(to) subsidiaries are unsecured, bear interest at average of 3.33% (2017:3.08%) per annum and are repayable on demand.

### 10. CASH AND BANK BALANCES

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Deposits placed with licensed banks	146,676,478	102,423,841	-	-
Short-term investment	40,000,000	40,000,000	-	-
Bank balances and cash	110,190,904	111,758,552	94,834	151,547
	<u>296,867,382</u>	<u>254,182,393</u>	<u>94,834</u>	<u>151,547</u>

Included in bank balances and cash of the Group is amount of RM8,739,060 (2017: RM11,852,556) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 and are restricted from use in other operations.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 10. CASH AND BANK BALANCES (Cont'd)

(a) The reconciliation of liabilities arising from financing activities are as follows:

	Loans and borrowings RM	Hire purchase payables RM	Total RM
<b>Group</b>			
<b>At 1 January 2017</b>	159,069,375	142,752	159,212,127
<u>Cash flows:</u>			
Addition	5,383,332	-	5,383,332
Repayment	(94,721,677)	(73,031)	(94,794,708)
<b>At 31 December 2017</b>	69,731,030	69,721	69,800,751
<u>Cash flows:</u>			
Addition	139,000,000	-	139,000,000
Repayment	(39,136,710)	(69,721)	(39,206,431)
<b>At 31 December 2018</b>	169,594,320	-	169,594,320

### 11. SHARE CAPITAL

	Number	Group/Company		2017
		2018	2017	
		RM	Number	RM
Issued and fully paid shares classified as equity instrument:				
<u>Ordinary shares:-</u>				
As at 1 January	1,037,508,399	518,754,200	1,037,508,399	518,754,200
Transition to no par value regime	-	180,480,324	-	-
As at 31 December	1,037,508,399	699,234,524	1,037,508,399	518,754,200

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. In respect of the Company's treasury shares that are held by the Company as referred to in Note 12(c), all rights are suspended until those shares are reissued.

### 12. RESERVES

	2018 RM	Group		Company	
		2017 RM (Restated)	2018 RM	2017 RM	
<b>Distributable</b>					
Retained earnings	2,123,432,578	1,900,198,618	278,947,657	203,468,683	
<b>Non-distributable</b>					
Share premium	-	180,480,324	-	180,480,324	
Treasury shares	(24,776,017)	(16,890,762)	(24,776,017)	(16,890,762)	
Revaluation reserve	17,397,274	17,401,150	-	-	
	(7,378,743)	180,990,712	(24,776,017)	163,589,562	
	2,116,053,835	2,081,189,330	254,171,640	367,058,245	

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 12. RESERVES (Cont'd)

#### (a) Share premium

Pursuant to the Section 618 of the Companies Act 2016 (the "Act") upon the commencement of Section 74 of the Act, any amount outstanding to the credit of a company's share premium account and capital redemption reserve shall become part of the company's share capital, notwithstanding, a company may, within twenty-four months upon commencement of Section 74 of the Act, use the amount standing to the credit of its share premium account, for certain purposes as prescribed in the Act.

#### (b) Revaluation reserve

Group	2018 RM	2017 RM
At 1 January	17,401,150	17,401,150
Realised revaluation surplus	(3,876)	-
At 31 December	<u>17,397,274</u>	<u>17,401,150</u>

The revaluation reserve is used to record increased in fair value of freehold land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. Prior to 1 January 2006, revaluation increase of investment properties and land held for property development are also included in this reserve and the revaluation increase of investment properties has been subsequently recognised in retained earnings upon the adoption of FRS 140 in previous year.

#### (c) Treasury shares

The shareholders of the Company, by an ordinary resolution passed in the Annual General Meeting held on 28 May 2018, renewed their approval for the Company's plan to repurchase its own shares. The directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company has repurchased 8,006,000 (2017: 4,368,900) of its issued ordinary shares from the open market for a total consideration of RM7,885,255 (2017: RM5,470,464). The average price paid for the shares repurchased was RM0.98 (2017: RM1.25) per share including transaction costs, and the repurchase transactions were funded by internally generated funds. The shares repurchased are held as treasury shares.

Treasury shares have no rights in voting, dividends and participation in any other distribution. Treasury shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including substantial shareholding, take-overs, notices, the requisition of meeting, the quorum for a meeting and the result of a vote on a resolution at a meeting.

At 31 December 2018, the Company held 20,292,400 (2017: 12,286,400) of the Company's share. The number of outstanding ordinary share in issue after deducting treasury shares is therefore 1,017,215,999 (2017: 1,025,221,999) ordinary shares.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 15. DEFERRED TAX LIABILITIES

	2018 RM	Group		2017 RM (Restated)
<b>Movement in temporary differences during the year</b>				
At 1 January	(48,359,965)			(47,119,965)
Recognised in profit or loss (Note 22)	(21,184,700)			(1,240,000)
	<u>(69,544,665)</u>			<u>(48,359,965)</u>
At 31 December	<u>(69,544,665)</u>			<u>(48,359,965)</u>
Represented by:				
Deferred tax liabilities	(69,544,665)			(48,359,965)
	<u>(69,544,665)</u>			<u>(48,359,965)</u>
		<b>Fair value adjustment RM</b>	<b>Unrealised revaluation surplus RM</b>	<b>Unutilised capital allowance and tax losses and others RM</b>
				<b>Total RM</b>
<b>Group</b>				
<b>Deferred tax liabilities</b>				
<b>2018</b>				
At 1 January	(33,937,677)	(8,711,195)	(5,711,093)	(48,359,965)
Recognised in profit or loss	(21,075,200)	(98,500)	(11,000)	(21,184,700)
	<u>(55,012,877)</u>	<u>(8,809,695)</u>	<u>(5,722,093)</u>	<u>(69,544,665)</u>
At 31 December	<u>(55,012,877)</u>	<u>(8,809,695)</u>	<u>(5,722,093)</u>	<u>(69,544,665)</u>
<b>2017</b>				
At 1 January	(32,697,677)	(8,711,195)	(5,711,093)	(47,119,965)
Recognised in profit or loss	(1,240,000)	-	-	(1,240,000)
	<u>(33,937,677)</u>	<u>(8,711,195)</u>	<u>(5,711,093)</u>	<u>(48,359,965)</u>
At 31 December	<u>(33,937,677)</u>	<u>(8,711,195)</u>	<u>(5,711,093)</u>	<u>(48,359,965)</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM
<b>Non-current</b>				
Retention sums	51,457	51,457	-	-
Deposits payable	25,306,598	27,583,048	-	-
	<u>25,358,055</u>	<u>27,634,505</u>	<u>-</u>	<u>-</u>
<b>Current</b>				
Trade payables	60,073,731	44,614,164	-	-
Other payables: -				
Sundry payables	23,485,528	24,911,796	3,585	47,772
Deposits payable	7,893,018	3,471,327	-	-
Accrued construction costs	35,120,744	28,874,090	-	-
Accruals	15,132,475	14,551,930	161,055	159,816
Total other payables	<u>81,631,765</u>	<u>71,809,143</u>	<u>164,640</u>	<u>207,588</u>
	<u>141,705,496</u>	<u>116,423,307</u>	<u>164,640</u>	<u>207,588</u>
	<u>167,063,551</u>	<u>144,057,812</u>	<u>164,640</u>	<u>207,588</u>

Credit terms of trade payable range from 1 to 3 months (2017: 1 to 3 months).

### 17. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Revenue from contract with customers	617,927,374	611,777,414	1,010,000	987,000
Other revenue:-				
Rental income	92,278,012	85,726,114	-	-
Dividend income	-	-	57,000,000	65,400,000
	<u>92,278,012</u>	<u>85,726,114</u>	<u>57,000,000</u>	<u>65,400,000</u>
	<u>710,205,386</u>	<u>697,503,528</u>	<u>58,010,000</u>	<u>66,387,000</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 17. REVENUE (Cont'd)

Disaggregation of the revenue from contract with customers:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b><u>Major goods and services</u></b>				
Sale of development properties	544,283,206	529,541,968	-	-
Hotel and food and beverage	67,201,872	75,188,123	-	-
Car park income	5,300,676	5,048,462	-	-
Sale of land	-	40,002	-	-
Other trade sales	1,141,620	1,958,859	-	-
Management fees from subsidiaries	-	-	1,010,000	987,000
	<u>617,927,374</u>	<u>611,777,414</u>	<u>1,010,000</u>	<u>987,000</u>
<b><u>Timing of revenue recognised</u></b>				
At a point in time	68,343,492	77,186,984	1,010,000	987,000
Over time	549,583,882	534,590,430	-	-
	<u>617,927,374</u>	<u>611,777,414</u>	<u>1,010,000</u>	<u>987,000</u>

### 18. COST OF SALES

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM
Property development costs (Note 6(ii))	101,324,272	129,490,986	-	-
Cost of inventories sold	139,809,540	127,135,131	-	-
Post construction cost	2,843,123	5,322,963	-	-
Cost of running hotel and food and beverage	19,055,182	21,818,773	-	-
Cost of running investment properties	11,271,367	12,247,792	-	-
Cost of car park	64,526	42,368	-	-
Other trade cost	574,969	1,121,722	-	-
	<u>274,942,979</u>	<u>297,179,735</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 19. OTHER INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income of financial assets at amortised cost	9,648,802	8,035,597	25,989,786	21,656,715
Rental income	5,142,947	5,877,478	-	-
Sundry income	2,368,537	2,892,904	111	-
Forfeiture income	819,487	407,724	-	-
Fair value adjustment of investment property (Note 4)	10,268,000	18,632,000	-	-
Gain on disposal of investment property	90,000	351	-	-
	<u>28,337,773</u>	<u>35,846,054</u>	<u>25,989,897</u>	<u>21,656,715</u>

### 20. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
Bank interest	2,547	19,581	-	-
Bankers acceptance interest	-	11,784	-	-
Revolving credit interest	3,806,147	243,182	-	-
Term loans interest	2,242,479	3,456,741	-	-
Hire purchase interest	2,998	4,117	-	-
Inter-companies loan interest	-	-	1,213,857	943,314
	<u>6,054,171</u>	<u>3,735,405</u>	<u>1,213,857</u>	<u>943,314</u>
Bank charges	1,018,144	1,065,111	2,815	2,487
	<u>7,072,315</u>	<u>4,800,516</u>	<u>1,216,672</u>	<u>945,801</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 21. PROFIT BEFORE TAX

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax are stated after charging/(crediting): -				
Auditors' remuneration				
- current year	218,500	220,000	20,000	20,000
- other services	12,724	11,000	6,076	3,000
Depreciation of property, plant and equipment	9,862,543	8,877,933	-	-
Non-executive directors' remuneration:				
- fees	90,000	90,000	90,000	90,000
- other emoluments	14,000	15,000	14,000	15,000
Executive directors' remuneration:				
Other emoluments				
- directors of the Company	29,990,239	30,182,417	809,059	787,037
- directors of subsidiaries	15,055,695	14,853,621	-	-
Loss on disposal of property, plant and equipment	24,988	849	-	-
Property, plant and equipment written off	-	25	-	-
Rental of premises	117,600	117,600	-	-
Staff costs (excludes directors' remuneration):				
- wages, salaries and others	26,417,455	26,593,035	-	-
- contribution to state plans	2,557,687	2,366,297	-	-
- other personnel costs	3,619,318	2,661,986	-	-

The details of directors' remuneration of the Company during the year are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive:				
- salary and bonus	25,223,000	25,383,000	701,000	681,000
- contribution to state plans	4,764,300	4,796,100	105,120	102,720
- other personnel costs	2,939	3,317	2,939	3,317
	29,990,239	30,182,417	809,059	787,037

### 22. INCOME TAX EXPENSE

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM
Recognised in profit or loss: -				
Current tax expense: -				
<u>Malaysian</u>				
- current year	73,070,889	62,269,501	5,962,000	4,989,000
- prior years	2,805,324	(2,668,411)	159,171	151,208
	75,876,213	59,601,090	6,121,171	5,140,208

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 22. INCOME TAX EXPENSE (Cont'd)

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM
Deferred tax expense: -				
Relating to origination and reversal of temporary differences	109,500	1,240,000	-	-
Effect of changes in Real Property Gain Tax tax rate	21,075,200	-	-	-
	<u>21,184,700</u>	<u>1,240,000</u>	<u>-</u>	<u>-</u>
Total income tax expense	<u>97,060,913</u>	<u>60,841,090</u>	<u>6,121,171</u>	<u>5,140,208</u>
<b>Reconciliation of tax expense: -</b>				
Profit before tax	<u>320,290,997</u>	<u>285,516,725</u>	<u>81,600,145</u>	<u>85,998,134</u>
Income tax calculated using Malaysian tax rate of 24%	76,869,840	68,288,432	19,584,035	20,639,552
Income not subject to tax	(4,800,000)	(4,351,680)	(13,680,000)	(15,696,000)
Non-deductible expenses	9,313,631	6,571,043	57,965	45,448
Tax savings arising from Investment Tax Allowance	(4,390,000)	(4,390,000)	-	-
Tax savings arising from different tax rate on increase in chargeable income	-	(1,800,000)	-	-
Utilisation of previously unrecognised tax losses	-	(808,294)	-	-
Effect of changes in Real Property Gain Tax tax rate	21,075,200	-	-	-
Under/(Over) provided in prior years	2,805,324	(2,668,411)	159,171	151,208
Others	(3,813,082)	-	-	-
Tax expense for the year	<u>97,060,913</u>	<u>60,841,090</u>	<u>6,121,171</u>	<u>5,140,208</u>

Effective from year of assessment 2019, the Real Property Gain Tax rate will be increased from 5% to 10% for properties disposed more than 5 years. The computation of deferred tax as at 31 December 2018 has been reflected these changes.

Deferred tax recognised relating to changes in Real Property Gain Tax rate.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 23. EARNINGS PER ORDINARY SHARE

#### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at the end of reporting period was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding excluding treasury shares held by the Company, calculated as follows:

	2018	Group 2017 (Restated)
Profit attributable to ordinary shareholders (RM)	223,230,084	224,675,635
Weighted average number of ordinary shares at 31 December	1,017,215,999	1,025,221,999
Basic earnings per ordinary share (sen)	21.95	21.91

#### Diluted earnings per ordinary share

There are no dilutive potential ordinary shares.

### 24. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	2018 RM	2017 RM
Additions during the year (Note 3)	33,921,266	19,302,301
Financed by hire purchase agreement	-	-
	33,921,266	19,302,301

### 25. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which offer different products and services. For each of the business segments, the Group Managing Director reviews the internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- (i) *Property development* - The development of residential and commercial properties;
- (ii) *Property investment* - Investment of real properties and hotel;
- (iii) *Investment holding* - Provision of management services to the subsidiaries; and
- (iv) *Car park operation* - Car park management services

Other non-reportable segments comprise operations mainly related to sales of construction materials. None of these segments met the quantitative thresholds for reporting segments in 2018 and 2017.

Performance is measured based on revenue and operating profit as the management believes that such information is the most relevant in evaluating the results of the operation.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are mutually agreed upon.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 25. OPERATING SEGMENTS (Cont'd)

#### Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal management reports that are reviewed by the Group Managing Director. Segment total asset is used to measure the return of assets of each segment.

#### Segment liabilities

Segment liabilities information is also included in the internal management reports provided to the Group Managing Director.

#### Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and investment properties.

Group	Property development RM	Property investment RM	Carpark operation RM	Investment holding RM	Others RM	Elimination RM	Total RM
<b>2018</b>							
<i>Revenue</i>							
<i>External sales</i>							
- Sales of properties	544,283,206	-	-	-	1,141,620	-	545,424,826
- Rental income	-	92,398,012	-	-	-	(120,000)	92,278,012
- Hotel, food and beverage	-	67,201,872	-	-	-	-	67,201,872
- Carpark income	-	-	5,300,676	-	-	-	5,300,676
Inter-segment	-	-	-	58,010,000	-	(58,010,000)	-
	<u>544,283,206</u>	<u>159,599,884</u>	<u>5,300,676</u>	<u>58,010,000</u>	<u>1,141,620</u>	<u>(58,130,000)</u>	<u>710,205,386</u>
<i>Other income</i>							
- Fair value adjustment	-	10,000,000	-	-	-	268,000	10,268,000
- Rental income	5,142,947	-	-	-	-	-	5,142,947
- Others	11,843,744	1,002,691	80,280	111	-	-	12,926,826
Inter-segment	1,186,986	3,296	23,575	25,989,786	-	(27,203,643)	-
	<u>18,173,677</u>	<u>11,005,987</u>	<u>103,855</u>	<u>25,989,897</u>	<u>-</u>	<u>(26,935,643)</u>	<u>28,337,773</u>
<i>Results</i>							
Segment results	223,276,426	100,767,592	4,730,785	82,816,817	(24,664)	(84,203,644)	327,363,312
Finance cost							(7,072,315)
Income tax							(97,060,913)
Net profit for the year							<u>223,230,084</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 25. OPERATING SEGMENTS (Cont'd)

Group	Property development RM	Property investment RM	Carpark operation RM	Investment holding RM	Others RM	Elimination RM	Total RM
<u>Other information</u>							
Segment assets	2,478,745,525	905,018,244	4,043,126	1,086,429,202	340,096	(1,223,019,367)	3,251,556,826
Consolidated total assets							3,251,556,826
Segment liabilities	1,275,774,016	69,054,933	439,173	133,023,038	462,460	(1,042,485,153)	436,268,467
Consolidated total liabilities							436,268,467
Capital expenditure	18,335,482	15,585,142	642	-	-	-	33,921,266
Depreciation of property, plant and equipment	2,155,866	7,586,762	119,915	-	-	-	9,862,543
<b>2017 (Restated)</b>							
<u>Revenue</u>							
<u>External sales</u>							
- Sales of properties	529,581,970	-	-	-	1,958,859	-	531,540,829
- Rental income	-	85,846,114	-	-	-	(120,000)	85,726,114
- Hotel, food and beverage	-	75,188,123	-	-	-	-	75,188,123
- Carpark income	-	-	5,048,462	-	-	-	5,048,462
Inter-segment	-	-	-	66,387,000	-	(66,387,000)	-
	529,581,970	161,034,237	5,048,462	66,387,000	1,958,859	(66,507,000)	697,503,528
<u>Other income</u>							
- Fair value adjustment	-	20,500,000	-	-	-	(1,868,000)	18,632,000
- Rental income	6,699,723	-	-	-	-	(822,245)	5,877,478
- Others	10,502,555	739,178	94,843	-	-	-	11,336,576
Inter-segment	936,073	3,444	3,797	21,656,715	-	(22,600,029)	-
	18,138,351	21,242,622	98,640	21,656,715	-	(25,290,274)	35,846,054
<u>Results</u>							
Segment results	179,152,857	109,575,898	4,529,856	86,943,935	(17,276)	(89,868,029)	290,317,241
Finance cost							(4,800,516)
Income tax							(60,841,090)
Net profit for the year							224,675,635
<u>Other information</u>							
Segment assets	2,104,574,379	830,393,564	6,247,836	926,414,978	125,699	(966,690,155)	2,901,066,301
Consolidated total assets							2,901,066,301
Segment liabilities	986,283,788	60,881,973	4,378,830	40,602,533	219,514	(791,243,867)	301,122,771
Consolidated total liabilities							301,122,771
Capital expenditure	740,084	17,421,796	1,140,421	-	-	-	19,302,301
Depreciation of property, plant and equipment	1,404,905	7,447,892	25,136	-	-	-	8,877,933

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

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

#### 31 December 2018

- (i) Financial assets measured at amortised cost ('FAAC')  
 (ii) Financial liabilities measured at amortised cost ('FLAC')

		Group		Company	
	Note	Carrying amount RM	FAAC (FLAC) RM	Carrying amount RM	FAAC (FLAC) RM
<b>31 December 2018</b>					
<b>Financial assets</b>					
Trade and other receivables, exclude prepayments	7	105,583,403	105,583,403	-	-
Amount due by subsidiaries	9	-	-	910,812,000	910,812,000
Cash and bank balances	10	296,867,382	296,867,382	94,834	94,834
		<u>402,450,785</u>	<u>402,450,785</u>	<u>910,906,834</u>	<u>910,906,834</u>
<b>Financial liabilities</b>					
Trade and other payables	16	(167,063,551)	(167,063,551)	(164,640)	(164,640)
Amount due to subsidiaries	9	-	(130,797,777)	(130,797,777)	
Loans and borrowings	13	(169,594,320)	(169,594,320)	-	-
		<u>(336,657,871)</u>	<u>(336,657,871)</u>	<u>(130,962,417)</u>	<u>(130,962,417)</u>
<b>31 December 2017</b>					
<b>Financial assets</b>					
Trade and other receivables, exclude prepayments	7	90,712,267	90,712,267	-	-
Amount due by subsidiaries	9	-	-	750,741,086	750,741,086
Cash and bank balances	10	254,182,393	254,182,393	151,547	151,547
		<u>344,894,660</u>	<u>344,894,660</u>	<u>750,892,633</u>	<u>750,892,633</u>
<b>Financial liabilities</b>					
Trade and other payables	16	(144,057,812)	(144,057,812)	(207,588)	(207,588)
Amount due to subsidiaries	9	-	-	(38,814,824)	(38,814,824)
Loans and borrowings	13	(69,731,030)	(69,731,030)	-	-
Hire purchase payables	14	(69,721)	(69,721)	-	-
		<u>(213,858,563)</u>	<u>(213,858,563)</u>	<u>(39,022,412)</u>	<u>(39,022,412)</u>

#### (b) Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. FINANCIAL INSTRUMENTS (Cont'd)

#### (c) Credit risk

Credit risk is the risk of a financial loss to the Group 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 its receivables from customers. There are no significant changes as compared to prior periods. 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.

#### (i) Trade Receivables

##### ***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 assess 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. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

##### ***Exposure to credit risk***

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.

##### ***Concentration of credit risk***

The exposure to credit risk for trade receivables (Note 7) by operating segments was as follows:

	2018 RM	2017 RM
<b>Operating segments</b>		
Property development	82,559,255	71,064,360
Property investment	3,094,767	4,966,866
Others	8,107	21,225
	85,662,129	76,052,451

#### (i) Credit risk arising from property development

The Group does not have any significant credit risk as its services and products are predominantly rendered and sold to a large number of customers using financing from reputable end-financiers. Credit risks with respect to trade receivables are limited as the ownership and rights to the properties revert to the Group in the event of default.

#### (ii) Credit risk arising from property investment

Credit risk arising from outstanding receivables from tenants is minimised by closely monitoring the limit granted to the tenants and their credit worthiness. In addition, the tenants have placed security deposits with the Group which act as collateral.

As at 31 December 2018, the carrying amount of the security deposits is approximately RM7,800,000 (2017: RM7,900,000).

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. FINANCIAL INSTRUMENTS (Cont'd)

#### (c) Credit risk (Cont'd)

##### (i) Trade Receivables (Cont'd)

The Group does not have any significant exposure to any individual or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

	Property development RM	Property investment RM	Others RM	Total
<b>2018</b>				
Current (Not past due)	25,962,359	667,325	8,107	26,637,791
Past due 1 to 30 days	17,881,944	1,395,637	-	19,277,581
Past due 31 to 60 days	10,173,496	1,031,805	-	11,205,301
Past due 61 to 90 days	5,771,309	-	-	5,771,309
Past due 91 to 120 days	4,982,575	-	-	4,982,575
Past due more than 121 days	17,787,573	-	-	17,787,573
	82,559,255	3,094,767	8,107	85,662,129
<b>2017</b>				
Current (Not past due)	24,023,840	2,689,638	-	26,713,478
Past due 1 to 30 days	18,299,665	2,277,228	21,225	20,598,118
Past due 31 to 60 days	12,736,285	-	-	12,736,285
Past due 61 to 90 days	3,790,612	-	-	3,790,612
Past due 91 to 120 days	2,497,263	-	-	2,497,263
Past due more than 121 days	9,716,695	-	-	9,716,695
	71,064,360	4,966,866	21,225	76,052,451

No allowance for impairment for trade receivables that are neither past due nor credit impaired based on the Group's historical credit loss experience and forecast of economic conditions.

The Group's trade receivables that are past due but not credit impaired are relate to customers for which there is low probability that the receivables are not fully recoverable.

##### (ii) Cash and cash equivalents

The cash and cash equivalents are mainly held with bank and financial institution counterparties, which are licensed by Bank Negara Malaysia under Financial Services Act 2013. 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.

Impairment on cash and cash equivalents has been measured on the 12-months expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the creditworthiness of the counterparties.

##### (iii) Other receivables

Credit risk on other receivables are mainly arising from sundry debtors and deposits receivables. The Group monitors the repayment on an individual basis.

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.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. FINANCIAL INSTRUMENTS (Cont'd)

#### (c) Credit risk (Cont'd)

##### (iv) 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 loan on an individual basis by using internal information available.

###### **Exposure to credit risk**

The maximum exposure to credit risk is the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

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

##### (v) 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 results of the subsidiaries regularly.

###### **Exposure to credit risk**

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.

###### **Impairment losses**

Generally, the Company consider amounts due from fellow subsidiaries as low credit risk. As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable.

#### (d) 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, loans and borrowings.

The Group and the Company actively manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. FINANCIAL INSTRUMENTS (Cont'd)

#### (d) Liquidity risk (Cont'd)

##### **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 2018	Note	Carrying amount RM	Contractual interest rate	Contractual cash flows RM	Under 1 year RM	1-5 years RM	Over 5 years RM
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	167,063,551		167,063,551	138,900,689	28,162,862	-
Revolving credit	13	139,000,000	4.79%	158,974,300	24,033,100	134,941,200	-
Term loans	13	30,594,320	4.77%	38,500,250	8,167,915	21,051,935	9,280,400
		<u>336,657,871</u>		<u>364,538,101</u>	<u>171,101,704</u>	<u>184,155,997</u>	<u>9,280,400</u>
<b>2017</b>							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	144,057,812	-	144,057,812	116,474,764	27,583,048	-
Revolving credit	13	5,383,332	3.81%	5,625,582	5,625,582	-	-
Term loans	13	64,347,698	4.77%	75,596,879	22,327,406	35,953,754	17,315,719
Hire purchase payables	14	69,721	3.60%	72,719	72,719	-	-
		<u>213,858,563</u>		<u>225,280,273</u>	<u>144,427,752</u>	<u>63,536,802</u>	<u>17,315,719</u>
<b>Company 2018</b>							
<i>Non-derivative financial liabilities</i>							
Other payables	16	164,640	-	164,640	164,640	-	-
Amount due to subsidiaries	9	130,797,777	3.33%	130,797,777	130,797,777	-	-
		<u>130,962,417</u>		<u>130,962,417</u>	<u>130,962,417</u>	<u>-</u>	<u>-</u>
<b>2017</b>							
<i>Non-derivative financial liabilities</i>							
Other payables	16	207,588	-	207,588	207,588	-	-
Amount due to subsidiaries	9	38,814,824	3.08%	38,814,824	38,814,824	-	-
		<u>39,022,412</u>		<u>39,022,412</u>	<u>39,022,412</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. FINANCIAL INSTRUMENTS (Cont'd)

#### (e) Market risk

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

#### Interest rate risk

The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

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

The Company managed interest rate risk through effective use of its floating and fixed rate debts.

#### *Exposure to interest rate risk*

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

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
<b>Fixed rate instruments</b>					
Financial assets	10	186,676,478	142,423,841	-	-
Financial liabilities	14	-	(69,721)	-	-
		<u>186,676,478</u>	<u>142,354,120</u>	<u>-</u>	<u>-</u>
<b>Floating rate instruments</b>					
Financial liabilities	13	(169,594,320)	(69,731,030)	(130,797,778)	(38,814,824)

#### *Interest rate risk sensitivity analysis*

- Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.
- Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points ("bp") in interest rates during the reporting period would have increased/ (decreased) Group and Company's pre-tax profit or loss by RM1,696,000 and RM1,308,000 (2017: RM697,300 and RM388,000) respectively.

#### (f) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables, amount due by/(to) subsidiaries and short-term borrowings approximate fair values due to the relatively short-term nature of these financial instruments.

The carrying amount of the current portion of loans and borrowings are reasonable approximate of fair value due to the insignificant impact of discounting.

The carrying amount of the non-current portion of term loans that carry floating interest rates approximate their fair value as they are re-priced to market interest rates on or near the reporting date. The carrying amount of long-term deposits and hire purchase payables that carry fixed interest rates approximate their fair values as the impact of discounting is not material.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt comprises borrowings and trade and other payables, less cash and bank balances whereas total capital comprises the equity attributable to equity holders of the Company.

The gearing ratios were as follows:

		Group		Company	
	Note	2018 RM	2017 RM (Restated)	2018 RM	2017 RM
Trade and other payables	16	167,063,551	144,057,812	164,640	207,588
Amount due to subsidiaries	9	-	-	130,797,777	38,814,824
Loans and borrowings	13	169,594,320	69,731,030	-	-
Hire purchase payables	14	-	69,721	-	-
Less: Cash and cash equivalents	10	(296,867,382)	(254,182,393)	(94,834)	(151,547)
Net debt		39,790,489	(40,323,830)	130,867,583	38,870,865
Total capital		2,815,288,359	2,599,943,530	953,406,164	885,812,445
Capital and net debt		2,855,078,848	2,559,619,700	1,084,273,747	924,683,310
<b>Gearing ratio</b>		1.39%	-1.58%	12.07%	4.20%

There was no change in the Group's approach to capital management during the financial year.

The Group is not subject to any externally imposed capital requirements.

### 28. COMMITMENTS

#### (i) Capital commitments

This represents the balance of the contracted purchase price of land.

	2018 RM	Group 2017 RM
Capital expenditure: Contracted but not provided for: Leasehold land	7,800,000	7,800,000

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 28. COMMITMENTS (Cont'd)

#### (ii) Operating lease arrangements (as lessor)

The Group has entered into non-cancellable operating leases agreements on its investment property. The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2018 RM	Group 2017 RM
Not later than 1 year	3,489,665	22,004,793
Later than 1 year but not later than 5 years	29,047,352	45,351,411
	32,537,017	67,356,204
	32,537,017	67,356,204

### 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 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 or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries, significant investors, directors and key management personnel.

#### Significant related party transactions

The significant related party transactions of the Group and the Company are shown below:

	2018 RM	Group 2017 RM
<b>A. Companies in which certain directors have interest</b>		
Rental receivable from:		
- Harapan Terang Motor Sdn. Bhd. (a)	20,400	20,400
- Bestari Bestmart Sdn. Bhd. (b)	1,976,400	1,976,400
Rental payable to:		
- Bintang-Bintang Sdn. Bhd. (c)	200,000	200,000
	200,000	200,000
	200,000	200,000
<b>B. Key management personnel</b>		
<i>Directors</i>		
- Remuneration	38,431,000	38,411,000
- Social security contributions	9,334	9,238
- Contribution to state plans	6,605,600	6,615,800
	45,045,934	45,036,038
	45,045,934	45,036,038

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 29. RELATED PARTIES (Cont'd)

#### Significant related party transactions (Cont'd)

	Company	
	2018	2017
	RM	RM
<b>A. Subsidiary companies</b>		
Management fees receivable from subsidiaries	1,010,000	987,000
Loan interest receivable from subsidiaries	25,989,786	21,656,715
Loan interest payable to subsidiaries	1,213,857	943,314
Dividend receivable from subsidiaries	57,000,000	65,400,000
	809,059	787,037
<b>B. Key management personnel</b>		
Directors		
- Remuneration	701,000	681,000
- Social security contributions	2,939	3,317
- Contribution to state plans	105,120	102,720
	809,059	787,037

Note:

- (a) In which Ku Tien Sek has interest.
- (b) In which Ku Hwa Seng has interest.
- (c) In which Khoo Cheng Hai @ Ku Cheng Hai, Ku Hwa Seng, Ku Tien Sek and directors of certain subsidiary companies, Ku Wa Chong, Ku Keng Leong, Ku Ek Mei, Ku Keng Yaw have interest.

Significant related party balances related to the above transactions are disclosed in respective notes.

### 30. EXPLANATION OF TRANSITION TO MFRSS

As stated in Note 2(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRS, including MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards, MFRS 9 Financial Instruments and MFRS 15 Revenue from Contracts with Customer. For periods up to and including the year ended 31 December 2017, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS Framework").

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2018, the comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening MFRS statement of financial position at 1 January 2017 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have financial impact to the separate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2017, the Group has adjusted amounts reported previously in financial statements prepared in accordance with FRSs. An explanation of how the transition from FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 30. EXPLANATION OF TRANSITION TO MFRSS (Cont'd)

#### (a) Reconciliation of financial position

	FRSs RM	Group Effect of transition to MFRSs RM 1 January 2017	MFRS RM	FRSs RM	Group Effect of transition to MFRSs RM 31 December 2017	MFRS RM
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	141,258,134	-	141,258,134	151,681,177	-	151,681,177
Land held for property development	700,551,512	(700,551,512)	-	759,541,893	(759,541,893)	-
Investment properties	740,940,784	-	740,940,784	789,038,543	-	789,038,543
Inventories	-	646,627,920	646,627,920	-	700,934,005	700,934,005
	<u>1,582,750,430</u>	<u>(53,923,592)</u>	<u>1,528,826,838</u>	<u>1,700,261,613</u>	<u>(58,607,888)</u>	<u>1,641,653,725</u>
<b>CURRENT ASSETS</b>						
Property development costs	357,268,260	(357,268,260)	-	465,176,403	(465,176,403)	-
Inventories	359,837,464	347,834,738	707,672,202	328,079,222	452,206,745	780,285,967
Trade and other receivables	501,669,914	(52,360,140)	449,309,774	224,944,216	(133,907,778)	91,036,438
Contract assets	-	52,360,140	52,360,140	-	133,907,778	133,907,778
Amount due by subsidiaries	-	-	-	-	-	-
Current tax assets	-	-	-	-	-	-
Cash and bank balances	42,944,084	-	42,944,084	254,182,393	-	254,182,393
	<u>1,261,719,722</u>	<u>(9,433,522)</u>	<u>1,252,286,200</u>	<u>1,272,382,234</u>	<u>(12,969,658)</u>	<u>1,259,412,576</u>
<b>TOTAL ASSETS</b>	<u>2,844,470,152</u>	<u>(63,357,114)</u>	<u>2,781,113,038</u>	<u>2,972,643,847</u>	<u>(71,577,546)</u>	<u>2,901,066,301</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 30. EXPLANATION OF TRANSITION TO MFRSS (Cont'd)

#### (a) Reconciliation of financial position (Cont'd)

	FRSs RM	Group Effect of transition to MFRSs RM 1 January 2017	MFRS RM	FRSs RM	Group Effect of transition to MFRSs RM 31 December 2017	MFRS RM
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>						
Share capital	518,754,200	-	518,754,200	518,754,200	-	518,754,200
Reserves	1,832,991,486	28,992,673	1,861,984,159	2,048,093,003	33,021,327	2,081,114,330
<b>TOTAL EQUITY</b>	<b>2,351,745,686</b>	<b>28,992,673</b>	<b>2,380,738,359</b>	<b>2,566,847,203</b>	<b>33,021,327</b>	<b>2,599,868,530</b>
<b>NON-CURRENT LIABILITIES</b>						
Other payables	128,090,689	(102,507,713)	25,582,976	143,452,218	(115,817,713)	27,634,505
Loans and borrowings	68,975,741	-	68,975,741	42,789,350	-	42,789,350
Hire purchase payables	70,979	-	70,979	-	-	-
Deferred tax liabilities	36,962,039	10,157,926	47,119,965	37,216,125	11,218,840	48,434,965
	<b>234,099,448</b>	<b>(92,349,787)</b>	<b>141,749,661</b>	<b>223,457,693</b>	<b>(104,598,873)</b>	<b>118,858,820</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	152,671,869	(32,244,460)	120,427,409	142,231,631	(25,808,324)	116,423,307
Contract liabilities	-	32,244,460	32,244,460	-	25,808,324	25,808,324
Loans and borrowings	90,093,634	-	90,093,634	26,941,680	-	26,941,680
Hire purchase payables	71,773	-	71,773	69,721	-	69,721
Current tax liabilities	15,787,742	-	15,787,742	13,095,919	-	13,095,919
	<b>258,625,018</b>	<b>-</b>	<b>258,625,018</b>	<b>182,338,951</b>	<b>-</b>	<b>182,338,951</b>
<b>TOTAL LIABILITIES</b>	<b>492,724,466</b>	<b>(92,349,787)</b>	<b>400,374,679</b>	<b>405,796,644</b>	<b>(104,598,873)</b>	<b>301,197,771</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,844,470,152</b>	<b>(63,357,114)</b>	<b>2,781,113,038</b>	<b>2,972,643,847</b>	<b>(71,577,546)</b>	<b>2,901,066,301</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 30. EXPLANATION OF TRANSITION TO MFRSS (Cont'd)

- (b) Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2017

	FRSs RM	Group Effect of transition to MFRSS RM	MFRSS RM
REVENUE	697,503,528	-	697,503,528
COST OF SALES	(302,269,303)	5,089,568	(297,179,735)
GROSS PROFIT	395,234,225	5,089,568	400,323,793
ADD: OTHER INCOME	35,846,054	-	35,846,054
LESS: DISTRIBUTION EXPENSES	(39,478,886)	-	(39,478,886)
LESS: ADMINISTRATIVE EXPENSES	(106,352,913)	-	(106,352,913)
LESS: OTHER EXPENSES	(20,807)	-	(20,807)
LESS: FINANCE COSTS	(4,800,516)	-	(4,800,516)
PROFIT BEFORE TAX	280,427,157	5,089,568	285,516,725
INCOME TAX EXPENSE	(59,855,176)	(985,914)	(60,841,090)
PROFIT FOR THE YEAR	220,571,981	4,103,654	224,675,635
OTHER COMPREHENSIVE INCOME	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	220,571,981	4,103,654	224,675,635
EARNINGS PER ORDINARY SHARE (SEN):-			
Basic	21.51	-	21.91

- (c) Material adjustments to the statements of cash flows for 2017

There are no material differences between the statement of cash flows presented under MFRSSs and the statement of cash flows presented under FRSs

- (d) Provision for foreseeable losses for low cost housing

Under the previous standards, the Group recognised upfront the provision for foreseeable losses for anticipated losses to be incurred on the development of involuntary low cost housing as required by approving authorities.

The application of the above is in accordance to FRSIC Consensus 17: Development of Affordable Housing ("FRSIC 17") issued by Malaysian Institute of Accountants ("MIA").

MFRS 15 requires the accounting to be done on a contract basis. Pursuant to the clarification on the use to FRSIC 17 on 7 March 2018, it stated that FRSIC 17 is no longer relevant upon the adoption of MFRS framework. Hence, the Group's provision for foreseeable losses and the corresponding property development assets have been significantly reduced.

- (e) Upon adoption of MFRSSs in current financial year, certain comparatives figures have been reclassified to conform with current period's presentation.

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