# RESETTING OUR STRATEGIES

ANNUAL REPORT 2019

# what's Inside

## CORPORATE INFORMATION



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## RESETTING OUR STRATEGIES

Remaining steadfast and with optimism to confront changes on the horizon, KUB's faith after weathering the storm is to continue thriving despite the challenges. By resetting our strategies, the Group has placed itself on a stronger foundation to reap future success.

As part of our sustainability initiatives, KUB Malaysia Berhad is reducing the print run of all publication. We encourage you to visit our Annual Report microsite at www.kub.com/annualreport2019 to download, retrieve and view the annual report at your convenience.

The printed copy of the Annual Report is also available upon request by filling the requisition form available at our website and returning it to us via post or fax.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Datuk Seri Johari bin Abdul Ghani**
Chairman,
Non-Independent
Non-Executive Director

**Dato' Ab Rahim bin Abu Bakar**
Senior Independent Non-Executive
Director

**Dato' Ahmad Ibnihajar**
Independent Non-Executive
Director

**Mohammad Farish Nizar bin Othman**
Independent Non-Executive
Director

**Datuk Haji Mohd Haniff bin Haji Koslan**
Independent Non-Executive
Director

**Datuk Norliza binti Abdul Rahim**
Independent Non-Executive
Director

**Tengku Zahaimi bin Tuan Hashim**
Non-Independent Non-Executive
Director

**Megat Joha bin Megat Abdul Rahman**
Non-Independent Non-Executive
Director

**Datuk Abdul Rahim bin Mohd Zin**
President/Group Managing
Director
(resigned w.e.f. 13 December 2019)

**Tunku Alizan bin Raja Muhammad Alias**
Non-Independent Non-Executive
Director
(resigned w.e.f. 4 March 2019)

**Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego**
Non-Independent Non-Executive
Director
(resigned w.e.f. 26 February 2019)

## COMPANY SECRETARIES

**Sharina binti Saidon**
(LS 0006127/
SSM PC No. 201908002624)

**Mohamat Yusof bin Abu Bakar**
(MIA 44659/
SSM PC No. 201908002400)

## REGISTERED OFFICE

**KUB Malaysia Berhad**
**(196501000205 (6022-D))**
Level 3A, Unit 1
Capital 3, Oasis Square
Ara Damansara
Jalan PJU 1A/7A
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : +(603) 7680 9600
Fax : +(603) 7680 9777
Website : www.kub.com

## EXTERNAL AUDITORS

**Deloitte PLT**
**(LLP0010145-LCA)**
Chartered Accountants (AF 0080)
Level 16, Menara LGB
1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur

Tel : +(603) 7610 8888
Fax : +(603) 7726 8986

## STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad**
**(200301033577 (635998-W))**
Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

Market : Main Market
Stock name : KUB
Stock Code : 6874
Sector : Industrial Products
and Services

## SHARE REGISTRAR

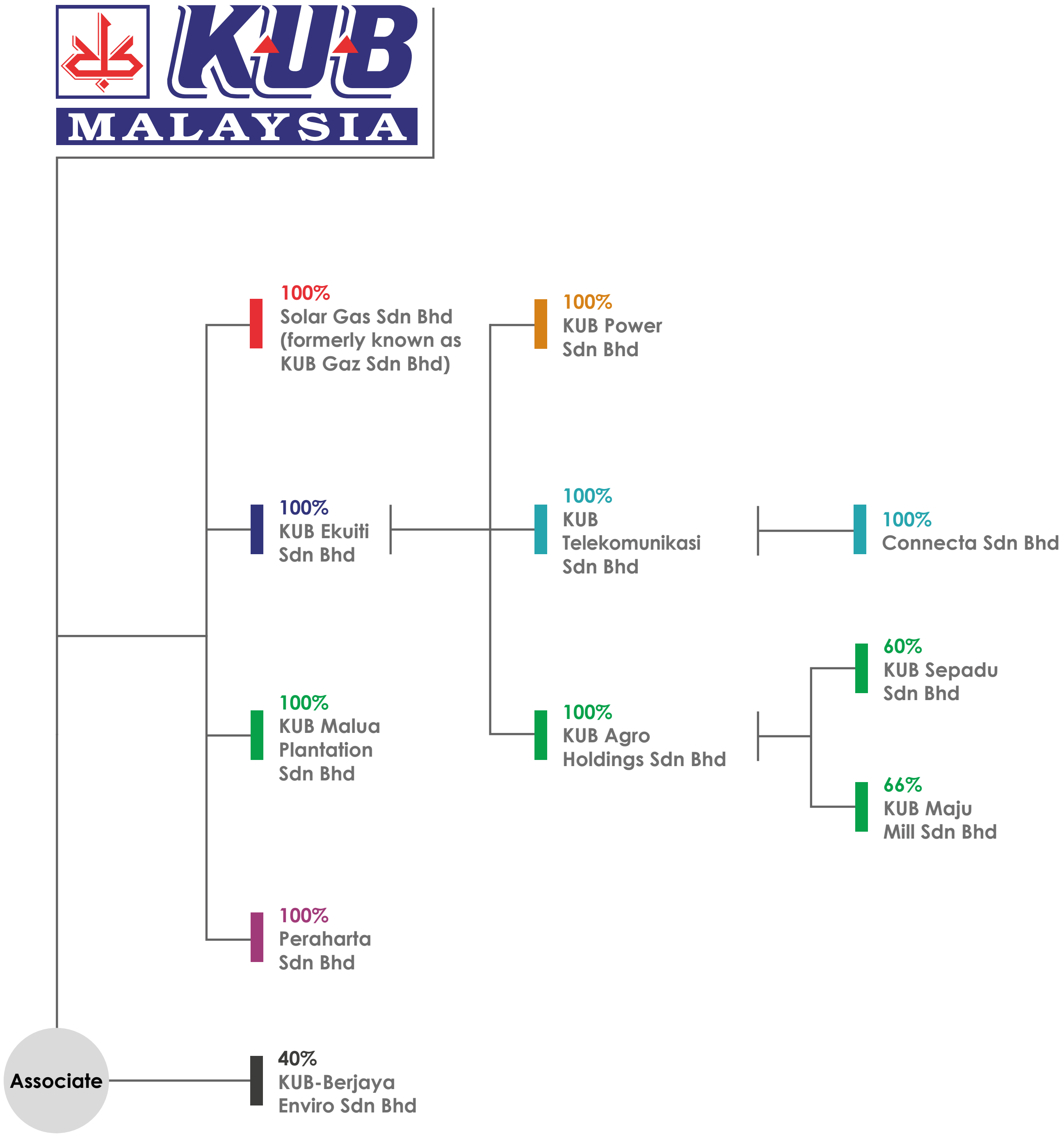
**Boardroom Share Registrars Sdn Bhd**
**(199601006647 (378993-D))**
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Section 13
46200 Petaling Jaya
Selangor Darul Ehsan

Tel : +(603) 7890 4700
Fax : +(603) 7890 4670

## PRINCIPAL BANKERS

Malayan Banking Berhad
Bank Islam Malaysia Berhad
Bank Pertanian Malaysia Berhad
(Agrobank)
Affin Bank Berhad

# CORPORATE STRUCTURE




LPG Division
Power Division
Agro Division
ICT Division
Investment Holding
Property Management

*Note: The above structure represents active companies*

# BOARD OF DIRECTORS


1. Datuk Seri Johari bin Abdul Ghani
2. Dato' Ab Rahim bin Abu Bakar
3. Dato' Ahmad Ibnihajar
4. Mohammad Farish Nizar bin Othman
5. Datuk Haji Mohd Haniff bin Haji Koslan
6. Datuk Norliza binti Abdul Rahim
7. Tengku Zahaimi bin Tuan Hashim
8. Megat Joha bin Megat Abdul Rahman

# PROFILE OF DIRECTORS

## DATUK SERI JOHARI BIN ABDUL GHANI

Chairman, Non-Independent Non-Executive Director

Malaysian (56) Male

**Date of Appointment**

4 March 2019
(re-designated as Chairman w.e.f. 1 April 2019)

**Length of Service**

1 Year and 1.75 Months

**Board Committee Membership**

Chairman, Board Nomination Committee
Chairman, Board Remuneration Committee

**Academic / Professional Qualification(s)**

- Chartered Accountant, Association of Chartered Certified Accountants, United Kingdom

**Working Experience(s)**

- Former Minister of Finance II
- Accountant, Peat Marwick & Co. (now known as KPMG)

**Areas of Expertise**

- Corporate Recovery/Turnaround
- Finance
- Business Management

**Present Directorship(s)**

**Listed Entities**

- Director, C.I. Holdings Berhad

**Public Companies**

- None

**Other Companies/Bodies**

- Director, JAG Capital Holdings Sdn Bhd

**2019 BOARD MEETING ATTENDANCE**

6/6

## DATO' AB RAHIM BIN ABU BAKAR

Senior Independent Non-Executive Director

Malaysian (68) Male

**Date of Appointment**

5 August 2013

**Length of Service**

6 Years and 9 Months

**Board Committee Membership**

Chairman, Board Risk Management Committee
Member, Board Nomination Committee
Member, Employee Share Option Scheme Committee

**Academic / Professional Qualification(s)**

- Bachelor of Electrical Engineering, NED University of Engineering and Technology

**Working Experience(s)**

- General Manager, Marketing and Project Division, EPE Power Corporation Berhad
- General Manager (Commercial), Schneider Electric
- General Manager, Arab Malaysian SGB
- President, Persatuan Usahawan Tenaga Malaysia
- President, Bumiputera Manufacturers and Services
- President, Pahang Malay Chamber of Commerce
- Vice President, National Malay Chamber of Commerce
- Deputy President, Pahang Malays Football Association

**Areas of Expertise**

- Electrical / Power Engineering
- Manufacturing
- Contracting
- Construction
- Oil and Gas

**Present Directorship(s)**

**Listed Entities**

- None

**Public Companies**

- None

**Other Companies/Bodies**

- Director, Subsidiary/Associate Company of KUB
- Chief Executive Officer, Nouva ASP (M) Sdn Bhd (a subsidiary of BARTEC Group International)
- Chairman, Tech-Store Sdn Bhd
- Chairman, Anzeco Power Range Sdn Bhd
- Treasurer General, Persatuan Kebajikan Anak-anak Pahang Di Ibu Kota
- Council Advisory, Bumiputera Manufacturers and Services Industry Association of Malaysia

**2019 BOARD MEETING ATTENDANCE**

7/7

# PROFILE OF DIRECTORS

## DATO' AHMAD IBNIHAJAR
Independent Non-Executive Director

Malaysian (70) Male

**Date of Appointment**

27 November 2015

**Length of Service**

4 Years and 5 Months

**Board Committee Membership**

- Member, Board Nomination Committee
- Member, Board Remuneration Committee

**Academic / Professional Qualification(s)**

- Bachelor of Economics (Business Administration), University of Malaya
- Fellow of the Chartered Institute of Logistics and Transport, Malaysia

**Working Experience(s)**

- Board of Governors, Universiti Sains Malaysia
- Chairman, D'Nonce Technology Berhad from 2000 to 2018
- Chairman, Commerce Assurance Berhad from 2001 to 2005
- Director, Malaysian Resources Corporation Berhad from 2000 to 2013
- Managing Director, Penang Port Sdn Bhd from 1999 to 2013
- Director, PW Consolidated Berhad from 1997 to 2004
- Director, Bumiputera Technology Venture Capital Sdn Bhd from 1996 to 2008
- Managing Director, Bumiputera Technology Venture Capital Management Sdn Bhd from 1996 to 2008
- Managing Director, Taiping Securities Sdn Bhd from 1996 to 1999
- Executive Director, WM Svene-Nor JV Sdn Bhd from 1991 to 1993
- Managing Director, United Traders Securities Sdn Bhd from 1984 to 1991
- Branch Manager, Malayan Banking Berhad from 1980 to 1984
- Forex Dealer and Portfolio Manager, Malayan Banking Berhad, London from 1976 to 1979

**Areas of Expertise**

- Banking
- Investment
- Management
- Leadership

**Present Directorship(s)**

| Listed Entities | Public Companies |
|---|---|
| • None | • None |

**Other Companies/Bodies**

- Director, Associate Company of KUB
- Chairman, Heirs Corporation Sdn Bhd since 1991
- Chairman, Penang Sentral Sdn Bhd

**2019 BOARD MEETING ATTENDANCE**

7/7

## MOHAMMAD FARISH NIZAR BIN OTHMAN
Independent Non-Executive Director

Malaysian (48) Male

**Date of Appointment**

27 November 2015

**Length of Service**

4 Years and 5 Months

**Board Committee Membership**

- Chairman, Board Audit Committee
- Member, Employee Share Option Scheme Committee

**Academic / Professional Qualification(s)**

- Bachelor of Accountancy (Honours), International Islamic University of Malaysia
- Member, Malaysian Institute of Accountants
- Member, Chartered Institute of Management Accountants

**Working Experience(s)**

- Director, Advisory and Value-Added Services, Malaysian Technology Development Corporation
- General Manager, Business Development and Tender Coordination, Scomi Engineering Berhad
- Messrs. KPMG Kuala Lumpur, Chartered Accountant from 2002 to 2004
- Messrs. PricewaterhouseCoopers Kuala Lumpur, Chartered Accountant from 1996 to 2000

**Areas of Expertise**

- Finance
- Accounting
- Strategic Management
- Corporate Governance

**Present Directorship(s)**

| Listed Entities | Public Companies |
|---|---|
| • None | • None |

**Other Companies/Bodies**

- Director, Corporate Services of Malaysian Technology Development Corporation

**2019 BOARD MEETING ATTENDANCE**

5/7

# PROFILE OF DIRECTORS

## DATUK HAJI MOHD HANIFF BIN HAJI KOSLAN
Independent Non-Executive Director

Malaysian (61) Male

**Date of Appointment**

25 August 2016

**Length of Service**

3 Years and 8 Months

**Board Committee Membership**

- Member, Board Audit Committee

**Academic / Professional Qualification(s)**

- International Executive Master of Business Administration, Paris Graduate School of Management, France
- Certified International Project Manager & Fellow, American Academy of Project Management
- Registered Business Analyst & Fellow, American Academy of Financial Management

**Working Experience(s)**

- President, Ranhill Corporation Sdn Bhd from 1998 to 2000
- Executive Director, Bridgecon Holdings Berhad from 1997 to 1998
- Executive Director, Kumpulan KKHM Sdn Bhd from 1989 to1997
- Tax Consultant, Messrs. Aidid & Co from 1986 to 1989
- Tax Consultant, Messrs. K.K San Liew & Loke from 1984 to 1986
- Tax Assistant, Jabatan Hasil Dalam Negeri (now known as Inland Revenue Board of Malaysia) from 1980 to 1984

**Areas of Expertise**

- Property Development
- Construction
- Taxation
- Business Strategies
- Management

**Present Directorship(s)**

| Listed Entities | Public Companies |
|---|---|
| • None | • None |

**Other Companies/Bodies**

- None

**2019 BOARD MEETING ATTENDANCE**

7/7

## DATUK NORLIZA BINTI ABDUL RAHIM
Independent Non-Executive Director

Malaysian (51) Female

**Date of Appointment**

28 August 2018

**Length of Service**

1 Year and 8 Months

**Board Committee Membership**

- Member, Board Risk Management Committee
- Member, Board Remuneration Committee

**Academic / Professional Qualification(s)**

- Bachelor of Commerce and Management (majoring in accounting), Lincoln University
- Diploma in Accountancy, Politeknik Ungku Omar

**Working Experience(s)**

- Chairman, Mutiara.com from 2015 to 31 July 2018
- Board Member, JKP Sdn Bhd, Penang from 2013 to 31 July 2018
- Member of Dewan Negara (Senator) from May 2011 to May 2017
- Assistant Director, State Housing Office, Penang from 1992 to1996

**Areas of Expertise**

- Property Development
- Construction
- Information Communication and Technology

**Present Directorship(s)**

| Listed Entities | Public Companies |
|---|---|
| • None | • None |

**Other Companies/Bodies**

- General Manager, Prime View Sdn Bhd
- Director, Koperasi Melayu Bukit Gelugor

**2019 BOARD MEETING ATTENDANCE**

6/7

# PROFILE OF DIRECTORS

## TENGKU ZAHAIMI BIN TUAN HASHIM

Non-Independent Non-Executive Director

Malaysian (51) Male

**Date of Appointment**

16 June 2015

**Length of Service**

4 Years and 10.5 Months

**Board Committee Membership**

- Member, Board Risk Management Committee

**Academic / Professional Qualification(s)**

- Bachelor of Science in Business Administration, University of Tulsa, Oklahoma, United States of America
- Associate Degree in Computer Information System, MARA Science College, Kuantan
- Professional Certificate in Financial Technical Analysis with Distinction, Open University
- Accredited full member of the Society of Technical Analyst, United Kingdom

**Working Experience(s)**

- Lead Advisor on Strategic Study Transformation Readiness initiative for the Governor of Al-Madinah, Saudi Arabia
- Regional Manager, Middle East and North Africa region based in Jeddah, Saudi Arabia
- Special Officer to the former Minister of Science, Technology and Innovation office
- Special Officer to the former Special Advisor in the Prime Minister's Department

**Areas of Expertise**

- Strategic Planning
- Consulting Services
- Information and Communication Technology
- Management

**Present Directorship(s)**

**Listed Entities**

- None

**Public Companies**

- None

**Other Companies/Bodies**

- Director, Subsidiaries of KUB
- Director, Nur Power Sdn Bhd
- Director, Nur Generation Sdn Bhd
- Director, Nur Distribution Sdn Bhd
- Director, National Aerospace and Defence Industries Sdn Bhd

**2019 BOARD MEETING ATTENDANCE**

4/7

## MEGAT JOHA BIN MEGAT ABDUL RAHMAN

Non-Independent Non-Executive Director

Malaysian (57) Male

**Date of Appointment**

4 March 2019

**Length of Service**

1 Year and 1.75 Months

**Board Committee Membership**

- Member, Board Audit Committee

**Academic / Professional Qualification(s)**

- American Institute of Certified Public Accountants, United States of America
- Degree in Accounting and Finance, Boston University, Massachusetts

**Working Experience(s)**

- Former Group CEO, Majuperak Holdings Berhad
- Chief Operating Officer cum Executive Director (Operations), Mayban Securites Sdn Bhd
- Assistant General Manager, Labuan International Financial Exchange ('LFX')
- Investigations Senior Manager for Market Supervision, Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad)
- Served Kumpulan FIMA Berhad in various capacities as Vice President for Agro-based Group and Business Development and as Executive Director and Chief Executive Officer, Percetakan Keselamatan Nasional and Security Printers, FIMA Berhad
- Messrs. KPMG Kuala Lumpur
- Messrs. KPMG Chicago, United Sates of America

**Areas of Expertise**

- Finance
- Corporate Restructuring
- Strategic Planning

**Present Directorship(s)**

**Listed Entities**

- Group Managing Director, C.I. Holdings Berhad

**Public Companies**

- Chairman, Central Cables Berhad

**Other Companies/Bodies**

- Chairman, several subsidiaries of KUB

**2019 BOARD MEETING ATTENDANCE**

5/6

**Additional information**

1. Save as disclosed below, none of the directors has any family relationship with or is related to any director and/or substantial shareholders of KUB Malaysia Berhad, or has any personal interest in any business arrangement involving the Company:

    i. JAG Capital Holdings Sdn Bhd is a substantial shareholder of KUB.

    ii. The nominee directors of JAG Capital Holdings Sdn Bhd are:
        - Datuk Seri Johari bin Abdul Ghani
        - Megat Joha bin Megat Abdul Rahman

    iii. Anchorscape Sdn Bhd, a wholly-owned subsidiary of Gaya Edisi Sdn Bhd, is also a substantial shareholder of KUB.

    iv. The nominee Director of Gaya Edisi Sdn Bhd is Tengku Zahaimi bin Tuan Hashim.

2. None of the directors has been convicted for offences within the past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year other than traffic offences, if any.

3. The details of directors' attendance at Board meetings held in the financial year ended 31 December 2019 are set out in the **Profile of Directors** in this Annual Report.

# BOARD COMMITTEES

| BOARD AUDIT COMMITTEE | APPOINTED WITH EFFECT FROM (W.E.F.) |
|---|---|
| 1. Mohammad Farish Nizar bin Othman (Chairman) | 27/11/2015 |
| 2. Datuk Haji Mohd Haniff bin Haji Koslan | 27/02/2018 |
| 3. Megat Joha bin Megat Abdul Rahman | 01/04/2019 |
| 4. Dato' Ab Rahim bin Abu Bakar (resigned w.e.f. 01/04/2019) | 29/06/2015 |
| 5. Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego (resigned w.e.f. 26/02/2019) | 27/11/2015 |

| BOARD NOMINATION COMMITTEE | |
|---|---|
| 1. Datuk Seri Johari bin Abdul Ghani (Chairman) | 01/04/2019 |
| 2. Dato' Ab Rahim bin Abu Bakar | 01/04/2019 |
| 3. Dato' Ahmad Ibnihajar | 01/04/2019 |

| BOARD REMUNERATION COMMITTEE | |
|---|---|
| 1. Datuk Seri Johari bin Abdul Ghani (Chairman) | 01/04/2019 |
| 2. Dato' Ahmad Ibnihajar | 01/04/2019 |
| 3. Datuk Norliza binti Abdul Rahim | 01/04/2019 |

| BOARD RISK MANAGEMENT COMMITTEE | |
|---|---|
| 1. Dato' Ab Rahim bin Abu Bakar (Chairman) | 21/10/2014 |
| 2. Datuk Norliza binti Abdul Rahim | 01/04/2019 |
| 3. Tengku Zahaimi bin Tuan Hashim | 01/04/2019 |
| 4. Mohammad Farish Nizar bin Othman (resigned w.e.f. 01/04/2019) | 27/11/2015 |
| 5. Datuk Haji Mohd Haniff bin Haji Koslan (resigned w.e.f. 01/04/2019) | 27/02/2018 |
| 6. Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego (resigned w.e.f. 26/02/2019) | 29/05/2012 |

| BOARD EMPLOYEE SHARE OPTION SCHEME COMMITTEE | |
|---|---|
| 1. Dato' Ab Rahim bin Abu Bakar | 21/10/2014 |
| 2. Mohammad Farish Nizar bin Othman | 30/05/2016 |
| 3. Tunku Alizan bin Raja Muhammad Alias (Chairman) (resigned w.e.f. 04/03/2019) | 28/08/2017 |

Note 1: The Board Nomination and Remuneration Committee was dissolved on 1 April 2019 and replaced with the Board Nomination Committee and the Board Remuneration Committee on the same date.

Note 2: The Board Investment Committee was dissolved on 1 April 2019.

# PROFILE OF SENIOR MANAGEMENT

## AHMED FAIRUZ BIN ABDUL AZIZ

Group Chief Executive Officer

Malaysian (42) Male

**Date of Appointment**
13 December 2019

**Length of Service**
4.5 Months

### Qualification(s)

- Bachelor Degree in Accounting and Finance, London School of Economics, United Kingdom
- Chartered Accountant, Fellow of the Institute of Chartered Accountants in England and Wales
- Member, Malaysian Institute of Accountants

### Working Experience(s)

- Group Chief Financial Officer, KUB Malaysia Berhad (2016 to 2019)
- Group Chief Financial Officer/Head of Group Corporate Finance/Senior Manager, Group Corporate Finance, Naza Corporation Group of Companies (2008 to 2015)
- Manager, Group Corporate Finance/Executive, Investment Banking Division, CIMB Investment Bank Berhad (2005 to 2008)
- Senior Associate 1, Messrs. Ernst & Young (2002 to 2005)
- Associate, Messrs. Arthur Andersen & Co. (2001 to 2002)

### Areas of Expertise

- Financial Reporting
- Corporate Finance
- Treasury
- Tax
- Advisory and Audit

### Present Directorship(s)

**Listed Entities**

- Pos Malaysia Berhad

**Public Companies**

- None

## DR. BADRULHISHAM BIN MOHD GHAZALI

Chief Executive Officer, KUB Telekomunikasi Sdn Bhd

Malaysian (45) Male

**Date of Appointment**
17 March 2020

**Length of Service**
1.5 Months

### Qualification(s)

- Doctorate in Mechanical Engineering, University of Adelaide, Australia
- Bachelor Degree in Mechanical Engineering (1st Class Honours), University of Adelaide, Australia

### Working Experience(s)

- Assistant Vice President Strategic Planning and Performance Management, KUB Malaysia Berhad (2016 to 2019)
- Director/Consultant, Timur Axis Sdn Bhd (2015 to 2016)
- Chief Executive Officer, CMS Consortium Ecotour Sdn Bhd (2014 to 2015)
- Head, Export and Group Corporate Strategy, Proton Holdings Berhad (2012 to 2014)
- Head, Corporate Strategy, Proton Holdings Berhad (2008 to 2012)

### Areas of Expertise

- Corporate and Strategic Planning
- Business Development Management

### Present Directorship(s)

**Listed Entities**

- None

**Public Companies**

- None

# PROFILE OF SENIOR MANAGEMENT

## AZMAN BIN ABDULLAH

Chief Executive Officer, Solar Gas Sdn Bhd (formerly known as KUB Gaz Sdn Bhd)

Malaysian (44) Male

**Date of Appointment**

12 March 2019

**Length of Service**

1 Year and 1.5 Months

**Qualification(s)**

- Bachelor Degree in Accounting and Finance, University of Warwick, United Kingdom
- Associate Member, Chartered Institute of Management Accountants, United Kingdom
- Member, Malaysian Institute of Accountants

**Working Experience(s)**

- Chief Operating Officer, KUB Malaysia Berhad, (2016 to 2019)
- Chief Executive Officer ('CEO'), CMS Consortium Ecotour Sdn Bhd (2015 to 2016)
- CEO, Qualitest Engineering Sdn Bhd (2013 to 2014)
- Corporate Business Controller (CEO's Office)/ Director of Corporate Projects/Board Director (various subsidiaries), Group Lotus Plc., United Kingdom (2008 to 2012)
- Executive Director, Member of Audit Committee/ Executive Committee, Finance Director, Mexter Technology Berhad (2007 to 2008)
- Senior Manager & Head of Corporate Finance/ Manager, Chairman's Office, Proton Holdings Berhad (2006 to 2007)

**Areas of Expertise**

- Operations and General Management
- Strategic Planning
- Business Development

**Present Directorship(s)**

| Listed Entities | Public Companies |
| --- | --- |
| • None | • None |

## MOHAMAD MAZRI BIN ZAINAL ABIDIN

Chief Executive Officer, KUB Power Sdn Bhd

Malaysian (53) Male

**Date of Appointment**

15 May 2014

**Length of Service**

5 Years and 11.5 Months

**Qualifications(s)**

- Bachelor Degree in Electrical Engineering, University of Malaya
- Member, Board of Engineers Malaysia
- Member, Institution of Engineers Malaysia

**Working Experience(s)**

- Consultant, Multi Discovery Sdn Bhd (2013 to 2014)
- General Manager, KUB Power Sdn Bhd (2007 to 2011)
- Senior Manager, Muhibbah Engineering Sdn Bhd (2003 to 2007)
- Project Manager, Schneider Electric (M) Sdn Bhd (2000 to 2003)

**Areas of Expertise**

- Construction
- Project Management
- Consultancy in High Voltage Engineering

**Present Directorship(s)**

| Listed Entities | Public Companies |
| --- | --- |
| • None | • None |

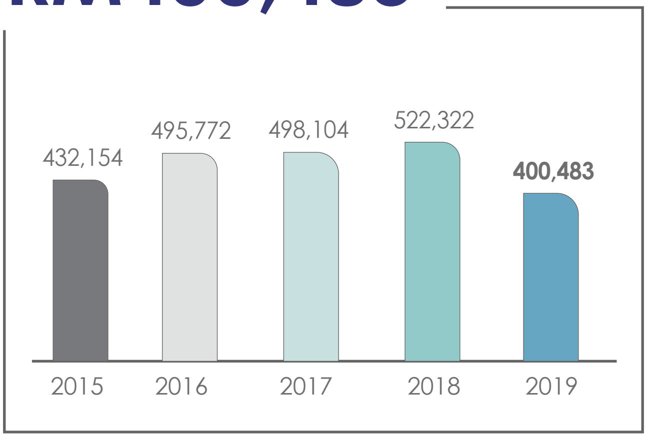
**Additional Information**

1. None of the Senior Management personnel has any family relationship with or is related to any director and/ or substantial shareholders of KUB Malaysia Berhad, or has any personal interest in any business arrangement involving the Company.
2. None of the Senior Management personnel has been convicted for offences within the past five (5) years or imposed with any public sanction or penalty by any regulatory bodies in 2019 other than traffic offences, if any.
3. The full profiles of the Senior Management are available online at www.kub.com.

# 5-YEAR GROUP FINANCIAL HIGHLIGHTS

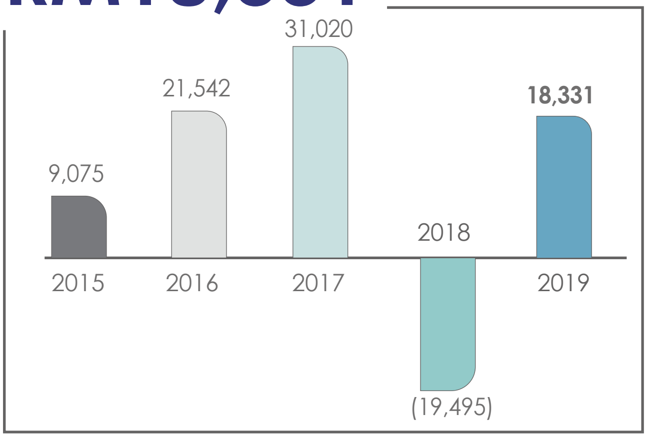
## REVENUE (RM'000)*

**RM400,483**



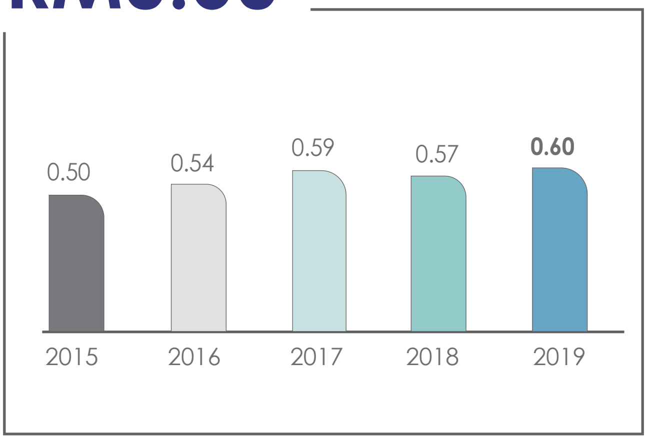

## PROFIT/(LOSS) FOR THE YEAR (RM'000)

**RM18,331**



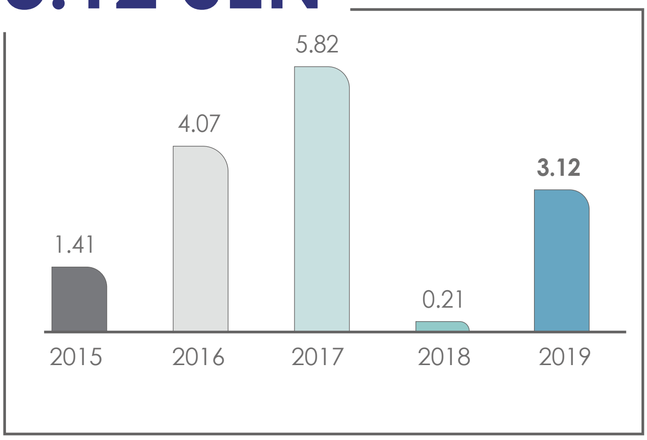

## NET ASSETS PER SHARE (RM)

**RM0.60**




## BASIC EARNINGS PER SHARE (SEN)

**3.12 SEN**

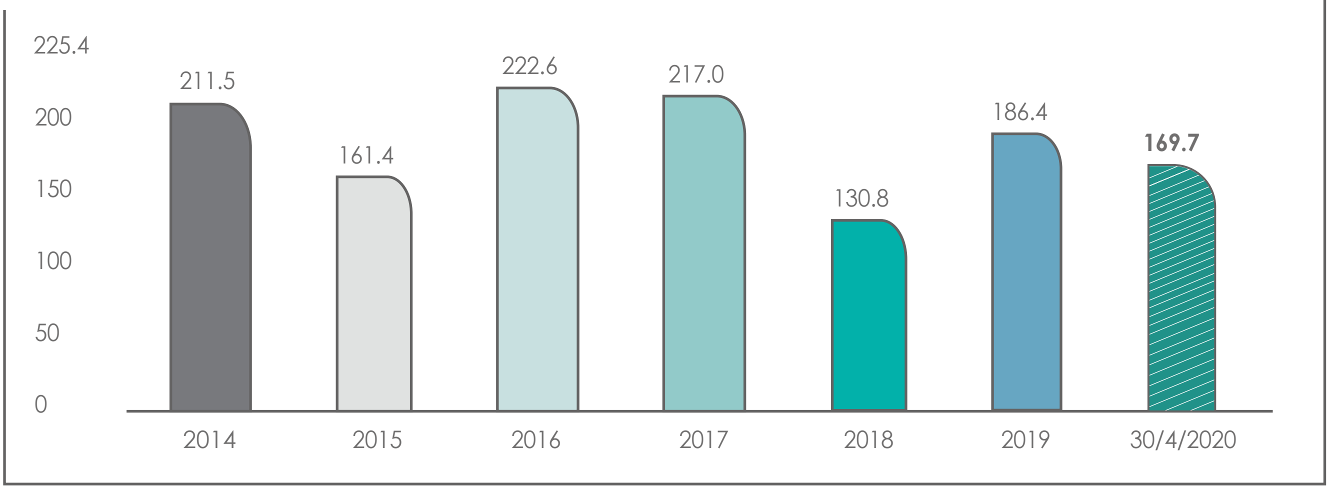



| RM'000 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Revenue* | 432,154 | 495,772 | 498,104 | 522,322 | 400,483 |
| Profit/(Loss) before taxation* | 50,303 | 32,334 | 38,975 | (30,169) | 20,590 |
| Profit/(Loss) for the year | 9,075 | 21,542 | 31,020 | (19,495) | 18,331 |
| Profit attributable to owners of the parent | 7,854 | 22,628 | 32,395 | 1,177 | 17,355 |
| Shareholders' fund# | 277,153 | 299,398 | 327,672 | 315,480 | 335,132 |
| Basic earnings per share (sen) | 1.41 | 4.07 | 5.82 | 0.21 | 3.12 |
| Net assets per share attributable to owners of the parent (RM) | 0.50 | 0.54 | 0.59 | 0.57 | 0.60 |
| Dividend declared per share (sen) | 0.5 | 1.0 | 1.0 | 1.0 | - |
| Gearing ratio (times) | 0.21 | 0.21 | 0.17 | 0.54 | 0.31 |

* *Continuing Operations*
\# *Restated FY2016, FY2017 and FY2018*

# ECONOMIC VALUE FOR SHAREHOLDERS

### MARKET CAPITALISATION* (RM MILLION)




** As at 31 December (closing price)*

### SHARE PRICE MOVEMENT# (RM)


*# Daily Closing Prices*

### MONTHLY TRADING VOLUME & SHARE PRICE STATISTIC

| Month | May'19 | Jun'19 | Jul'19 | Aug'19 | Sep'19 | Oct'19 | Nov'19 | Dec'19 | Jan'20 | Feb'20 | Mar'20 | Apr'20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Volume ('000) | 19,163 | 5,439 | 41,423 | 8,190 | 4,367 | 7,264 | 10,004 | 4,760 | 5,512 | 20,944 | 27,962 | 51,184 |
| High (RM) | 0.405 | 0.355 | 0.400 | 0.370 | 0.350 | 0.350 | 0.375 | 0.350 | 0.340 | 0.360 | 0.360 | 0.330 |
| Low (RM) | 0.290 | 0.300 | 0.320 | 0.315 | 0.310 | 0.315 | 0.325 | 0.330 | 0.305 | 0.295 | 0.150 | 0.185 |
| Closing Price (RM) | 0.320 | 0.320 | 0.365 | 0.330 | 0.320 | 0.345 | 0.325 | 0.335 | 0.305 | 0.310 | 0.200 | 0.305 |

# THE GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

## Dear Valued Shareholder,

2019 was the continuation of an undeniably challenging period for the Group. While dealing with the spillover of operational issues from the previous financial year, we also had to contend with changing market realities that affected key divisions of our business.

With the COVID-19 pandemic substantially impacting the Malaysian and global economy in 2020, downward pressure will continue to be exerted on our revenue generating abilities. However, by significantly streamlining our operations during the year in review, we are confident that we will emerge from this disruption on firm footing to build towards a sustainable future. The theme of our annual report for FY2019 - **'Resetting Our Strategies'** - reflects this understanding of our current reality, and an optimism towards opportunities yet to come.

**Financial Performance Review**

In the year in review, the Group registered revenue of RM400.5 million, amounting to a decrease of 23.3% compared to a topline of RM522.3 million in FY2018. However, this was compensated by a profit after zakat and tax ('PAT') of RM18.3 million which compares favourably to the previous year's loss after zakat and tax ('LAT') of RM19.5 million.

Our improved profitability for the year was bolstered by a one-off gain on disposal of a leasehold land in Petaling Jaya, Selangor amounting to RM25.3 million.

At the divisional level, we have witnessed a drop in revenue across most areas of our business, driven by a combination of adverse market conditions including depressed commodity prices, and delays in contract fulfilment and commencement. However, by anticipating these issues early in the year in review, we were able to mitigate against the worse effects of this downturn through two (2) key measures.

Firstly, we attained a more streamlined cost base as the result of a necessary manpower rationalisation exercise, involving a staff voluntary separation scheme ('VSS') totalling RM5.2 million in costs. Secondly, we re-evaluated and refocused our capital expenditure ('CAPEX') plans in order to leverage on our best performing divisions and assets, thus protecting the Group against potential financial losses.

Accordingly, capital investment during the year in review has been largely restricted to our LPG and Agro divisions which collectively contributed 92% of the Group's revenue in FY2019. In FY2020, we are continuing to invest in core divisions while implementing operational improvement and strategic cost management initiatives across all divisions, with the aim of ensuring that the Group's business remain self-sustaining in the medium to long term.

Encouragingly, green shoots of recovery can be seen in the form of increased earnings per share of 3.12 sen, reduced gearing ratio to 0.31 times and strengthened net assets per share of 60 sen. Our cash position, meanwhile, has risen from RM123.4 million to RM145.6 million.

# THE GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

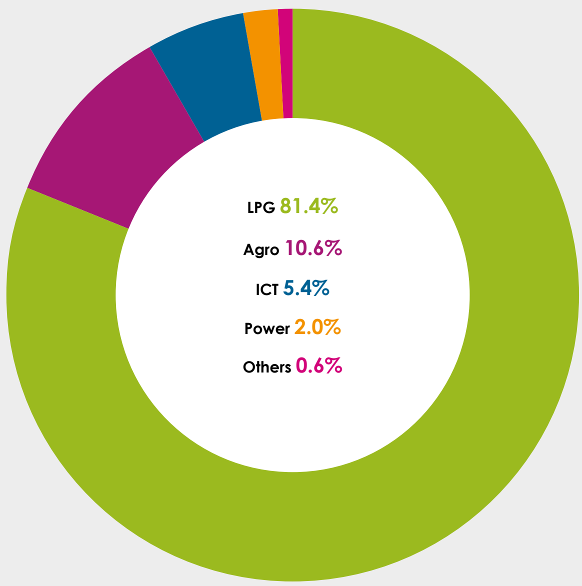
## FY2019 REVENUE (RM'000)

TOTAL REVENUE*
**RM400.5 MILLION**
FY2018 : RM522.3 MILLION

BASIC EARNINGS PER ORDINARY SHARE
**3.12 SEN**
FY2018 : 0.21 SEN

TOTAL LIABILITIES
**RM221.7 MILLION**
FY2018 : RM293.5 MILLION

NET ASSETS PER SHARE
**RM0.60**
FY2018 : RM0.57




| LPG | Agro | ICT | Power | Others |
|---|---|---|---|---|
| 325,844 | 42,338 | 21,812 | 7,896 | 2,593 |

**RM400,483**

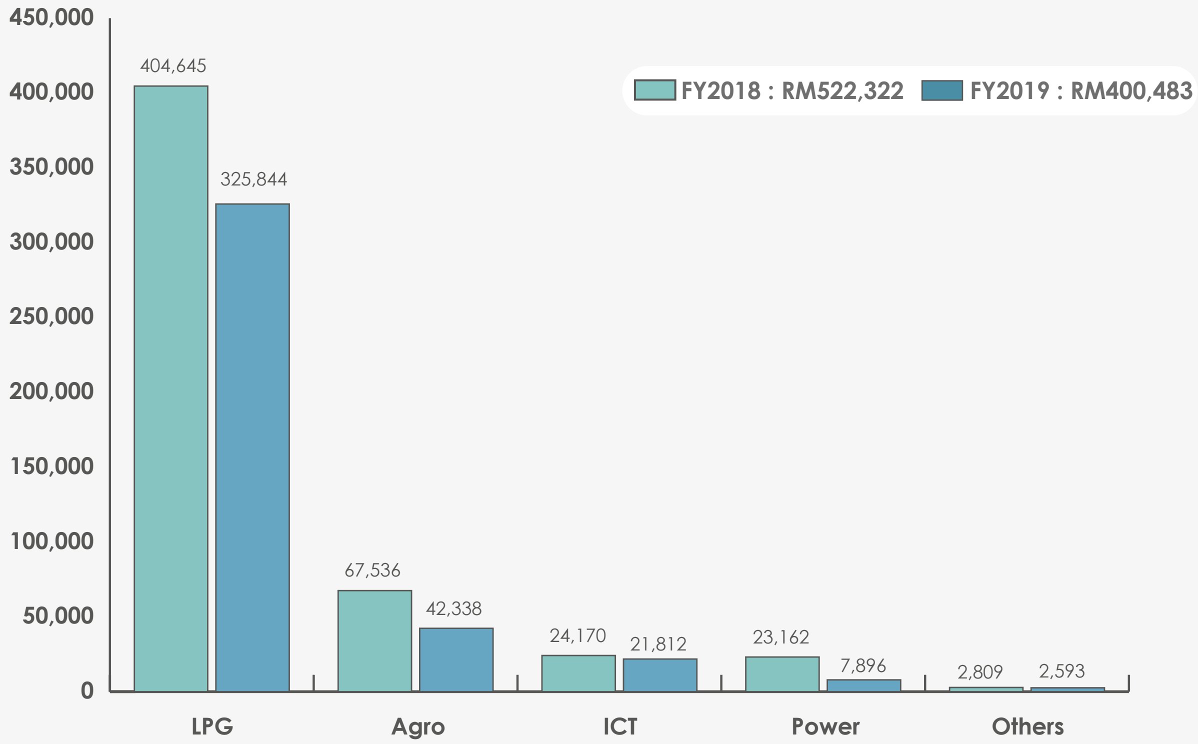
PROFIT/(LOSS) AFTER TAX
**RM18.3 MILLION**
FY2018 : (RM19.5 MILLION)

TOTAL ASSETS
**RM546.3 MILLION**
FY2018 : RM597.5 MILLION

SHAREHOLDERS' FUND/EQUITY
**RM335.1 MILLION**
FY2018 : RM315.5 MILLION

GEARING RATIO
**0.31 TIMES**
FY2018 : 0.54 TIMES

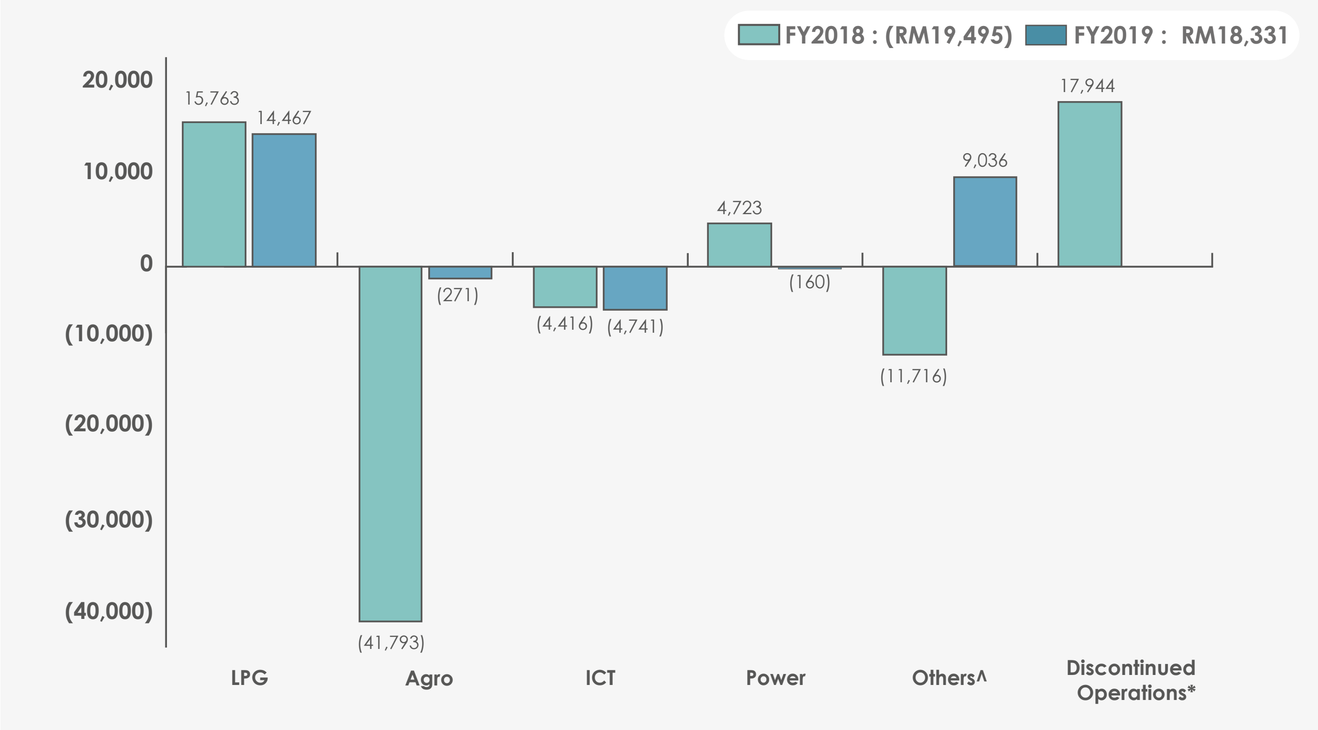
## FY2018 VS FY2019 REVENUE* (RM'000)




** Note : Continuing Operations*

# THE GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

**FY2018 VS FY2019 PAT/(LAT) (RM'000)**




*Notes: ^ PAT for 'Others' division include contribution from property management, group corporate expenses and share of profit from associate company*
** Discontinued operations include gain on disposal and financial results from A&W (Malaysia) Sdn Bhd*

## LPG Division

Our LPG division is the largest contributor to the Group's revenue and earnings, and encompasses the importation, bottling, marketing and distribution of Liquefied Petroleum Gas ('LPG') under the brand name of Solar Gas, through our wholly-owned subsidiary Solar Gas Sdn Bhd (formerly known as KUB Gaz Sdn Bhd). Solar Gas has successfully penetrated the residential, commercial and industrial gas markets, and the Group is actively exploring opportunities for vertical integration into the upstream LPG industry.

In FY2019, the total revenue of the LPG division was RM325.8 million, a 19.5% decrease year on year. This was mainly due to the significant decline in the average LPG contract price ('CP') compared to FY2018. In terms of PAT, the decrease was a more moderate 8.2% (PAT of RM14.5 million in FY2019 compared to RM15.8 million in FY2018). However, the previous year's results included a gain on disposal of property in Georgetown, Penang amounting to RM2.7 million. If the impact of this one-off event is excluded, the PAT for the current year stands at 10.7% higher.

From a long-term business standpoint, FY2019 offers much room for encouragement within the division. Having entered the year under pressure in the residential and commercial markets due to increased competition, a combination of successful supply side initiatives, product improvement initiatives and an active investment in rebranding has enabled us to bounce back, placing us on strong footing as the year ended.

On the supply side, we were able to reduce LPG purchase costs through improvements in procurement practices, alongside effective supply chain and inventory management, resulting in improved overall operating margins.

FY2019 also saw a more modern and approachable brand image launched for Solar Gas, personified by a new gold cylinder for C14 (Domestic 14kg) that successfully positions us against our competitors. The rebranding coincided with the progressive execution of our cylinder management initiatives, a RM13.8 million exercise that involved the reconditioning (RC) and requalification (RQ) of approximately 390,000 of our existing cylinders, the repainting of approximately 128,000 existing cylinders, and the injection of approximately 36,000 new cylinders to our range, in order to enhance our competitive advantage.

Marketing will continue to be an area of focus during FY2020 and beyond, and we are set to launch rebranded transport vehicles for LPG distribution, a revamped and more customer friendly website and online ordering system, as well as strategic local store marketing campaigns.

Moving on to operational improvements, we invested in the upkeep and

# THE GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

upgrading of existing facilities and equipment during FY2019, including the acquisition of buffer cylinder stock and the installation of a Production Data System at our Westport plant for enhanced quality assurance practices. These maintenance activities will continue apace in FY2020, alongside the continuous upgrading of machinery and equipment at all of our plants.

Looking forward, our distribution network has been boosted by the opening of a new satellite bottling plant in Beranang, Selangor, in December 2019. The bottling plant allows us to expand our market base and build market share,brings us closer to key markets, and also reduces our dealers' costs relating to distribution, thus enhancing overall efficiency.

To leverage on these opportunities, we are actively consolidating and expanding our dealership network across the nation, while also making a concerted effort at increasing our number of bulk LPG dealers. In order to further expand our presence in the bulk LPG market, we will also consider initiatives that will enhance our storage capacity.

In summation, developments in FY2019 proved that the LPG division will continue to be the major driver of the Group's revenue and growth, justifying our decision to amplify investment in this division of our business. While the COVID-19 pandemic has created uncertainty regarding the supply chain and sales of LPG, compounding the effect of a softer economy in general, the infrastructural and brand-related investments we made in FY2019 have rectified longstanding systemic disadvantages that we have faced. We believe this stands us in good stead to compete in this fast changing sector over the medium to long term.

## Agro Division

Traditionally a core driver of the Group's revenue, our Agro division has suffered from substantial operational challenges in the preceding few years which have included the impairment of our mill in Mukah, Sarawak, and a general decline in crude palm oil ('CPO') prices.

In FY2019, the Agro division was not spared from the impact of these challenges. In fact, the conditions faced have pushed us into such a vicarious state that it became necessary for us to review our position, strategies and plans moving forward. Having reduced our cost base in the division through a manpower rationalisation exercise and by disposing of loss-making assets, we believe that our plantation-based businesses are now in a much more stable position. Accordingly, we ended the year in review with total revenue of RM42.3 million (a 37.3% decrease year-on-year) but a vastly reduced LAT of RM0.3 million (compared to RM41.8 million in FY2018).

Our efforts to increase efficiencies in the Agro division in FY2019 were wide-ranging. Firstly, we took the decision to dispose of the aforementioned mill in Mukah. The asset had become a drag on earnings, having entailed a RM26.1 million impairment loss in the previous year, and the deal to sell the mill was completed in November 2019.

Further to this, in September 2019, we decided to move forward with a plan to outsource the management of all our estates to a third party who have a large presence in plantation estate management. The outsourced partner benefits from economies of scale that enable them to manage our estates at a lower cost, a strong network for the procurement of necessary inputs for production, and the expertise to lower production costs and fixed costs associated with estate operations. Furthermore, this partner also brings valuable plantation management expertise to the table which will help improve our overall estate management practices. With this new arrangement, we will reduce our business risk associated with the Agro division while improving productivity and profitability.

Separately to the above, we have also initiated yield enhancement initiatives throughout our portfolio. In FY2019, we commenced the upgrading, repair and resurfacing of 21km of estate main roads at our Sarawak plantation, while also introducing operational efficiency measures such as structured block harvesting and more stringent monitoring practices across all our estates. The net effect of these yield enhancement initiatives will be seen across our portfolio, resulting in an uptick in production in the years to come.

Looking forward, our capital expenditure plans will place focus on upgrading facilities and equipment at our estates to ensure steady revenue generation in the medium to long term. Among the initiatives currently in the pipeline are the upgrading, repairing and resurfacing of field and collection roads to ensure ease of fresh fruit bunches ('FFB') evacuation, the installation of new infrastructure such as fertilizer stores, genset houses and workshops, improvements to water treatment plants, and the upgrading of workers' quarters to enhance living conditions.

These proactive capital expenditure initiatives, in line with a cautiously optimistic outlook on CPO prices in FY2020, give us reason to believe that our Agro division will continue to push through the challenges ahead and make a larger contribution to group revenue and earnings in time to come.

## ICT Division

KUB supplies ICT products and services spanning infrastructure solutions, maintenance support and services, ancillary services and supply of ICT equipment to major players in the Malaysian telecommunications and transportation industries through our fully-owned subsidiary, KUB Telekomunikasi Sdn Bhd ('KUB Telekomunikasi'). KUB Telekomunikasi is also a holder of the MCMC, Network Facility Provider ('NFP') license.

# THE GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

During the year in review, divisional revenue stood at RM21.8 million (a decline of 9.8%) while the division sustained a LAT of RM4.7 million. This can be largely explained by a costly voluntary separation scheme ('VSS') which reduced our manpower burden, in combination with delays in contract fulfilment and a reduction in the value of contracts recognised in FY2019. In totality, this amounted to a squeeze on operating margins.

Downward pressure on divisional revenue can be primarily attributed to delays in the execution of plans in line with the National Fiberisation and Connectivity Plan ('NFCP'), a strategic initiative by the Malaysian Government to improve the country's economic competitiveness through connectivity. Due to these delays in the rollout of the NFCP, the ICT division revenues in FY2019 largely relied on maintenance contracts related to projects carried out in previous years. Therefore, we took the decision to accelerate strategic cost management initiatives within the ICT division that would lower our cost base and streamline our operations while maintaining readiness for the anticipated fulfilment of plans related to the NFCP.

Simultaneously, we are acting upon a strategy that will enable us to access new growth opportunities across the spectrum of Malaysia's ICT ecosystem. At the core of this new strategy is the aim of leveraging upon the nation's transition to 5G telecommunications technology by supplying mission critical equipment to and constructing new telecommunications towers.

Via a joint venture with a global telecommunications access network product company, we will supply access network products within the country, and at a later stage to other Southeast Asian countries, with the aim of supporting 5G network infrastructure covering Broadband Access, Mobile Fronthaul, In-Building and Private 5G Network solutions. We also aim to work closely with state governments and experienced telecommunications infrastructure firms to build telecommunication tower infrastructure. Leveraging on our network maintenance and support capabilities, we aim to expand our services to support broadcasting networks as well.

In the meantime, we will constantly seek further sizeable contracts whenever the opportunity arises to enhance our order book in the division, while accelerating operational improvement and strategic cost management initiatives already in place.

### Power Division

The Group's Power division primarily involves the construction of substations and transmission lines, supplying and installing electrical infrastructure for private companies, and electrical maintenance contracts, via our subsidiary company KUB Power Sdn Bhd ('KUB Power').

During the year in review, the Power division recorded a LAT of RM0.2 million as compared to the previous year's PAT of RM4.7 million. This was largely driven by a declining order book as most projects were already completed or nearing completion while new projects progressed slower than expected, encumbered by sluggish market and consumer sentiment. It is also to be noted that divisional profits in the previous year were lifted by the reversal of over provision of costs totalling RM4.4 million relating to projects performed in previous years.

In addition to necessary cost optimisation and operational improvement initiatives, our efforts in mitigating the downturn experienced in the year in review also include the ongoing exploration of new niches within the power industry including Energy Management and Energy Efficient Systems, with the long term aim of developing a foothold in the growing field of renewable energy. We will also continue to leverage our expertise in engineering and construction to secure civil and electrical works contracts with other market players in the industry.

### Others

Aside from our core divisions of business, the Group also maintains a property management business that actively operates several owned properties. In FY2019, our non-core businesses which also include our associate company, KUB Berjaya Enviro were responsible for a PAT of RM9.0 million, driven largely the gain on disposal of a leasehold land in Petaling Jaya amounting to RM25.3 million. Our financial results were hampered, however, by a RM6.9 million impairment loss recognised on the Group's land in Klang, Selangor, and related capitalised assets of RM1.3 million.

### Prospects

2019 was a sluggish year for the Malaysian economy, typified by GDP growth of 4.3%, the country's lowest figure in a decade. Chief amongst the reasons for this relatively poor performance was lower overall output of palm oil, crude oil and natural gas, as well as a fall in exports due in part to the US-China trade war. Looking ahead, and with the uncertainty brought about by the COVID-19 pandemic, the Group foresees that economic uncertainty, weak consumer sentiment and market volatility will remain as key factors in the short to medium term.

The Group has admittedly suffered due to these issues in the past few years. Therefore, we took a holistic and wide-ranging decision in FY2019 to reset our strategies across our spectrum of business interests, with the aim of reducing unnecessary costs and optimising capital expenditure towards our core assets and divisions.

In undertaking this 'resetting of strategies', we first looked at the core structure of the Group and examined ways to reduce avoidable operating expenditure. This lead us to effect a Group-wide manpower rationalisation

## THE GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

exercise in the form of a VSS that significantly reduced our manpower burden. The exercise also meant that we were able to effectively scale back on general administrative related expenditure, in particular at our headquarters in Ara Damansara, Selangor.

At the same time, resetting our strategies also entailed cutting our losses on initiatives which had become a drain on resources. In particular, our Agro division had sustained sizeable operational losses due to the impairment and subsequent repair of our former mill in Mukah, Sarawak. By disposing of the mill in Q4 2019, we were able to stem the flow of these losses and transition towards a sustainable operating strategy.

After streamlining our businesses of unnecessary expenditure, we then thoroughly re-evaluated our capital expenditure plans to align with our core revenue generating divisions. By utilising our cash position strategically in these areas, we continued apace with investment into the LPG and Agro divisions, with our business activities in the LPG division in particular benefitting from a complete rebranding of our Solar Gas asset in addition to an increase in supply and distribution capacity bolstered by the opening of a new satellite bottling plant in Beranang, Selangor in Q4 2019.

These measures reflect a focus on maximising the potential and preserving the value of our assets that will stand us in good stead for the future. Our aim is to ensure that each of our business divisions is self-sustaining to reduce reliance on cross-subsidisation.

Looking beyond near term uncertainties, positive signs for the Group include rising CPO prices, which will increase margins in the Agro division, and the fulfilment of contracts which have been negotiated in the ICT division. In order to fully exploit the latter opportunity, we will continue to pursue strategic partnerships in this sector involving the development of infrastructure and services in line with the plans of the Malaysian government, such as in the nationwide rollout of 5G telecommunications infrastructure.

The COVID-19 pandemic was unexpected at a global level and creates disruption for our businesses in terms of our supply chains, operational procedures and distributional processes. While we face a fluid situation that is contingent on health outcomes around the world, we are continuing to actively monitor the situation on a daily basis in order to optimise our response and maximise business potential during these times.

In summation, the reality that the Group faces today is undeniably different from what we have experienced in the past, but by committing to fresh strategies that leverage on our strenghts, we have every reason to be confident that stronger overall performance is around the corner.

**Appreciation**

As the Group Chief Executive Officer, allow me to express my deepest gratitude to our valued shareholders for their continued trust and support of the Group during the year in review. Thank you for your faith in the initiatives we have implemented and your shared belief in a more positive future ahead.

To our valued business partners, advisers and clients, thank you for your support, loyalty and unrelenting assistance to the Group.

I would also like to take this opportunity to offer my appreciation to the Board of Directors for their contributions in leading KUB forward through strategy, expertise and firm oversight. In particular, let me extend my personal thanks to our former members of the Board of Directors, Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego, Tunku Alizan bin Raja Muhammad Alias and Datuk Abdul Rahim bin Mohd Zin.

Last but not least, I would like to acknowledge our management team and employees for their tireless efforts, contributions and unrelenting commitment throughout the year.

**Ahmed Fairuz bin Abdul Aziz**
Group Chief Executive Officer

# SUSTAINABILITY STATEMENT 2019

## BOUNDARY AND SCOPE

In steering the business towards future sustainable practices, KUB Malaysia Berhad ('KUB' or 'the Group') is pleased to present its Sustainability Statement ('the Statement') for the financial year of 2019. The Statement functions as a summary of the Group's sustainability initiatives and is prepared in line with the Main Market Listing Requirements ('Listing Requirements') and Sustainability Reporting Guidelines issued by Bursa Malaysia Securities Berhad ('Bursa Malaysia').

As part of the initiative to streamline reporting mechanisms, the Global Reporting Initiative ('GRI') Standards (Core Option) is referred to as recommended by Bursa Malaysia.

The scope of the Statement shall cover only the Group's main business operations which include investment holding, LPG, Agro and ICT divisions. It however excludes the practices and processes adopted by associated companies where the Group does not have control over its respective operations.

### Sustainability Governance

The aim of the Statement is to outline how the Group's sustainability practices cover its key economic, environmental and social ('EES') focus areas while laying the groundwork for realisation of greater business value and long term continuous growth.

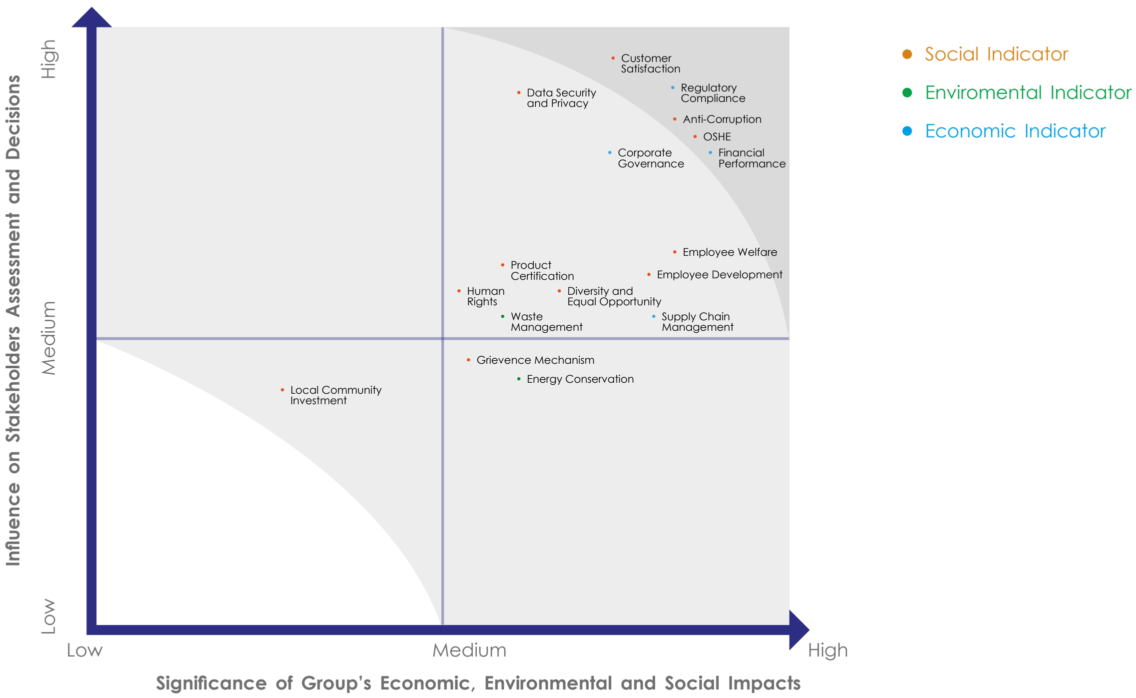
In all divisions of KUB, based on *"Think Sustainably, Act Responsibly"* philosophy, sustainability practices are embedded into daily business activities for informed decision making process guided by the Sustainability Governance Structure and Sustainability Policy and Framework, which were approved in 2018. This is in line with the Group's core values, reflecting the corporate vision of owning businesses with sustainable profit generation potential for premium returns to shareholders.

### Stakeholder Engagement & Materiality Matrix

The Group's varied stakeholders include customers, employees, suppliers, regulators, industry players, investors, partners, NGOs and medias.

Maintaining regular engagement with these internal and external stakeholders is the key to understanding their interests and in turn meeting their expectations. These engagements, which may take place via meetings, surveys, reviews and evaluations and also update through social media that provide valuable feedback on business practices, thus informing future decision making.

From these engagements, a wide range of economic, environmental and social material sustainability matters have been assessed and subsequently ranked using a weighted ranking method. The result of this undertaking is reflected in the Sustainability Materiality Matrix.



### Delivering Material Sustainability Matters

In its *2030 Agenda for Sustainable Development*, the United Nations identified 17 Sustainable Development Goals ('SDGs'), each formulated to address key global challenges with the cooperation of the private and public sectors. Guided by these SDGs, the Group has undertaken various practices and initiatives that actively improve environmental, economic and societal footprint.

## Economic

While generating profit for the shareholders is the primary concern, the Group also closely considers how the business activities affect the economic conditions of other stakeholders. In particular, as part of the responsibility to ensure sustainability beyond the business interests, the Group is fully conscious of the roles to play through the employment and procurement practices.

### Employment Practices

With the purpose of maximising economic sustainability and security in the sphere of the employment market, the Group's employment practices are built on a firm belief in the quality of Malaysian talent. This closely reflects the corresponding split in the senior management, where 100% of staff are Malaysian citizens.

### Procurement Practices

Accordingly, local suppliers are given priority in all procurement activities, with over 90% of the Group purchases having local suppliers as counterparties. Furthermore, the Group is committed to executing a procurement strategy that supports the principles of environmental sustainability. By way of careful and regular monitoring on the procurement supply chain, the Group aims to reduce the consumption of resources and minimise waste by (i) encouraging or preferring eco-friendly products which are more power efficient, (ii) selecting energy, fuel and water efficient products, (iii) preferring to purchase from a source which is less polluting or uses clean technology, and (iv) considering the provision of re-usable products and recycling as part of the project planning process, including the consideration of whole life costs and disposal considerations.

### Customer Satisfaction-Product Assurance, Quality Control and Certification

The Group ensures high product assurance standards are met through strict quality control measures that apply across all areas of business, enhancing the long term reputation amongst the stakeholders. In particular, customers are assured on the commitment by ensuring respective certifications remained up to date and in line with global standards.

| LPG | ICT | Agro |
|---|---|---|
| **Occupational Health and Safety Management System (OHSAS 18001-2007)** | **Quality Management System (ISO 9001:2015)** | **Malaysian Sustainable Palm Oil (MPSO)** |
| Validity Period:<br>Apr 2018 - Mar 2021 | Validity Period:<br>Nov 2018 - Sep 2021 | Validity Period:<br>Feb 2019 - Mar 2024 |
| **MS 830:2013 LPG Storage, Handling and transportation** | **Business Continuity Management System (BCMS ISO 22301:2012)** | |
| | Validity Period:<br>Nov 2018 - Nov 2021 | |

The Group reiterates its commitment to delivering products and services at the highest standard to customers, in the knowledge that product quality and reliability are essential to maintaining a sustainable business model. The Group has implemented stringent quality control measures which apply to all products. Collectively, these measures both maximise quality of respective business while enhancing reputation amongst business partners, customers and other stakeholders alike.

| Division | Quality Control Measures |
|---|---|
| LPG | • Inspection as governed by the Ministry of Domestic Trade and Consumer Affairs.<br>• Adhered to MS 830:2013 – Storage, Handling and Transportation of LPG in storing, handling and transporting LPG. |
| ICT | Periodical preventive maintenance :<br>• IP Digital Subscriber Line Access Multiplexer (DSLAM) infrastructure is maintained twice a year.<br>• Adaptive Safety Analysis and Monitoring (ASAM) and Metro-Ethernet (METRO-E) infrastructures are maintained once a year. |
| Agro | • MSPO certification which was obtained in February 2019<br>• Detailed FFB grading process and control measures<br>• All FFBs are processed within 24 hours of extraction to maintain freshness and ensure a high CPO extraction rate. |

**Anti-Corruption and Corporate Governance**

The ability to mitigate the risk of corruption is a major determinant of a truly sustainable business, and with the anti-corruption policies, the Group continues to address a matter that is of a high degree of importance to the stakeholders. The anti-corruption policies build upon the signing of the Corporate Integrity Pledge ('CIP') with the Malaysian Anti-Corruption Commission in October 2016, which commits the Group to preventing corruption or any dishonest or fraudulent behaviour in any area of the businesses.

A total of 13 policies have been approved to combat corruption, and where appropriate, respective policies are extended to external parties including vendors, contractors and consultants. On top of the above, appropriate internal controls have been established to ensure that corporate governance standards and business integrity are maintained at all times. Among the controls are the Whistleblowing Policy that is made accessible to all Group employees. To ensure the policy is executed to its full potential, measures have been taken to ensure that whistleblowing is possible.

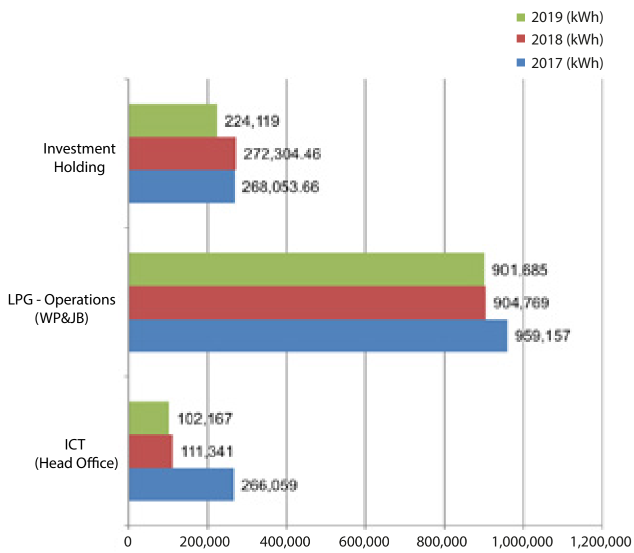
## Environment

Environmental stewardship is a major material matter faced by companies around the world, and requires a suitably strong response that balances resource consumption needs with that of environmental protection for future generations.

As part of a wide-ranging environmental management policy, the Group is committed to driving awareness of present-day environmental challenges while simultaneously leading by example in adopting best practices in the context of the key objectives below.

**Increasing Energy Efficiency**

In mitigating the increasing threat of climate change, the Group aims to achieve optimum energy utilisation in the long-term while also reducing energy costs. Among the initiatives that is helping the Group to reach the goal include energy saving reminders to encourage employees to conserve water and electricity and use of energy efficient LED bulbs within the LPG bottling plant and KUB offices. The result of the initiatives can be seen from the Chart.




**Managing Waste**

The disposal of scheduled waste is managed by DOE registered vendors with the aim of minimising disruption to society at large as well as earmarking the Group as a leader in this important subset of environmental protection. The activities were then updated in the DOE's system, Electronic Sheduled Waste Information System (eSWIS).

**Regulatory Compliance - Environmental Laws & Regulations**

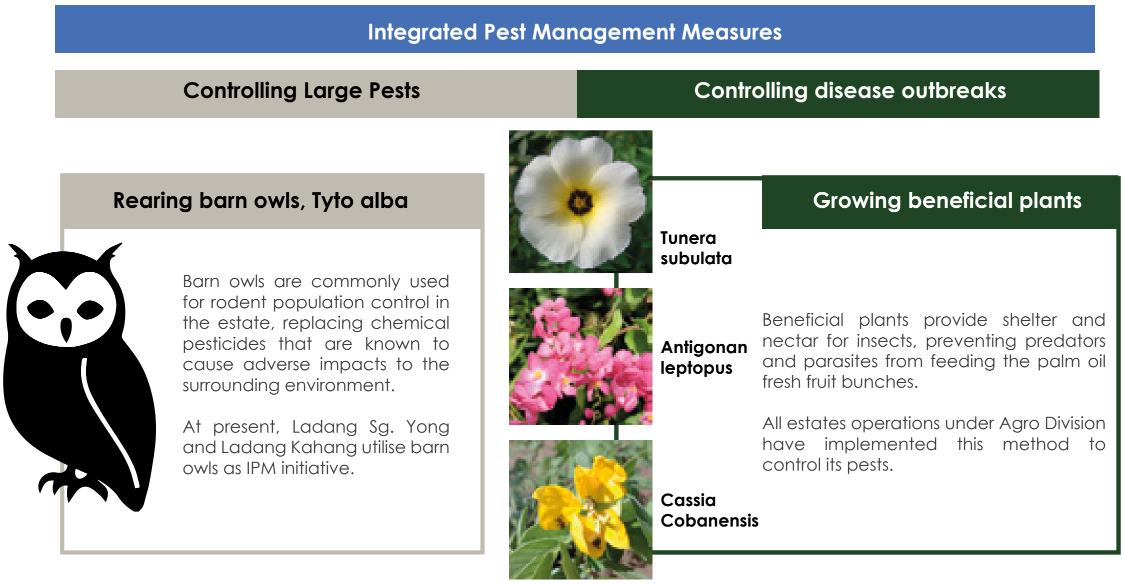
Certification of Malaysian Sustainable Palm Oil ('MSPO')

The demand for palm oil has led to unsustainable resource consumption as well as social conflicts arising due to land clearings and plantation workers' rights. In the Agro division, estate operations are adhering to the national laws and regulations outlined for the palm oil industry which include the Environmental Quality (Prescribed Premises) (Crude Palm Oil) Regulations 1977, Pesticide Act 1974 and Malaysia Protection of Wildlife Act 1972.

Furthermore, in 2019, estates within the Group have obtained the MSPO certification which is mandatory for oil palm producers. The MSPO certifies that the Group's estates have consistently maintained high standards in estate operation procedures.

Integrated Pest Management ('IPM')

The IPM program is implemented to manage the challenges associated with pests, which are common at plantation sites. IPM is a prevent, control and monitor based program that uses pesticides minimally via biological control methods. As a result, the program minimises environmental impact whilst ensuring the quality of pest control at the plantations is not compromised.




## Social

The Group is committed to being a responsible and caring organisation, and invest continuously in showing appreciation to the dedicated workforce as well as giving back to the communities. The contribution as a socially sustainable organisation also encompasses the implementation of leading-edge safety practices, training program and benefits.

**Occupational Health and Safety ('OHS')**

The Group is committed in providing a safe and healthy working environment for its employees, partners, suppliers and visitors. As of 2019, the Group follows international Health, Safety and Environment ('HSE') standards and controls on safety management, with the aim of minimising accident rates and improving safety awareness at all office and site locations.

OHS Committee

In compliance with the Occupational Safety and Health Act 1994 Regulation 30, Occupational Safety and Health Committees have been established at the key KUB offices. The function of OHS Committees is to discuss safety issues on a regular basis with appropriate representation from both employers and employees, thus ensuring that key stakeholders are listened to.

Appointed committee members are trained in important OHS competencies such as first aid, evacuation and rescue, firefighting, and accident investigation and reporting. Trainings are conducted by either external or internal trainers, all of whom are fully qualified in the latest OHS practices.

Responsible Chemical Management

The use of chemicals including pesticides or herbicides in managing pest or weed outbreaks is the norm in the palm oil industry. To manage the dangers of chemical handling, several measures have been adopted that limit unnecessary human and environmental contact with chemicals. These measures include distributing handling manuals and Personal Protective Equipment ('PPE') to the estate workforce, and conducting special training to ensure correct chemical handlings during the operations.

**Examples of Chemicals Used By KUBAH Group**
- Glyphosate
- Weedgard
- Itonik
- Arakus
- Metsulfuron-methyl
- Cypermethrin

**PPE Provided to Employees**
- Gloves
- Boots
- Face mask
- Apron
- Respirator
- Goggles
- Ear plug


**Chemical Handling Control Measures**
- MSDS in English and Malay
- Chemical handling training
- Labeling on chemical bodies
- Logbook to maintain chemical records

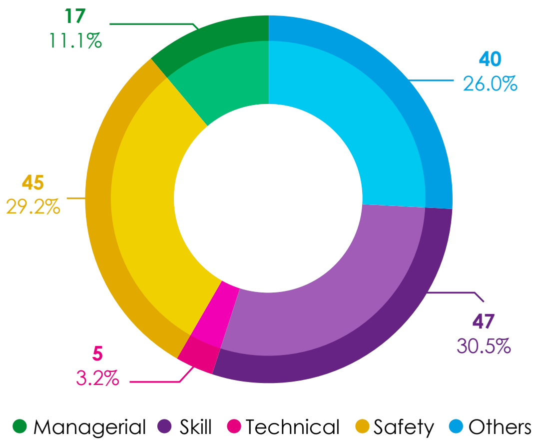
**Training and Education**

Through extensive employee development program, the Group regularly demonstrates belief in human capital investment. The strategy in maximising this opportunity involves identifying employee's potential and cultivating their talent through specific training programs designed to improve skillsets and knowledge relevant to their job description.

During 2019, the staff undertook a broad variety of training programs covering managerial, safety, skill-based, soft skill-based and technical fields, with management, executive and non-executive staff enjoying an average of at least 12 hours of training during the year.

Moving forward, the Group will continue to actively review new training courses that are related to job scopes. By building loyalty amongst the employees, the Group will continue to retain top talent and improve service and product delivery across our divisions.

**TRAINING CATEGORIES**




**Investment on Infrastructures and Services**

In addition to employee development, the Group also continues to focus on human investment in the form of facilities and services that contribute towards improving social wellbeing. Among the facilities invested during the year within the Group's plantation estates are staff quarters, surau, grocery shops, daycare centre and recreation facilities.

The Group also continue to prioritise the financial support of underprivileged communities via effective and meaningful programs that are designed to create a lasting, sustainable and positive impact.

In 2019, via the wholly-owned subsidiary, Solar Gas made business tithe payments to the well-established religious bodies. These included payments of RM 176,394 to Majlis Agama Islam Johor ('MAIJ') and RM 411,585 to Jabatan Agama Islam Selangor ('JAIS') respectively.

Other local community enrichment investments made include:

- Ramadhan contributions - Solar Gas contributed to Masjid Sultan Abdul Aziz, Pulau Indah for the preparation of iftar;
- Facility donations - KUB Telekomunikasi donated a number of air-conditioning units to Surau Ubudiah in Port Dickson; and
- Sponsorships by Solar Gas for the publishing of the Malaysian Fire and Rescue Department ('BOMBA')'s 70th edition news publication, and financial contribution to the Veterans Association of the Fire and Rescue Department of Malaysia.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of KUB Malaysia Berhad ('the Board') is committed in ensuring that the process and structure relating to the affairs of KUB Malaysia Berhad ('KUB') and its subsidiaries ('KUB Group') promote sustainability and accountability with the objective of enhancing shareholder value and the interests of stakeholders.

KUB has won the MSWG-Asean Corporate Governance Award 2018 for the following categories:

- 1st for "Excellence Award for Overall CG & Performance (Market capitalisation between RM100 Million to RM300 Million)";
- 2nd for "Industry Excellence Award (Industrial Products & Services)"; and
- 13th for "Excellence Award for CG Disclosure".

The Board continues to review its Corporate Governance practices and policies to ensure full application of the key principles set out in Bursa Malaysia Securities Berhad ('Bursa Malaysia') Main Market Listing Requirements ('Listing Requirements'), the Malaysian Code on Corporate Governance 2017 ('the Code') and other statutory requirements.

This Corporate Governance Overview Statement ('the Statement') must be read together with the Corporate Governance Report ('CG Report') of the Company, which is available on the Company's website. The CG Report explains how KUB Group applies the recommended practices under the Code taking into consideration the circumstances in which the Group operates, including alternative measures to achieve the intended outcomes.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### Board Duties and Responsibilities

The Board is responsible to ensure that the shareholder value and stakeholder interests are enhanced and protected. The Board continuously reviews and adopts various guidelines and processes to enhance corporate governance practices within KUB Group, including the Board Charter, Terms of Reference of its Committees and Management Guidelines.

The Board oversees the business affairs of the Group. Its duties include adopting strategic plans, approving key business initiatives and major investments, reviewing financial and management performance, developing corporate objectives and implementing investor relations programmes.

The Board comprises the Chairman (who is a Non-Independent Non-Executive Director), the President/Group Managing Director (who resigned on 13 December 2019), the Senior Independent Non-Executive Director, four (4) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors.

### Chairman

Datuk Seri Johari bin Abdul Ghani, a Non-Independent Non-Executive Director, was re-designated as the Chairman on 1 April 2019. He has vast experience in the corporate sector and is the former Second Finance Minister. Prior to 1 April 2019, the position of Chairman had been held by Dato' Ahmad Ibnihajar since 27 November 2015.

The Chairman manages the effectiveness of the relationship amongst the Directors and between the Directors and the Management by encouraging participation and allowing dissenting views to be heard.

The Board decisions are reached by majority votes at Board meetings or through circular resolutions signed by Directors who are not precluded or prohibited from voting by the Companies Act, 2016, Listing Requirements and Constitution of KUB ('Constitution'). The decisions passed by way of circular resolutions are tabled to the Board on a quarterly basis for notation.

### President/Group Managing Director/Group Chief Executive Officer

The positions of the Chairman and the President/Group Managing Director/Group Chief Executive Officer are held by different individuals. The latter is responsible to implement the policies and strategies approved by the Board. On 13 December 2019, the position of President/Group Managing Director was abolished and replaced by the Group Chief Executive Officer.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Company Secretaries**

The Company Secretaries, who are persons qualified pursuant to Section 235(2) of the Companies Act, 2016, are accountable to the Board. They are responsible to ensure compliance with all governance matters, meeting procedures, applicable laws and regulations. They also act as the custodian of the records of the Board and Board Committee meetings.

**Support for Directors**

The notice for each of the meeting is accompanied by the minutes of the preceding Board meeting, together with the relevant information and supporting documents. The Directors have access to the advice and services of the Company Secretaries and independent professionals. Management and consultants may be invited to attend the Board meetings in order to provide information and professional advice.

All deliberations and decisions at the Board meetings are recorded (including any dissenting view and abstention). Decisions, policies and follow-up actions approved at Board meetings are communicated to the Management. The Company Secretaries circulate the minutes of meetings to the Board and the Management for review and comment in a timely manner. The finalised minutes are tabled at the next Board meeting for confirmation.

The calendar of meetings for the Board and Board Committees is distributed before the beginning of the new calendar year. Early distribution enables the Directors to properly plan for the meetings. The Company Secretaries issue notices for all scheduled meetings after consulting the Chairman and/or President/Group Managing Director/Group Chief Executive Officer. Unscheduled meetings may be convened when specific decisions are required.

**Demarcation of Responsibilities between the Board, Board Committees and Management**

The Board, assisted by its Committees, is responsible for corporate governance and strategic direction. The demarcation of responsibilities between the Board, Board Committees and Management is provided in the Board Charter ('the Charter').

The Charter ensures that all Board members understand the relevant duties, regulations, principles and practices of good corporate governance. It is reviewed periodically in order to remain relevant, effective and complies with the latest Code and Listing Requirements. The Charter is available at www.kub.com. It was revised in August 2019 following the separation of the Board nomination and remuneration committees.

**Code of Conduct and Ethics**

The Company has separate codes of conduct for the Directors and employees. The Directors' Handbook and Code of Conduct ('Handbook') incorporates the relevant provisions of the Companies Act, 2016, the Listing Requirements and the Code. It governs the terms, conditions and benefits for the services rendered by the Directors.

**Integrity, Anti-Corruption and Whistleblowing Policy**

The Company has implemented a Whistleblowing Policy since 2017 providing the employees with communication channels for reporting illegal and immoral conduct to the appropriate parties within KUB Group and protect these employees against reprisals. It is an avenue for independent investigations. The Whistleblowing Policy is available on the Company's website.

**Independent Directors**

Independent Directors make up fifty-six per cent (56%) of the Board membership in compliance with Paragraph 15.02(1) of the Listing Requirements and Practice 4.1 of the Code.

**Tenure of Independent Directors**

On 29 March 2018, the Board limited the tenure of an Independent Director (inclusive of re-designation) to nine (9) years only as recommended under Practice 4.2 and Step up 4.3 of the Code. The Independent Director is to relinquish Directorship once the nine (9) year limit is reached.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Diversity**

The Company sees diversity as an essential component of effective decision-making. In any appointment, a number of aspects such as gender, age, education, experience, skills and knowledge are taken into consideration to form a diversified Board and Senior Management. The Board encourages women to take up board positions and has established the Board Diversity Policy with the objective of achieving at least ten per cent (10%) women representation. This policy is published on the Company's website.

**Board Nomination Committee ('BNC') and Board Remuneration Committee ('BRC')**

The Board Nomination and Remuneration Committee ('BNRC') had been chaired by Tunku Alizan bin Raja Muhammad Alias, who was a Non-Independent Non-Executive Director, until 4 March 2019. Effective 1 April 2019, the BNRC was dissolved and separated into Board Nomination Committee ('BNC') and Board Remuneration Committee ('BRC').

The BNC comprises exclusively Non-Executive Directors, a majority of whom are Independent Directors, in accordance with the Listing Requirements. Similarly, the BRC comprises exclusively Non-Executive Directors, a majority of whom are Independent Directors.

Effective 1 April 2019, the Chairman of BNC and BRC is Datuk Seri Johari bin Abdul Ghani, a Non-Independent Non-Executive Director who represents a substantial shareholder, to ensure that the Board Members and Senior Management personnel are properly selected, appointed and remunerated. No individual or group dominates the decision-making process and independent views are taken into consideration in each discussion.

**Recruitment Process**

The BNC recommends the appointment of new Directors, reviews succession plans, determines the training needs and identifies training programmes for Directors in collaboration with the Company Secretaries. The appointment policies and procedures are included in the Charter and the Directors' Handbook.

The BNC identifies suitable candidates from various sources with appropriate skills and experience. The Board will make the final decision on any proposed appointment after taking into consideration the recommendation from the BNC.

**Board Assessment**

The Annual Board Evaluation covering the Board and Board Committees Effectiveness and Directors' Self and Peer Assessment is undertaken to assess performance and identify areas for improvement.

**Directors' Training**

The Board acknowledges the importance of continuing education for Directors in order to equip them with the necessary skills and knowledge. During the financial year under review, Directors attended a few training programmes as set out in the Corporate Governance Report.

**Remuneration Policies**

The BRC reviews the Compensation Policy ('Policy'), aligns the Policy to corporate performance and ensures that compensation offered is competitive. The Policy provides the employees with the standards and processes for the development, implementation, management and governance of compensation practices.

The Board ensures that KUB Group's remuneration remains competitive to attract and retain employees with the necessary skills and experience. The remuneration of Non-Executive Directors that has been implemented is designed to attract, retain and motivate individuals with the necessary attributes. Various factors such as the Group's requirement and the candidates' expertise and experience are taken into consideration in determining their remuneration packages.

**The Terms of Reference of the BNC and BRC**

The roles and responsibilities of BNC and BRC are incorporated in their Terms of References, which are available on the Company's website.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Remuneration of Directors**

The remuneration of the Directors for the financial year under review is as follows:

| Executive Director | Remuneration | | | | |
|---|---|---|---|---|---|
| | Company | | | | |
| | Salary (RM) | Ex-gratia (RM) | EPF (RM) | Benefits in Kind (RM) | Total (RM) |
| Datuk Abdul Rahim bin Mohd Zin^ | 1,130,477 | 200,000 | 176,788 | 115,566 | 1,622,831 |

| Non-Executive Directors | Remuneration | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Company | | | | Subsidiaries | | | Grand Total (Total A + B) |
| | Fees (RM) | Allowance (RM) | Benefits in Kind (RM) | Total A (RM) | Allowance (RM) | Benefits in Kind (RM) | Total B (RM) | |
| Datuk Seri Johari bin Abdul Ghani* | 64,355 | 11,500 | 822 | 76,677 | - | - | - | 76,677 |
| Dato' Ab Rahim bin Abu Bakar | 60,000 | 22,750 | 21,060 | 103,810 | 35,250 | 6,000 | 41,250 | 145,060 |
| Dato' Ahmad Ibnihajar | 60,000 | 73,500 | 27,952 | 161,452 | - | - | - | 161,452 |
| Mohammad Farish Nizar bin Othman | 60,000 | 35,500 | 3,217 | 98,717 | - | - | - | 98,717 |
| Datuk Haji Mohd Haniff bin Haji Koslan | 60,000 | 19,250 | 21,516 | 100,766 | 8,500 | - | 8,500 | 109,266 |
| Datuk Norliza binti Abdul Rahim | 60,000 | 13,500 | 4,899 | 78,399 | - | - | - | 78,399 |
| Tengku Zahaimi bin Tuan Hashim | 60,000 | 10,250 | 4,947 | 75,197 | 10,250 | - | 10,250 | 85,447 |
| Megat Joha bin Megat Abdul Rahman* | 49,355 | 10,500 | 2,078 | 61,933 | 2,000 | - | 2,000 | 63,933 |
| Tunku Alizan bin Raja Alias# | 10,657 | 4,000 | 7,060 | 21,717 | 15,072 | - | 15,072 | 36,789 |
| Datuk Haji Faisyal bin Datuk Yusof Hamdain Diego## | 9,274 | 3,250 | 5,354 | 17,878 | 1,500 | - | 1,500 | 19,378 |
| TOTAL | 493,641 | 204,000 | 98,905 | 796,546 | 72,572 | 6,000 | 78,572 | 875,118 |

**Note:**

* Appointed w.e.f. 4 March 2019
^ Resigned w.e.f. 13 December 2019
\# Resigned w.e.f. 4 March 2019
\## Resigned w.e.f. 26 February 2019

Payment for services rendered by a firm in which a Director is deemed interested:

Tunku Alizan bin Raja Muhammad Alias
Provision of legal services

| | RM'000 |
|---|---|
| Company | RM - |
| Subsidiaries | RM 50 |
| **Group Total** | **RM 50** |

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Remuneration of Senior Management**

The remuneration framework outlines the total compensation packages comprising fixed remuneration and variable remuneration payable to employees. Fixed remuneration refers to basic salary and other fixed income commensurate with the role and position of an individual employee, taking into consideration professional experience, qualifications, responsibilities, job complexity and local market condition.

Variable remuneration refers to discretionary bonus and other benefits, which are cash-based and exclude shares and non-cash instruments. The total amount for the variable remuneration is determined by a financial matrix that includes factors such as KUB Group's overall performance, achievement of selected financial ratios, market trends and economic outlook.

The total value of cash-based remuneration for the Senior Management of KUB Group for financial year ended 31 December 2019 is shown below:

| Key Management Personnel | Group (RM'000) | Company (RM'000) |
|---|---|---|
| Short Term Employee Benefits: | | |
| •Salary, allowances and bonuses | 3,463 | 2,114 |
| •Other benefits | 429 | 100 |
| Post-Employment Benefits: | | |
| •Defined contribution plan - EPF | 424 | 260 |
| •Social security contributions | 8 | 5 |
| **TOTAL** | **4,324** | **2,479** |

Note: Exclude the remuneration of President/Group Managing Director declared under the Directors' Remuneration

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

**Board Audit Committee ('BAC')**

The BAC comprises two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director who possess financial expertise and commercial acumen to discharge their responsibilities. The Chairman of the BAC is not the Chairman of the Board to ensure objectivity in the committee's findings and recommendations. Details of the composition and activities of the BAC are set out in the BAC Report.

**Terms of Reference of the BAC**

The BAC is governed by its Terms of Reference, which is available on the Company's website.

**External Auditors Assessment**

The BAC has a transparent relationship with the External Auditors and meets them without the presence of the Management at least twice a year.

The BAC undertakes an annual assessment of the performance, suitability, objectivity, professionalism and independence of the External Auditors in order to recommend their re-appointment. The assessment considers the openness in communication with the lead audit engagement partner and engagement team. The performance and independence checklist for the External Auditors is provided in the Charter.

**Continuous Professional Development**

The BAC acknowledges the need for continuing education and training. Particulars of the training programmes attended by Directors are included in the CG Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**Risk Management and Internal Control Framework**

The Board Risk Management Committee ('BRMC') oversees the risk management activities of KUB Group. It comprises one (1) Senior Independent Non-Executive Director, one (1) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director. The BRMC reviews the Enterprise Risk Management Framework ('Framework') and processes to ensure their continued relevance. The BRMC also monitors the effectiveness of risk mitigation action plans and control of significant risk exposures. The design of this Framework is guided by the principles and processes outlined in MS ISO 31000: 2010 Risk Management - Principles and Guidelines.

**Internal Audit Function**

Internal audit is independent from the management and the activities under its review. KUB Group Risk and Audit assists the BAC in discharging its duties and responsibilities. The Terms of Reference of the internal audit function is spelt out in the Internal Audit Charter. The principal role of internal audit is to undertake independent, regular and systematic reviews of the internal control systems in order to provide a reasonable assurance on the adequacy, integrity and effectiveness of the system of internal control, risk management and governance processes.

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

**Engagement with the Shareholders and Stakeholders**

The Board recognises the importance of transparency and accountability to its shareholders and stakeholders. The shareholders and stakeholders are informed on the performance and major corporate activities through timely dissemination of quarterly financial results, circulars, annual reports, corporate announcements and press releases. The Management also meets the institutional shareholders, analysts and media to clarify information on KUB Group's performance and strategic direction.

The Annual Report provides the shareholders and stakeholders with a comprehensive overview of the financial and non-financial information. Components such as Management Discussion Analysis, Corporate Governance Overview Statement, Sustainability Statement and Statement of Risk Management and Internal Control form integral parts of the non-financial information.

**Annual General Meeting ('AGM')**

The General Meeting allows the shareholders to engage with the Board. The Board provides the shareholders with adequate time to discuss the resolutions to be tabled at the AGM. The Notice of the AGM is issued twenty-eight (28) days before the AGM as recommended by the Code, instead of twenty-one (21) days under the Companies Act, 2016 and Listing Requirements.

The Notice outlines the resolutions to be tabled, accompanied by explanatory notes and background information, where applicable. Under the Listing Requirements, all resolutions will be voted by poll in accordance to the procedures set out in the Constitution. A shareholder may vote through proxies, provided the proxy form is deposited at least forty-eight (48) hours before the AGM. The AGMs have always been convened in the Klang Valley at locations accessible by public transport.

This Statement is made in accordance with the resolution of the Board of Directors dated 26 March 2020.

# ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with Paragraph 9.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as set out in Appendix 9C.

**a. Utilisation of Proceeds Raised from any Corporate Proposal**

There were no proceeds raised from any Corporate Proposal in the financial year ended 31 December 2019.

**b. Audit and Non-Audit Fees**

The amount of audit fees and non-audit fees paid or payable to the external auditors, Deloitte PLT for the services rendered to the Group and the Company for the financial year ended 31 December 2019 are as follows:

| Particulars | Group RM | Company RM |
|---|---|---|
| Statutory Audit Fees | 360,000 | 132,000 |
| Non-Audit Fees<br>- Tax related services<br>- Others | <br>110,600<br>92,750 | <br>13,200<br>53,500 |

**c. Material Contracts**

During the financial year, there were no material contracts entered into by the Company and its subsidiaries (not being contracts entered into in the ordinary course of business) involving the interests of Directors or Chief Executive Officer who is not a director or major shareholders.

**d. Employee Share Option Scheme ('ESOS')**

At the Extraordinary General Meeting on 23 May 2017, the shareholders approved the Company to grant ESOS options to the Directors and the eligible employees subject to the By-Laws. Its implementation is for a period of five (5) years from 25 July 2017 to 24 July 2022. However, as at 31 December 2019, the Company has not granted any ESOS option.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors ('the Board') is pleased to provide the Statement on Risk Management and Internal Control ('the Statement') pursuant to the Main Market Listing Requirements ('Listing Requirements') of Bursa Malaysia Securities Berhad ('Bursa Malaysia') with regards to the Group's risk management and internal control practices aligned with the Malaysian Code on Corporate Governance 2017 ('the Code').

The Statement outlines practices and processes adopted by the Board in reviewing the adequacy and integrity of Risk Management and Internal Control System of the Group ('the System'). The Statement, however exclude the System at associated companies where the Group does not have control over its respective operation.

## RESPONSIBILITY AND ACCOUNTABILITY

**Board of Directors**

The Board is responsible to provide the assurance that the overall Group's risk management and internal control system function effectively and form as part of the corporate culture that safeguards the stakeholders' interests and the Group's assets as prescribed by the Code.

The Board discharges their stewardship role with the identification of risks, implementation of appropriate internal controls and review of the adequacy and integrity of the internal control system. The Board ensures the adoption of strategic plans for the Group, oversees the conduct of its business, reviews the financial performance and compliance of operation with the applicable laws and ensures sound corporate governance through effective interaction with the Management, internal auditors and external auditors.

**Board Risk Management Committee ('BRMC') and Board Audit Committee ('BAC')**

The Board is assisted by the BRMC which assume the responsibilities of supervising and monitoring the principal risks, including to recommend appropriate risk management policies, risk tolerance and risk management processes, report the key risks and review the effectiveness of the recommended risk management strategies and mitigation plans for the Board's approval. BRMC, on quarterly basis is updated on the status of relevant progress of action plans in mitigating the identified risks.

The BAC on the other hand reviews the risk management and internal control issues highlighted by the internal and external auditors and further evaluates the effectiveness and adequacy of the System. The BAC has unrestricted access to both internal and external auditors and actively oversees the independence, scope of work and resources of the internal audit function. The BAC meets on a regular basis and has the right to convene meetings with the auditors without the presence of other directors and the Management.

Key matters discussed in the BRMC and BAC meetings are tabled to the Board. All internal control and risk-related matters that warrant the attention of the Board are recommended by the BRMC and BAC to the Board for approval and matters or decisions made within the BRMC and BAC's purview are updated to the Board for notation.

**Management**

The Management is responsible to implement the Board-approved risk related frameworks and policies that support the System. The Management acknowledges their responsibility to ensure the System is operating adequately and effectively to achieve its established business goals and objectives.

## RISK MANAGEMENT

Risk Management establishes informed decision making process, effective and sound management practices and increases the confidence level of the stakeholders on the performance of the Group. It has been in placed up to the date of approval of the annual report and financial statements. It is periodically reviewed and guided by the Statement on Risk Management and Internal Control Guidelines for Directors of Listed issuers.

**Risk Management Framework**

The System is guided by the established Enterprise Risk Management Framework ('the Framework') which adopted the principles and process outlined in the MS ISO 31000: 2010 Risk Management – Principles and Guidelines ('the Principle'). The Principle is broad but appropriately adopted for the Group's risk management and internal control practices respectively.

The Framework is developed to facilitate the Group in facing the changing and challenging business environment and shall be continuously improved to implement, monitor, review and improve the overall risk management activities. Other objectives of the Framework are:

(a) To provide guidance in managing risks to ensure that organisational capabilities and resources are employed in a most efficient and effective manner to manage both opportunities and threats;

(b) To encourage the risk culture and understanding among the employees on the implication of risk exposures, opportunities and threats and respond effectively within the available resources in the day-to-day strategic planning and operational activities; and

(c) To ensure that the Framework and process for risk management is integrated with all business and operational processes including governance, strategic and operational planning and decision making.

**Risk Management Process**

The System's risk management approach includes the on-going process of identifying, evaluating, assessing, treating, monitoring and reviewing the risks. The Risk Register ensures that the risks that need to be managed are communicated to the Management for implementation of risk mitigation actions.

**Risk Factors and Mitigation Strategies**

The Group identifies and classifies risks based on the level of significance of potential impact, level of likelihood of occurrence and how it may affect the Group's overall performances. The level of tolerance is expressed through the Risk Impact and Likelihood Matrix with guidance on risk treatment for action to be taken on respective risks. A set of quantitative and qualitative parameters have been established and aligned with the Group's risk tolerance to measure the impact at different dimensions.

Accordingly, primary risks are identified and continuously assessed with specific mitigation actions to be implemented and monitored to alleviate the magnitude of impact to the Group whilst secondary risks are continuously reviewed and monitored to ensure that the existing controls are effective and efficient without further escalation of the likelihood nor the impact.

## KEY INTERNAL CONTROL ACTIVITIES

The Board is fully committed in ensuring effective internal control in the Group's business operations both strategically and operationally. The key controls include:

**Board of Directors**

The Board, as governed by its Board Charter incorporates risk management in all aspects of the Group affairs with the defined roles and responsibilities and appropriate tools to support the System. The Board sets appropriate policies to ensure the System is functioned effectively in managing risks that may impede the achievement of the Group's objectives.

**Board Committees**

The Board Committees including the BRMC, the BAC, the Board Nomination Committee ('BNC'), the Board Remuneration Committee ('BRC') and the Board Employee Share Option Scheme Committee ('BESOS') assist the Board in overseeing and examining all matters within their respective scope of responsibilities and terms of reference. The Board Committees meet on a regular basis and their decisions are subsequently tabled to the Board for notation or approval. For more details on the composition of the Board Committees, please refer to the list of Board Committees of this Annual Report.

**Organisational Structure**

The Board establishes a defined organisational structure with clear demarcation of responsibility and accountability within the Group that is directly aligned to the business' strategy and operational demands. Each operational unit is headed by an individual who is fully accountable to ensure that the business activities are implemented in full compliance to the Group's objectives and policies. The structure and its function are regularly reviewed to ascertain the effectiveness and if needed to cater for the changes of business requirements.

**Limit of Authority**

The delegation of responsibilities to the Board Committees and the Management as well as the delineation of their respective authority limits are defined in the KUB Management Guidelines ('KUBMaG'). The KUBMaG provides a framework that clearly defines and specifies the authority levels for personnel to carry out their assigned responsibilities. The KUBMaG is to create awareness among all employees with regards to the internal control components and the basic control policy of the Group.

**Business Plan and Budget, Financial and Operational Review**

The Group prepares business plan and budget each year to establish targets against which performances are compared and monitored as well as to facilitate resource allocation by focusing on areas of concerns.

The Board Members and Senior Management play an important role in the stages of strategic review and update, which include among others, reviewing the plan before its finalisation, the budget approval process to ensure that the plan reflects the corporate intent of the Group and that resource allocation is strategically aligned.

Subsequently, the BAC reviews the quarterly and annual financial statements and performance of the Group together with the Management before tabled to the Board for approval. The quarterly reviews enable the BAC to deliberate and assess the Group's financial results and operational performance.

**Policies and Procedures**

Policies and standard operating procedures ('SOP') are established to provide management and operating guidelines to the Group's operating units. These policies and procedures are documented and subject to regular review, update and enhancement to reflect the current requirement and maintain its relevance. Amongst the policies are:

<u>Procurement and Strategic Sourcing ('Procurement')</u>

Procurement Policy aims to support good and sustainable procurement practices on goods, works and services for the Group. It outlines that all procurement decisions within the Group are guided by defined principles i.e. to ensure the Group and the suppliers comply with all applicable laws and regulations throughout the procurement life cycle. The Policy at all times encourages ethical vendor management via KUB vendor code of ethics that includes Anti-Corruption and Anti-Bribery Policy and Conflict of Interest in the selection of vendor, tender and procurement process.

<u>Information and Communication Technology ('ICT') Policy</u>

ICT Policy supports to monitor, escalate and report cyber or information security threats. A Disaster Recovery Centre is maintained to support identified critical business applications during disruption aligned with the Business Continuity Management System's ('BCMS') requirement. Scheduled exercises were conducted to ensure readiness in the event of a disaster recovery activation. To ensure proper protection in responding to cybersecurity threats, adequate ICT security tools and procedures are in place to detect, respond and mitigate the threats.

<u>Human Resource ('HR') Policies and Procedures</u>

A comprehensive set of HR Policies and Procedures are established within KUB Group to ensure the Group complies with relevant legislation and applies the best human resource practices on workforce planning, recruitment, compensation and benefits, industrial relations, employee engagement, employee development, performance management and salary administration.

The Code of Ethics and Conduct ('the Code') is communicated to all employees to reinforce the Group's core value on integrity by providing guidance on moral and ethical behaviour that is expected from all employees. The Code is incorporated in the Employee Handbook and it is accessible online through Human Resource System ('BOSSiNet'). The Code covers six(6) broad categories of ethics in regards to the Group's operation and personal conduct namely:

a) Conflict of Interest;
b) Misuse of Position;
c) Misuse of Information;
d) Integrity and Accuracy of Record/ Transaction;
e) Fair and Equitable Treatment; and
f ) Confidentiality

Integrity Related Policies

The established KUB Integrity Framework is implemented by all subsidiaries to emphasise the Zero Tolerance towards all forms of bribery and corruption. The Framework is supported with thirteen (13) anti-bribery related policies including Political Contribution Policy, Management Letter of Support Policy, Money Laundering Policy, Declaration of Asset Policy, Whistleblowing Policy and more. The Group continuously improves the governance policies and practices to ensure it aligned with the requirement of Corporate Liability Provision of MACC Act 2009.

Project Management Policy, Procedures and Guidelines ('PMPP')

The scope of PMPP includes project sales (prospecting, tenders and post-tender), project initiation (project authorisation & initiation and project dashboard), project planning, project execution (site administration, inspection & testing, control of monitoring and measuring equipment, maintenance and repair of plant machinery and equipment) and project post execution (final inspection & project handover and defects liability). PMPP is designed to cover revenue generating projects and contracts from external parties on the acceptance, delivery and management.

**Staff Competency, Training and Development Programs**

The Group believes that an effective organisation requires employees at all levels to be competent, skilful and capable to contribute to the achievement of the Group's vision and mission. Training and development programs are implemented to ensure that employees are equipped with the necessary competencies.

The implementation of the training and development programs is to address the deficiency of the competency in bridging the gap between performance and opportunity, thus assisting the Group to develop talented employees to be potential leaders in the industry.

**Health, Safety and Environment ('HSE')**

As of 2019, the Group follows the international HSE standards and controls on safety management. One of the subsidiary, Solar Gas, maintained the OHSAS 18001: 2007 certification for continuous improvement on safety management system. The system will be upgraded in 2020 following the migration of OHSAS 18001:2017 to ISO 45001:2018.

**Insurance on Employee and Assets**

In order to attract and retain talent, KUB Group believes it is important to offer a competitive reward package and to increase the compensation positioning against the market compensation to at least to seventieth percentile (70%). Group Hospitalisation and Surgical and Group Term Life Insurance are amongst the benefits covered by KUB Group. Both benefits and insurance include the coverage for the cost of inpatient and outpatient treatment, critical illnesses, rehabilitation and death from all causes.

Besides insurance for its employees, KUB Group also purchases insurance for its physical assets including computers and servers. The coverage includes damage or loss of assets in the event of fire, theft of assets, liability coverage for the legal responsibility to others for accidents, bodily injury or property damage.

Insurance coverage is reviewed on a yearly basis to ensure comprehensive coverage to mitigate business risks in view of the ever-changing business environment or assets.

**Internal Audit**

Internal audit function assesses the Group's system of internal control, risk management and governance process. The assurance that the internal control, risk management and governance processes within the Group are adequate and complied with relevant requirement is independently and regularly reported to BAC. The corrective actions for the findings raised in the internal audit reports will be taken by the Management based on agreed action plan. Details of Internal Audit activities are provided in the Board Audit Committee Report of this Annual Report.

**Business Continuity Management ('BCM')**

The Group establishes BCM System ('BCMS') by adopting the principles provided by ISO 22301: 2012. The structure, responsibilities and relevant processes in regards to BCM are reflected in the BCM Framework. BCMS is maintained to protect the Group against, reduce the likelihood of occurrence, prepare for, respond to, and recover from disruptive incident when it arises.

**Sustainability Reporting and Strategies**

The Group believes that the emerging trend of Economic, Environmental and Social ('EES') risks and opportunities increasingly affecting business value as well as share prices and stakeholders' areas of concerns. By incorporating sustainability considerations into the process, it shall lead to value creation in the long run as organisation looks beyond short term profitability and consider medium to long term business viability. It also serves as a business strategy that advocates long term value creation for business, support business continuity and creating competitive advantage over the long term. The Board approved Sustainability Policy and Framework as guide to ensure standardisation for implementation within the Group.

Sustainability reporting and strategies are driven by the Sustainability Committee that reports to the BRMC. For more details, please refer to the detail Sustainability Statement 2019 of this Annual Report.

## CONCLUSION

After a due and thorough inquiry on the information and assurance provided, the Board is satisfied with the process of identifying, evaluating and managing the significant risks that may affect the achievement of the Group's business objectives. Where exceptions were noted, there was no material control failure or weakness that had resulted in material loss that had not been disclosed in the Group's financial statements. For areas requiring attention, measures are taken to ensure the on-going adequacy and effectiveness of risk management and internal control. The Board and the Management will continuously improve and seek assurance on the efficiency and effectiveness of the internal control system through independent assessments by the internal and external auditors.

The Board has received assurance from the Group Chief Executive Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

The Statement is made based on the recommendation of the BRMC to the Board of Directors as per the Board's resolution dated 26 March 2020.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Listing Requirements, the External Auditors, Deloitte PLT have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with the ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Recommended Practice Guide ('RPG') 5 (Revised), issued by the Malaysian Institute of Accountants. RPG5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that the Statement has not been prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Guidelines, nor is it factually inaccurate.

# BOARD AUDIT COMMITTEE REPORT

The Board of Directors ('the Board') is pleased to present the report on the Board Audit Committee ('BAC') for the financial year ended 31 December 2019.

## COMPOSITION

The BAC consists of the following members:

**Mohammad Farish Nizar bin Othman**
Chairman, Independent Non-Executive Director

**Datuk Haji Mohd Haniff bin Haji Koslan**
Independent Non-Executive Director

**Megat Joha bin Megat Abdul Rahman**
Non-Independent Non-Executive Director (appointed as BAC w.e.f. 1 April 2019)

**Dato' Ab Rahim bin Abu Bakar**
Senior Independent Non-Executive Director (resigned from BAC w.e.f. 1 April 2019)

**Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego**
Non-Independent Non-Executive Director (resigned from KUB Board of Directors w.e.f. 26 February 2019)

The BAC is governed by its Terms of Reference as set out in the Governance section at www.kub.com. conforming to the requirements of the Malaysian Code on Corporate Governance dated 26 April 2017 ('the Code') . Majority members of the BAC are Independent Non-Executive Directors and the current BAC chairman is a member of the Malaysian Institute of Accountants ('MIA'), thereby complying with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements ('Listing Requirements') of Bursa Malaysia Securities Berhad ('Bursa Malaysia').

## MEETINGS

During the financial year ended 31 December 2019, the BAC held a total of five (5) meetings, with the following record of attendance.

**Directors Attendance**

| Directors | Attendance |
|---|---|
| Mohammad Farish Nizar bin Othman | 5/5 |
| Datuk Haji Mohd Haniff bin Haji Koslan | 5/5 |
| Megat Joha bin Megat Abdul Rahman | 3/3 |
| Dato' Ab Rahim bin Abu Bakar | 2/2 |
| Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego | 1/1 |

The Company Secretaries were present during all the meetings except for the private sessions with the external auditors. The Head of Group Risk and Audit ('GRAD'), representatives of the external auditor, Deloitte PLT, the President/Group Managing Director, the Chief Financial Officer and Senior Management personnel also attended the meetings upon invitation.

The BAC Chairman updated the Board on matters deliberated after each BAC Meeting. This is to ensure that the Board is updated on the significant matters raised by the internal and external auditors.

The BAC in the discharge of its functions and duties had carried out the following works to meet its responsibilities during the financial year ended 31 December 2019:

**1. Financial Results and Corporate Governance**

a) Reviewed the quarterly unaudited financial results, year-end financial statements and announcements to Bursa Malaysia before recommending to the Board for approval focusing particularly on;

- Changes in or implementation of major accounting policy changes;
- Significant matters highlighted including financial reporting issues, significant judgments made by the management, significant and unusual events or transactions, and how these matters were addressed; and
- Compliance with accounting standards and other legal requirements.

b) Reviewed the Group's compliance level, in particular the quarterly and year-end financial statements with the Listing Requirements, Financial Reporting Standards issued by the Malaysian Accounting Standards Board ('MASB') and other legal and regulatory requirements;

c) Reviewed the audited financial statements of the Group with external auditors prior to submission to the Board for its consideration and approval. The review is to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the Financial Reporting Standards issued by MASB;

d) Reviewed the proposed interim dividend for financial year ending 31 December 2019;

e) Reviewed the issuance of the Letter of Financial Support in respect of KUB Group of Companies for recommendation to the Board for approval;

f) Reviewed the Related Party Transaction ('RPT') entered by the Group in compliance with the Listing Requirements before recommending to the Board for its approval;

g) Reviewed minutes of the BAC; and

h) Reviewed the application of corporate governance principles and the Group's compliance with the best practices set out under the Code for the purpose of preparing the Corporate Governance Statement, Statement on Risk Management and Internal Control and the Board Audit Committee Report pursuant to the Listing Requirements for the Board's approval.

**2. External Audit**

a) Reviewed the external auditor's scope of works and audit plans for the year ending 31 December 2019 as per the audit planning memorandum;

b) Reviewed with the external auditors the results of audit, audit report and management letter, including the management's response, evaluation of the system of internal controls, and the assistance given by the employees to the external auditor;

c) Reviewed the proposed audit fees for the external auditors for year ending 31 December 2019 and recommended to the Board for approval;

d) Met with the external auditors twice during the year without the presence of the Management; and

e) Reviewed the nomination of the external auditor before recommending to the Board for approval.

**3. Internal Audit**

a) Reviewed the presented internal audit reports which incorporating the results of the internal audit programs and processes or investigation undertaken based on findings and recommendations with respect to the adequacy and integrity of the internal control system;

b) Reviewed with the Management on agreed actions taken based on findings and recommendation raised in the internal audit reports to improve the system of internal controls;

c) Assessed the performance of the internal audit function via the status updates of the internal audit plan as compared to the approved Annual Internal Audit Plan and reviewed the reasonableness of the compensation of the members of the function; and

d) Reviewed and approved the internal audit function, budget and the internal audit annual plan to ensure the adequacy of its resources, competencies, scope, functions and coverage. The level of authority under internal audit function in carrying out its functions is spelt out in the BAC approved Internal Audit Charter.

## SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

The BAC is assisted by GRAD in discharging its duties and responsibilities throughout the financial year. The terms of reference of the internal audit function are clearly spelt out in the Internal Audit Charter. The principal role of internal audit function is to undertake independent, regular and systematic reviews on the internal control systems to provide an independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's system of internal control, risk management and governance process.

Internal audit function has no operational responsibility and authority over the audited activities. It adopts a risk-based approach in preparing its Annual Internal Audit Plan. The audit plan and its program, the budgets, the manpower resources and the key performance indicators are submitted to the BAC for review and approval.

During FY2019, a total of ten (10) audits were carried out on holistic approach in accordance with the Annual Internal Audit Plan.The audits encompassed five (5) scheduled audits, one (1) limited review and four (4) follow-up audits covering amongst others the Information, Communication and Technology, LPG and Agro divisions.

The key activities include carrying out analysis to determine the efficiency of business carries out by the Group, and evaluating the systems established to ensure compliance with laws, regulations, policies, plans and procedure which could have significant risk impact on the Group. The key areas covered in the audit FY2019 include governance structure, legal and compliance, financial management, strategic planning, procurement process and supply chain management, inventory management, information security, project management and HR policies and procedures.

The internal audit reports contained the internal control assessment, areas for improvement, audit recommendations and management comments. The reports were forwarded to the Management for the necessary corrective actions. The Management is responsible for ensuring that the action plans are pursued within the required time frame. The implementation of the action plan was continuously monitored through periodic follow-up reviews. The reports were presented to the BAC on periodical basis.

KUB is a corporate member of the Institute of Internal Auditors of Malaysia ('IIAM') allowing the internal auditors to have access to internal audit information, networking and trainings in ensuring that its activities meet the standards required by the Institute of Internal Auditors International Professional Practices Framework.

The internal audit function is headed by Azizan bin Ariffin and supported by two (2) internal auditors. Azizan is a member of the IIAM and Malaysia Institute of Accountants, a Certified Integrity Officer and a Certified Fraud Examiner. In FY 2019, the total costs incurred for the Group internal audit function was RM306,657.

# STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 2016 to prepare the financial statements for each financial year which have been made out in accordance with the applicable accounting standards and the requirements of the Companies Act, 2016 in Malaysia.

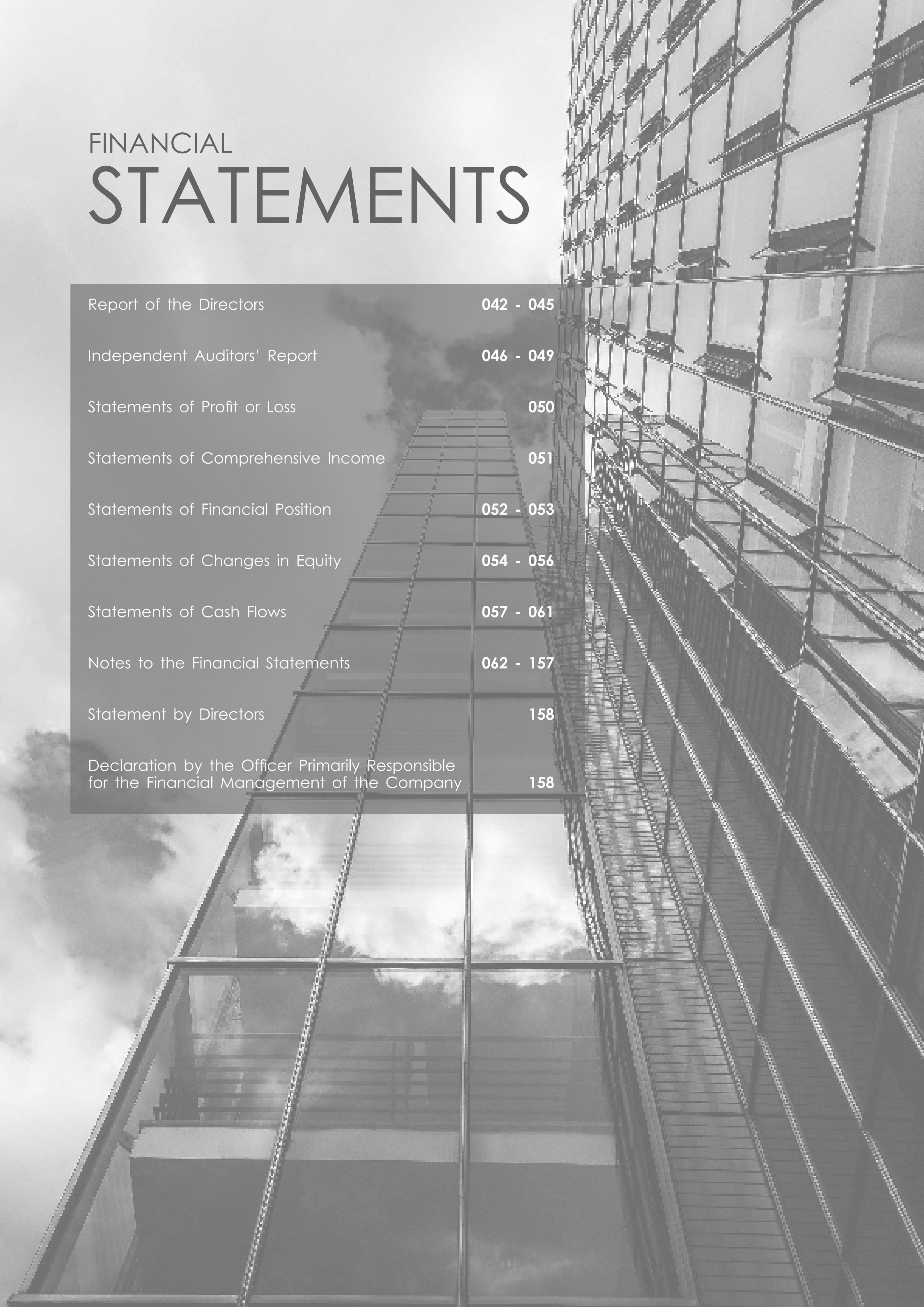
The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of KUB Group and KUB at the end of the financial year, and of the results and cash flows of KUB Group and KUB for the financial year.

In preparing the financial statements, the Directors have:

- Adopted appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that KUB Group and KUB keep accounting records which disclose the financial position and performance of KUB Group and KUB with reasonable accuracy, enabling them to ensure that the financial statements comply with the Companies Act, 2016.

The Directors are responsible for taking such reasonable steps to safeguard the assets of KUB Group and KUB, to detect and prevent fraud and other irregularities.



# FINANCIAL STATEMENTS

# REPORT OF THE DIRECTORS

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The subsidiaries are principally engaged in the business of liquefied petroleum gas ('LPG'), agricultural businesses, information and communications technology ('ICT'), power and others as stated in Note 44 to the financial statements.

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

## RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| **Continuing operations** | | |
| Profit before zakat and taxation | 20,590 | 44,826 |
| Zakat | (155) | - |
| Taxation | (2,104) | - |
| **Profit for the year** | 18,331 | 44,826 |
| Profit attributable to: | | |
| Owners of the parent | 17,355 | 44,826 |
| Non-controlling interests | 976 | - |
| | 18,331 | 44,826 |

In the opinion of the Directors, the results of 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 except for the gain on disposal of a non-current asset held for sale of the company amounting to RM25,265,000 as disclosed in Note 13 to the financial statements.

## DIVIDENDS

No dividend was paid during the year and the Directors do not recommend any dividend for the financial year ended 31 December 2019.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

# REPORT OF THE DIRECTORS

## SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

## OTHER STATUTORY INFORMATION

Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) 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 had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value 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.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amount of bad debts written off or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) 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; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year and secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent 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, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the Directors, 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 operations of the Group and of the Company in the financial year in which this report is made.

# REPORT OF THE DIRECTORS

## DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Datuk Seri Johari bin Abdul Ghani (Chairman) (appointed on 4 March 2019)
Dato' Ab Rahim bin Abu Bakar
Dato' Ahmad Ibnihajar
Mohammad Farish Nizar bin Othman
Datuk Haji Mohd Haniff bin Haji Koslan
Datuk Norliza binti Abdul Rahim
Tengku Zahaimi bin Tuan Hashim
Megat Joha bin Megat Abdul Rahman (appointed on 4 March 2019)
Datuk Abdul Rahim bin Mohd Zin (resigned on 13 December 2019)
Tunku Alizan bin Raja Muhammad Alias (resigned on 4 March 2019)
Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego (resigned on 26 February 2019)

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the information is deemed incorporated herein by such reference and made a part thereof.

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year except as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | As of 1.1.2019/ Date of Appointment | Acquired | Sold | As of 31.12.2019 |
| **Shares in the Company, KUB Malaysia Berhad** | | | | |
| **Indirect Interest** | | | | |
| Datuk Seri Johari bin Abdul Ghani | 178,068,700* | - | - | 178,068,700 |

** Deemed interest by virtue of his interest in JAG Capital Holdings Sdn Bhd.*

The other Directors in office at the end of the financial year did not have any interest in the shares of the Company or its related corporations during or as at the beginning and end of the financial year.

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 37(c) to the financial statements.

# REPORT OF THE DIRECTORS

**INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

The Company maintains a Directors and Officers' liability insurance throughout the year, which provides appropriate insurance cover for the Directors and Officers of the Company and its Group of companies.

During the financial year, the total amount of indemnity coverage and the insurance premium paid for the Group are RM10,000,000 and RM12,150 respectively.

**AUDITORS**

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

**AUDITORS' REMUNERATION**

The auditors' remuneration of the Group and of the Company for financial year ended 31 December 2019 are disclosed in Note 10 of the financial statements.

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

**DATUK SERI JOHARI BIN ABDUL GHANI**

**DATO' AB RAHIM BIN ABU BAKAR**

Petaling Jaya

30 April 2020

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF KUB MALAYSIA BERHAD
## (Incorporated in Malaysia)

**Report on The Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of KUB MALAYSIA BERHAD, which comprise the statements of financial position as of 31 December 2019 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 157.

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 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

*Basis for Opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's 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 IESBA Code.

*Key Audit Matters*

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

**Group**

| *Key audit matter* | *Our audit performed and responses thereon* |
|---|---|
| **Impairment assessment of Property, Plant and Equipment ('PPE') in the Agricultural Businesses ('Agro') Segment**<br><br>As of 31 December 2019, PPE in the Agro segment amounting to RM171,759,000, represents 31% of the Group's total assets.<br><br>As required by MFRS 136 *Impairment of Assets*, management performed an impairment indicator review of the Agro segment and assessed that there was objective evidence or indications that the PPE in certain cash generating units ('CGUs') of the Agro segment may be impaired as a result of weakening market conditions in the palm oil industry.<br><br>In performing the impairment assessment of PPE of these CGUs, management estimated their recoverable amount based on its value-in-use using a projected discounted cash flow model ('DCF'). | We have performed the procedures below, amongst others:<br><br>• Inquired management to obtain an understanding of the PPE impairment assessment process and evaluated the design and implementation of relevant controls;<br><br>• Obtained and evaluated the reasonableness of management's impairment indicator assessment;<br><br>• Assessed the appropriateness of the CGUs identified;<br><br>• Evaluated the appropriateness of the DCF methodology, including the verification of the mathematical accuracy of the underlying calculations and understanding the basis for management's estimates and judgements;<br><br>• Performed retrospective review of the DCF to assess the reliability of management's estimates; |

# INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KUB MALAYSIA BERHAD
(Incorporated in Malaysia)

*Key Audit Matters (cont'd)*

**Group (cont'd)**

| *Key audit matter (cont'd)* | *Our audit performed and responses thereon (cont'd)* |
|---|---|
| **Impairment assessment of Property, Plant and Equipment ('PPE') in the Agricultural Businesses ('Agro') Segment (cont'd)**<br>This area is a key audit matter due to its significance to the Group's financial position and involvement of significant management estimates and judgements in determining the key bases and assumptions used in the DCF, which have been disclosed in Note 4.2 to the consolidated financial statements. | We have performed the procedures below, amongst others (cont'd):<br>• Assessed and challenged the reasonableness of management's estimates and judgements used in the DCF;<br>• Engaged our internal valuation specialists in assessing the appropriateness of the discount rate used by management;<br>• Performed sensitivity analysis on the discount rate to see the reasonableness of the rate used; and<br>• Assessed the adequacy and appropriateness of the disclosures made in the financial statements. |

**Company**

There are no key audit matters to be communicated in respect of the audit of the financial statements of the Company.

*Information Other than the Financial Statements and Auditors' Report thereon*

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

Our opinion on the financial statements of the Group and of the Company does not cover the 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 Board of Directors for the Financial Statements*

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the 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 intends to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

# INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KUB MALAYSIA BERHAD
(Incorporated in Malaysia)

*Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.

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

- 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.

- 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.

- 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 auditor's 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.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 44 to the financial statements.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KUB MALAYSIA BERHAD
(Incorporated in Malaysia)

**Other Matters**

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

**DELOITTE PLT (LLP0010145-LCA)**
**Chartered Accountants (AF 0080)**

**KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN**
**Partner - 02903/11/2021 J**
**Chartered Accountant**

30 April 2020

# STATEMENTS OF PROFIT OR LOSS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019<br>RM'000 | 2018<br>RM'000<br>(Re-presented) | 2019<br>RM'000 | 2018<br>RM'000 |
| **Continuing operations** | | | | | |
| Revenue | 5 | 400,483 | 522,322 | 18,187 | 24,173 |
| Cost of sales | 6 | (370,034) | (490,144) | - | - |
| **Gross profit** | | 30,449 | 32,178 | 18,187 | 24,173 |
| Other income | | 36,554 | 16,056 | 41,926 | 44,598 |
| Distribution expenses | | (1,802) | (1,315) | - | - |
| Administrative expenses | | (32,970) | (40,824) | (13,583) | (19,063) |
| Other expenses | | (12,871) | (33,430) | (2,442) | (8,567) |
| **Profit/(Loss) from operating activities** | | 19,360 | (27,335) | 44,088 | 41,141 |
| Finance income | 7 | 3,199 | 2,127 | 1,610 | 917 |
| Finance costs | 8 | (7,242) | (8,274) | (872) | (1,787) |
| Share of results of associates | | 5,273 | 3,313 | - | - |
| **Profit/(Loss) before zakat and taxation** | 9 | 20,590 | (30,169) | 44,826 | 40,271 |
| Zakat | | (155) | (1,375) | - | - |
| Taxation | 12 | (2,104) | (5,895) | - | - |
| **Profit/(Loss) for the year from continuing operations** | | 18,331 | (37,439) | 44,826 | 40,271 |
| **Discontinued operations** | | | | | |
| Profit for the year from discontinued operations, net of tax | 13 | - | 17,944 | - | - |
| **Profit/(Loss) for the year** | | 18,331 | (19,495) | 44,826 | 40,271 |
| **Profit/(Loss) attributable to:** | | | | | |
| Owners of the parent | | | | | |
| - from continuing operations | | 17,355 | (16,767) | 44,826 | 40,271 |
| - from discontinued operations | 13 | - | 17,944 | - | - |
| | | 17,355 | 1,177 | 44,826 | 40,271 |
| Non-controlling interests | 18 | 976 | (20,672) | - | - |
| | | 18,331 | (19,495) | 44,826 | 40,271 |
| **Basic and diluted earnings/(loss) per ordinary share attributable to owners of the parent (sen)** | 14 | | | | |
| - from continuing operations | | 3.12 | (3.01) | | |
| - from discontinued operations | | - | 3.22 | | |
| | | 3.12 | 0.21 | | |

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019<br>RM'000 | 2018<br>RM'000<br>(Re-presented) | 2019<br>RM'000 | 2018<br>RM'000 |
| **Profit/(Loss) for the year** | | 18,331 | (19,495) | 44,826 | 40,271 |
| **Item that will not be reclassified subsequently to profit or loss:** | | | | | |
| Fair value gain/(loss) on quoted investment at fair value through other comprehensive income (FVTOCI) | | 2,450 | (2,239) | 2,450 | (2,239) |
| **Other comprehensive income/(loss) for the year net of tax** | | 2,450 | (2,239) | 2,450 | (2,239) |
| **Total comprehensive income/(loss) for the year** | | 20,781 | (21,734) | 47,276 | 38,032 |
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Owners of the parent | | | | | |
| - from continuing operations | | 19,805 | (19,006) | 47,276 | 38,032 |
| - from discontinued operations | | - | 17,944 | - | - |
| | | 19,805 | (1,062) | 47,276 | 38,032 |
| Non-controlling interests | 18 | 976 | (20,672) | - | - |
| | | 20,781 | (21,734) | 47,276 | 38,032 |

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF FINANCIAL POSITION
## AS OF 31 DECEMBER 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 15 | 273,935 | 226,821 | 12,523 | 15,341 |
| Investment properties | 16 | 11,383 | 13,035 | 3,298 | 3,371 |
| Right-of-use assets | 17 | 3,729 | - | - | - |
| Investments in subsidiaries | 18 | - | - | 269,263 | 270,262 |
| Investments in associates | 19 | 47,700 | 42,427 | 9,000 | 9,000 |
| Other investments | 20 | 6,996 | 4,563 | 6,996 | 4,563 |
| Long term prepaid expenses | 21 | - | 805 | - | - |
| Finance lease receivables | 17 | 1,577 | - | - | - |
| | | 345,320 | 287,651 | 301,080 | 302,537 |
| **Current assets** | | | | | |
| Inventories | 25 | 4,821 | 6,953 | - | - |
| Biological assets | 26 | 1,274 | 724 | - | - |
| Due from subsidiaries | 22 | - | - | 7,871 | 3,182 |
| Trade and other receivables | 23 | 46,074 | 47,772 | 1,771 | 666 |
| Contract assets | 23 | 340 | 2,065 | - | - |
| Finance lease receivables | 17 | 115 | - | - | - |
| Tax recoverable | | 910 | 1,899 | - | - |
| Derivative financial assets | 35 | - | 23 | - | - |
| Short term investment | 27 | - | 20,193 | - | - |
| Cash and bank balances | 28 | 145,627 | 123,432 | 47,919 | 18,594 |
| | | 199,161 | 203,061 | 57,561 | 22,442 |
| Non-current assets held for sale | 13 | 1,840 | 106,805 | 1,840 | 8,593 |
| **Total assets** | | 546,321 | 597,517 | 360,481 | 333,572 |

# STATEMENTS OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| **Equity and liabilities** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 29 | 228,863 | 228,863 | 228,863 | 228,863 |
| Reserves | 30 | 49,456 | 47,006 | 3,322 | 872 |
| Retained earnings | | 56,813 | 39,611 | 118,139 | 73,313 |
| | | 335,132 | 315,480 | 350,324 | 303,048 |
| **Non-controlling interest** | | (10,492) | (11,468) | - | - |
| **Total equity** | | 324,640 | 304,012 | 350,324 | 303,048 |
| **Non-current liabilities** | | | | | |
| Borrowings | 32 | 71,033 | 115,163 | 24 | 123 |
| Due to subsidiaries | 22 | - | - | - | 9,775 |
| Lease liabilities | 17 | 2,480 | - | - | - |
| Refundable cylinder deposits | 34 | 17,778 | 14,949 | - | - |
| Deferred tax liabilities | 24 | 13,203 | 12,532 | - | - |
| Deferred income | 33 | - | 2,513 | - | - |
| | | 104,494 | 145,157 | 24 | 9,898 |
| **Current liabilities** | | | | | |
| Trade and other payables | 34 | 81,744 | 91,550 | 9,326 | 9,257 |
| Contract liabilities | 34 | 981 | 238 | - | - |
| Lease liabilities | 17 | 642 | - | - | - |
| Borrowings | 32 | 33,169 | 55,765 | 92 | 1,080 |
| Due to subsidiaries | 22 | - | - | 715 | 10,289 |
| Derivative financial liabilities | 35 | 21 | - | - | - |
| Provision for tax | | 630 | 795 | - | - |
| | | 117,187 | 148,348 | 10,133 | 20,626 |
| **Total liabilities** | | 221,681 | 293,505 | 10,157 | 30,524 |
| **Total equity and liabilities** | | 546,321 | 597,517 | 360,481 | 333,572 |

The accompanying Notes form an integral part of the Financial Statements.

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | | | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | Distributable | Non-distributable | | | | | |
| 2019 Group | Equity, total RM'000 | Equity attributable to owners of the parent, total RM'000 | Share capital RM'000 | Retained earnings RM'000 | Other reserves, total RM'000 | Capital reserve RM'000 | Fair value adjustment reserve RM'000 | Discount paid on acquisition of non-controlling interests RM'000 | Merger reserve RM'000 | Non-controlling interests RM'000 |
| **As of 1 January 2019** | 304,012 | 315,480 | 228,863 | 39,611 | 47,006 | 34,016 | 872 | 971 | 11,147 | (11,468) |
| Effects of adoption of MFRS 16 (Note 42) | (153) | (153) | - | (153) | - | - | - | - | - | - |
| **As of 1 January 2019 (re-presented)** | 303,859 | 315,327 | 228,863 | 39,458 | 47,006 | 34,016 | 872 | 971 | 11,147 | (11,468) |
| Profit for the year | 18,331 | 17,355 | - | 17,355 | - | - | - | - | - | 976 |
| Other comprehensive income for the year | 2,450 | 2,450 | - | - | 2,450 | - | 2,450 | - | - | - |
| **Total comprehensive income** | 20,781 | 19,805 | - | 17,355 | 2,450 | - | 2,450 | - | - | 976 |
| **As of 31 December 2019** | 324,640 | 335,132 | 228,863 | 56,813 | 49,456 | 34,016 | 3,322 | 971 | 11,147 | (10,492) |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | | | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | Distributable | Non-distributable | | | | | |
| 2018 Group | Equity, total RM'000 | Equity attributable to owners of the parent, total RM'000 | Share capital RM'000 | Retained earnings RM'000 | Other reserves, total RM'000 | Capital reserve RM'000 | Fair value adjustment reserve RM'000 | Discount paid on acquisition of non-controlling interests RM'000 | Merger reserve RM'000 | Non-controlling interests RM'000 |
| **As of 1 January 2018** | 336,876 | 327,672 | 228,863 | 49,564 | 49,245 | 34,016 | 3,111 | 971 | 11,147 | 9,204 |
| (Loss)/Profit for the year | (19,495) | 1,177 | - | 1,177 | - | - | - | - | - | (20,672) |
| Other comprehensive loss for the year | (2,239) | (2,239) | - | - | (2,239) | - | (2,239) | - | - | - |
| **Total comprehensive (loss)/income** | (21,734) | (1,062) | - | 1,177 | (2,239) | - | (2,239) | - | - | (20,672) |
| **Transactions with owners** | | | | | | | | | | |
| Dividends paid (Note 31) | (11,130) | (11,130) | - | (11,130) | - | - | - | - | - | - |
| **As of 31 December 2018** | 304,012 | 315,480 | 228,863 | 39,611 | 47,006 | 34,016 | 872 | 971 | 11,147 | (11,468) |

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| **2019 Company** | **Equity, total RM'000** | **Non-distributable Share capital RM'000** | **Distributable Retained earnings RM'000** | **Non-distributable Fair value adjustment reserve RM'000** |
|---|---|---|---|---|
| **As of 1 January 2019** | 303,048 | 228,863 | 73,313 | 872 |
| Profit for the year | 44,826 | - | 44,826 | - |
| Other comprehensive income for the year | 2,450 | - | - | 2,450 |
| Total comprehensive income | 47,276 | - | 44,826 | 2,450 |
| **As of 31 December 2019** | 350,324 | 228,863 | 118,139 | 3,322 |

| **2018 Company** | | | | |
|---|---|---|---|---|
| **As of 1 January 2018** | 276,146 | 228,863 | 44,172 | 3,111 |
| Profit for the year | 40,271 | - | 40,271 | - |
| Other comprehensive loss for the year | (2,239) | - | - | (2,239) |
| Total comprehensive income/(loss) | 38,032 | - | 40,271 | (2,239) |
| Dividends paid (Note 31) | (11,130) | - | (11,130) | - |
| **As of 31 December 2018** | 303,048 | 228,863 | 73,313 | 872 |

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES** | | | | |
| Profit/(Loss) before zakat and taxation | 20,590 | (33,375) | 44,826 | 40,271 |
| - continuing operations | 20,590 | (30,169) | 44,826 | 40,271 |
| - discontinued operations (Note 13) | - | (3,206) | - | - |
| Adjustments for: | | | | |
| Amortisation of intangible assets for discontinued operations | - | 211 | - | - |
| Depreciation of: | | | | |
| - property, plant and equipment | 15,512 | 19,976 | 1,056 | 1,696 |
| - continuing operations | 15,512 | 18,292 | 1,056 | 1,696 |
| - discontinued operations | - | 1,684 | - | - |
| - investment properties | 424 | 353 | 73 | 73 |
| - right-of-use assets | 703 | - | - | - |
| Amortisation of deferred income | - | (107) | - | - |
| Finance costs | 7,242 | 8,493 | 872 | 1,787 |
| - continuing operations | 7,242 | 8,274 | 872 | 1,787 |
| - discontinued operations | - | 219 | - | - |
| Loss/(Gain) on fair value changes of derivative instruments | 21 | (23) | - | - |
| Unrealised gain on fair value changes in short term investment | - | (838) | - | - |
| Loss/(Gain) on fair value changes in investment in unquoted shares | 17 | (26) | 17 | (26) |
| (Gain)/Loss on fair value changes in biological assets | (550) | 106 | - | - |
| Allowance for impairment on trade and other receivables | 567 | 1,753 | - | - |
| (Reversal)/Allowance for impairment on contract assets | (94) | 34 | - | - |

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| **CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (CONT'D)** | | | | |
| Allowance for impairment on amount due from subsidiaries (Note 22) | - | - | 1,249 | 1,261 |
| Allowance for impairment on investment in subsidiaries | | | | |
| - advances to subsidiaries (Note 18) | - | - | 46 | - |
| - investment (Note 18) | - | - | - | 5,537 |
| Impairment losses on property, plant and equipment | 7,147 | 29,060 | - | - |
| - continuing operations | 7,147 | 26,094 | - | - |
| - discontinued operations | - | 2,966 | - | - |
| Property, plant and equipment written off | 1,634 | 192 | - | - |
| Inventories written down/off | 632 | 2,344 | - | - |
| - continuing operations | 632 | 2,086 | - | - |
| - discontinued operations | - | 258 | - | - |
| Net unrealised loss on foreign exchange | 55 | 61 | - | - |
| Gain on disposal of: | | | | |
| - property, plant and equipment | (2,038) | (370) | (21) | - |
| - non-current assets held for sale | (28,772) | (6,209) | (25,265) | - |
| - subsidiary | (293) | - | - | - |
| - associate | - | (800) | - | (800) |
| Dividend income | (281) | (280) | (12,781) | (16,160) |
| Interest/profit income | (3,199) | (2,186) | (1,610) | (917) |
| - continuing operations | (3,199) | (2,127) | (1,610) | (917) |
| - discontinued operations | - | (59) | - | - |

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| Forfeiture of cylinder deposits payable | - | (2,067) | - | - |
| Provision for liquidated ascertained damages | - | 59 | - | - |
| Reversal of allowance for impairment on receivables | (570) | (94) | - | - |
| Reversal of allowance for impairment: | | | | |
| - amount due from subsidiaries | - | - | (361) | (544) |
| - advances to subsidiaries | - | - | (15,125) | (42,371) |
| Share of results of associates | (5,273) | (3,313) | - | - |
| **Operating Profit/(Loss) Before Changes in Working Capital** | 13,474 | 12,954 | (7,024) | (10,193) |
| Changes in working capital: | | | | |
| Inventories | 1,500 | 2,457 | - | - |
| Trade and other payables | (1,804) | (24,910) | 70 | 757 |
| Trade and other receivables | 45 | 60,972 | (1,106) | 130 |
| Contract assets | 1,819 | 14,700 | - | - |
| Contract liabilities | 743 | (1,195) | - | - |
| **Cash Generated From/(Used In) Operations** | **15,777** | **64,978** | **(8,060)** | **(9,306)** |
| Finance cost lease liability | (167) | - | - | - |
| Zakat paid | (588) | (668) | - | - |
| Net tax paid | (2,298) | (8,302) | - | - |
| **Net Cash Generated From/ (Used In) Operating Activities** | 12,724 | 56,008 | (8,060) | (9,306) |

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| **CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES** | | | | |
| Acquisition of property, plant and equipment (Note 15) | (19,334) | (168,269) | (84) | (678) |
| Redemption/(Acquisition) of short - term investment | 21,108 | (19,983) | - | - |
| Additions to intangible asset | - | (523) | - | - |
| Additions to investment properties (Note 16) | - | (868) | - | - |
| Advance to subsidiaries | | | | |
| - investment | - | - | (54) | - |
| - due from subsidiaries | - | - | (14,931) | - |
| Repayment of advances from subsidiaries | - | - | 15,125 | 17,046 |
| Repayment of amount due from subsidiaries | - | - | 361 | 554 |
| Repayment of amount due to subsidiaries | - | - | (9,349) | - |
| Dividends received | 281 | 280 | 12,781 | 16,160 |
| Interest/profit received | 3,199 | 2,186 | 1,610 | 917 |
| Proceeds from disposal of property, plant and equipment | 2,146 | 482 | 27 | - |
| Proceeds from disposal of assets classified as held for sale | 76,745 | 9,940 | 33,858 | - |
| Net proceeds from disposal of a subsidiary (Note 13) | - | 26,240 | - | - |
| Proceeds from disposal of an associate | - | 800 | - | 800 |
| **Net Cash Generated/(Used In) From Investing Activities** | 84,145 | (149,715) | 39,344 | 34,789 |

# STATEMENTS OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | | |
| Increase of deposits pledged with licensed banks | (1,420) | (7,284) | - | - |
| Interest/Profit paid | (7,242) | (8,493) | (872) | (1,787) |
| Dividend paid | - | (11,130) | - | (11,130) |
| Net (repayment)/drawdown of short-term borrowings | (18,941) | 46,941 | (1,000) | 1,000 |
| Repayment of lease liabilities | (598) | - | - | - |
| Repayment of hire purchase | (229) | (200) | (87) | (83) |
| Drawdown of term loans | - | 77,245 | - | - |
| Repayment of term loans | (47,556) | (5,310) | - | (1,000) |
| Net Cash Generated (Used In)/From Financing Activities | (75,986) | 91,769 | (1,959) | (13,000) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 20,883 | (1,938) | 29,325 | 12,483 |
| Effect of exchange rate changes on the balance of cash held in foreign currency | (108) | (101) | - | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 92,834 | 94,873 | 18,594 | 6,111 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 28)** | 113,609 | 92,834 | 47,919 | 18,594 |

The accompanying Notes form an integral part of the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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 principal activities of the Company are that of investment holding and provision of management services to its subsidiaries.

The subsidiaries are principally engaged in the business of liquefied petroleum gas ('LPG'), agricultural businesses, information and communications technology ('ICT'), power and others as stated in Note 44.

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

The registered office and principal place of business of the Company is located at Level 3A, Unit 1, Capital 3, Oasis Square, Ara Damansara, PJU 1A/7A, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 30 April 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of the Financial Statements

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

#### (i) Adoption of New Standards

In the current financial year, the Group and the Company adopted the following accounting standards, amendments to the MFRSs and Issued Committee Interpretation ('IC Interpretation') effective for annual financial periods beginning on or after 1 January 2019.

| | |
|---|---|
| MFRS 16 | Leases |
| Amendments to MFRS 9 | Financial Instruments - Prepayment Features Negative Compensation |
| Amendments to MFRS 128 | Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures |
| Amendments to MFRS 119 | Employee Benefits - Plan Amendment, Curtailment and Settlement |
| IC Interpretation 23 | Uncertainty over Income Tax Treatments |
| Amendments to MFRSs | Annual Improvements to MFRSs 2014 - 2016 Cycle |

The impact of the adoption of MFRS 16 is disclosed in Note 42.

Other than the adoption of MFRS 16, the adoption of the amendments to the MFRSs and interpretation has not had any material financial impact on the disclosures or on the amounts reported in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.1 Basis of Preparation of the Financial Statements (cont'd)**

**(ii) Standards issued but not yet effective**

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

| | | **Effective for financial periods beginning on or after** |
|---|---|---|
| MFRS 17 | Insurance Contracts | 1 January 2023 |
| MFRSs | Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| Amendments to MFRS 3 | Business Combination - Definition of a Business | 1 January 2020 |
| Amendments to MFRS 7, MFRS 9 and MFRS 139 | Financial Instruments: Interest Rate, Benchmark Reform | 1 January 2020 |
| Amendments to MFRS 101 | Presentation of Financial Statements - Definition of Material | 1 January 2020 |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material | 1 January 2020 |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

The initial application of the accounting standards, interpretations or amendments above are not expected to have any material financial impacts to the financial results to the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 Inventories or value in use in MFRS 136 Impairment of Assets.

The principal accounting policies are set out below:

### 3.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and of its subsidiaries as of the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

(a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(b) Exposure, or rights, to variable returns from its investment with the investee; and

(c) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group's voting rights in an investee are sufficient to give it power over the investee:

(a) The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(b) Potential voting rights held by the Group, other vote holders or other parties;

(c) Rights arising from other contractual arrangements; and

(d) 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.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.2 Basis of Consolidation (cont'd)**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations and goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 Income Taxes and MFRS 119 Employee Benefits respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with MFRS 2 Share-Based Payments at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

- Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

  When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

  If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.2 Basis of Consolidation (cont'd)**

Business combinations and goodwill (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

**3.3 Revenue**

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer and are measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group recognises revenue from the following major sources:

**(a) LPG division**

The revenue from sales of LPG is recognised as the goods are collected from the filling plant, being at the point in time when the control of the goods have been transferred. The revenue from the sales of LPG is recognised at fair value of the consideration received or receivable, which constitute the contracted selling price which represents the transaction price of the performance obligation, net of incentives and volume rebates. The incentives and volume rebates are variable considerations ('VC') which are determined on a monthly basis.

Depending whether the Group grants credit terms to the customers, the payment of the transaction price are generally on a credit basis and is due at the end of credit term granted.

**(b) Agro division**

Sale of fresh fruit bunches ('FFB') are recognised net of taxes at the point in time when control of the goods has transferred to the customer, which is generally upon its collection or delivery. The transaction price is based on a formula determined within the contract which is guided by the industry.

There is no element of financing present as the Group's sale of goods are either on cash terms (immediate or advance payments), or on credit terms of up to 30 days.

**(c) Information and communications technology ('ICT') division**

The Group's revenue from ICT division is principally from the supply, construction and maintenance of information technology and telecommunication equipments and infrastructure.

(i) Sale of equipment and parts

Each sale of goods represent a single performance obligation of which its revenue will be recognised when control of the goods has been transferred to the customer, being at the point in time when the goods are delivered to the customer.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.3 Revenue (cont'd)**

The Group recognises revenue from the following major sources: (cont'd)

**(c) Information and communications technology ('ICT') division (cont'd)**

(ii) Construction of equipment and infrastructure

The contracts for construction of equipment and ICT related infrastructure comprise of multiple deliverables which includes significant integration service and are therefore recognised as a single performance obligation. Revenue is recognised progressively over time based on the percentage of completion by using the cost-to-cost method ('input method'), based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under MFRS 15.

The Group becomes entitled to invoice customers for construction of equipment and infrastructure based on achieving a series of performance-related milestones after a certification of performance is obtained from the customer.

Full provision is made for any foreseeable losses which is offset against revenue. There is no significant financing component in construction contracts with customers as the period between the recognition of revenue under the percentage of completion and the milestone payment is generally less than one year.

(iii) Maintenance services

Maintenance revenue is recognised at the point in time when the required works are completed.

**(d) Power division**

The Group constructs transmission lines and substations under long-term contracts with customers. This have been identified as a single performance obligation.

The revenue from these construction contracts are recognised over time as the customer controls the projects during the course of construction by the Group. The Group considers the input method as an appropriate measure of the progress towards complete satisfaction of these performance obligations under MFRS 15. Variable consideration arises from potential liquidated ascertained damages ('LAD') which is estimated based on most likely method, are continuously assessed by the Group. There is no significant financing component in construction contracts with customers as the period between the recognition of revenue under the percentage of completion and the milestone payment is generally less than one year.

The Group becomes entitled to invoice customers for construction transmission lines and substations based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work which later is verified and signed by the customers for an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference.

The Group has specifically considered MFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, principal versus agent consideration and the assessment of whether there is a significant financing component in the contracts.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.3 Revenue (cont'd)**

The Group recognises revenue from the following major sources: (cont'd)

**(e) Management services to subsidiaries**

The Company provides management services to its subsidiaries which are recognised at the point in time as and when the services are rendered.

**3.4 Employee benefits**

**(a) Short-term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**(b) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

**(c) Termination benefits**

The Group recognises the termination benefits expenses such as voluntary and mutual separation scheme, and retrenchment benefits when the Group can no longer withdraw the offer of those benefits.

**3.5 Zakat**

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised as and when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a company within the Group has been in operation for at least 12 months, i.e. for the period known as 'haul (eligible period)'.

Zakat rates enacted or substantively enacted by the end of the reporting period are used to determine the zakat expense. The rate of zakat on business, as determined by National Fatwa Council is 2.5% of the zakat base. The zakat base of the Group is determined based on the working capital method. Zakat on business is calculated by multiplying the zakat rate with zakat base. The amount of zakat assessed is recognised as an expense in the financial year in which it is incurred.

**3.6 Income taxes**

**(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.6 Income taxes (cont'd)**

**(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

### 3.8 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(a) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(b) Exposure, or rights, to variable returns from its investment with the investee; and

(c) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 3.9 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5.

Under the equity method, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of MFRS 136 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 Investments in associates (cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with MFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate.

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### 3.10 Foreign currency

#### (a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

#### (b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

Long-term leasehold land is initially measured at cost and depreciated over their lease terms except for a leasehold land with a remaining lease period of 870 years which is not depreciated.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Bearer plants are living plants that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce. The bearer plants that are available for use are measured at cost less accumulated depreciation and accumulated impairment losses. All costs directly related to bearer plants are capitalised until such time as the bearer plants reach maturity, at which point all further costs and interests are expensed and depreciation commences. Upon maturity, these expenditures are depreciated based on estimated annual yield over 25 years.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|---|---|
| **Factory and buildings** | |
| - Factory and buildings | 2% - 7% |
| - Storage tanks | 7.5% - 10% |
| **Plant, renovation, cylinders and equipment** | |
| - Renovations | 10% - 20% |
| - Plant, machinery and tools | 5% - 33% |
| - Cylinders | 7.5% - 20% |
| - Furniture and fittings | 10% - 33% |
| - Office equipment and computers | 10% - 33% |
| **Motor vehicles** | 20% |

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

### 3.12 Investment properties

Investment properties are investments in land and buildings which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 3.11.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.12 Investment properties (cont'd)**

The freehold land element of an investment property is not depreciated due to the unlimited useful life and the building element is depreciated at an annual rate of depreciation of 2%. Buildings which are situated on leasehold land are also depreciated at annual rate of depreciation of 2%.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

Fair value, for purpose of disclosure in the financial statements, is arrived at by reference to market evidence of transaction prices for similar properties.

Transfers are made to or from investment property only when there is a change in use. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred. The cost of the property remains unchanged for disclosure purposes.

**3.13 Biological assets**

The biological assets of the Group comprise fresh fruit bunches ('FFB') prior to harvest. Biological assets are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell.

Changes in fair value of growing produce on bearer plants are recognised in profit or loss. The fair value of unharvested FFB is determined by using a discounted cash flow model with reference to the market prices of FFB at the date of harvest, adjusted for extraction rates, transportation and other costs to sell at the point of harvest.

**3.14 Impairment of non-financial assets**

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ('CGU') to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.14 Impairment of non-financial assets (cont'd)

An impairment loss is recognised in profit or loss in the period in which it arises.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 3.15 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

Debt instruments that meet the following conditions are measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.15 Financial instruments (cont'd)**

***Financial assets (cont'd)***

*Classification of financial assets (cont'd)*

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the 'finance income' line item (Note 7).

(ii) Equity instruments designated as at FVTOCI

The Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.15 Financial instruments (cont'd)**

***Financial assets (cont'd)***

*Classification of financial assets (cont'd)*

(ii) Equity instruments designated as at FVTOCI (cont'd)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. Dividends on these investments in equity instruments are recognised in profit or loss in accordance with MFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Financial assets at FVTPL

Unless the Group designates investments in equity instruments as FVTOCI, all other equity investments are designated as FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses ('ECL') on trade receivables, lease receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, lease receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

(ii) Definition of default

If information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors (without taking into account any collateral held by the Group), the Group considers this as constituting an event of default for internal credit risk management purposes.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial instruments (cont'd)

***Financial assets (cont'd)***

*Impairment of financial assets (cont'd)*

(ii) Definition of default

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

***Financial liabilities***

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.15 Financial instruments (cont'd)**

*Classification of financial liabilities*

***(i) Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other income and other expenses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon de-recognition of the financial liability.

***(ii) Financial liabilities measured at amortised cost***

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.15 Financial instruments (cont'd)

***Financial guarantee contract liabilities***

A financial guarantee contract is a contract that requires the Company as the issuer to make specified payments to reimburse the financial institutions for a loss it incurs because a specified subsidiaries fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with MFRS 9 (see financial assets in Notes 3.16 above); and

- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

***Derecognition of financial liabilities***

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### 3.16 Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone billing exceeds the revenue recognised to date under the cost-to-cost method.

### 3.17 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of LPG is based on weighted average method, whilst the cost of other type of inventories is based on first-in, first-out method. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

### 3.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.19 Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.19 Grants (cont'd)**

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**3.20 Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

**3.21 Leases**

The Company has applied MFRS 16 using modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings as of 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated.

<u>Accounting policies applied from 1 January 2019</u>

**(a) As lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as photocopier and small items of office equipment). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The total amount if cash paid is separated into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.21 Leases (cont'd)**

Accounting policies applied from 1 January 2019 (cont'd)

**(a) As lessee (cont'd)**

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the financial periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.15.

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

For short-term leases (lease term of 12 months or less) and leases of low value assets (below RM20,000), the Group has opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is recognised in statement of profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.21 Leases (cont'd)**

Accounting policies applied from 1 January 2019 (cont'd)

**(b) As lessor**

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

The Group enters into finance lease arrangements with it customers as a lessor with respect to LPG storage tanks located at the customers' premises.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group enters into operating lease arrangements as a lessor with respect to some of its investment properties and telecommunication tower.

The operating leases income is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 31 December 2018

**(a) As lessee**

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(b) As lessor**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the least term on the same bases as rental income.

# NOTES TO THE FINANCIAL STATEMENTS

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.22 Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than deferred tax assets, employee benefits assets, financial assets and inventories) are measured at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations, is part of a single coordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

### 3.23 Derivative financial instruments

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

The fair value changes are attributable to changes in foreign exchange spot and forward rate. Forward currency contracts are valued using valuation obtained from counterparties.

### 3.24 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 3.25 Segment reporting

For management purposes, the Group is organised into operating division based on their products and services which are independently managed by the respective division's head who is responsible for the performance of their divisions. The division heads report directly to the group chief executive officer, the decision maker who regularly reviews the division results in order to allocate resources to the divisions and to assess the division performance. Additional disclosures on each of these divisions are shown in Note 41, including the factors used to identify the reportable divisions and the measurement basis of segment information.

### 3.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.27 Statements of Cash Flows**

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents, which comprise deposits with licensed banks and other financial institutions, cash on hand and at bank, and bank overdrafts, are short-term, highly liquid investments and are readily convertible to cash with insignificant risks of changes in value.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

**4.1 Judgements made in applying accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

**(a) Classification between investment properties and property, plant and equipment**

The Group has developed certain criteria based on MFRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rental or for capital appreciation or both.

Some properties comprise a portion that is held to earn rental 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 portions 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. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

**4.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(a) Impairment of property, plant and equipment**

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, a significant fall in market values, significant underperformance relative to historical or projected future operating results and significant changes in the use of assets or the strategy of the business.

Recoverable amounts have been determined based on the value-in-use which is determined by reference to discounted future cash flows based on management estimates and assumptions of cash flows arising from the future operating performance and revenue generating capacity of the assets, cash operating units and future market conditions.

# NOTES TO THE FINANCIAL STATEMENTS

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

**4.2 Key sources of estimation uncertainty (cont'd)**

**(b) Impairment of investments in subsidiaries (Note 18) and associates (Note 19)**

The Company assesses whether there is any indication that investments in subsidiaries and associates may be impaired at each reporting date. If indicators are present, these assets are subject to an impairment review.

The impairment review comprises a comparison of the carrying amount of the assets and the assets' estimated recoverable amount.

The Company determines whether investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and fundamentals. Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as the discounted cash flow method.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year.

Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

**(c) Construction contracts (Note 23)**

Power division recognise construction contracts revenue and expenses in the statements of profit or loss using the stage of completion method. The stage of completion is determined by the proportion that construction contract costs incurred for work performed to date over the total construction contract costs i.e input method.

Significant judgement is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction contract revenue and costs, as well as the recoverability of the construction project. In making the judgement, the Group evaluates based on past experience, external economic factor and by relying on the work of specialists.

The construction contracts revenue and expenses recognised in the profit or loss are disclosed in Note 5 and Note 6, respectively.

**(d) Impairment for expected credit losses (ECLs) of trade receivables,contract assets (Note 23) and finance lease receivables (Note 17)**

The Group uses a provision matrix to calculate ECLs for trade receivables, contract assets and finance lease receivables  The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., nature of project undertaking, product type, customer type and rating, and coverage by credit insurance or collateral).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 23 and Note 17 for finance lease receivables.

# NOTES TO THE FINANCIAL STATEMENTS

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)**

**4.2 Key sources of estimation uncertainty (cont'd)**

**(e) Estimation uncertainty in relation to leases**

The Group assesses at lease commencement by applying significant assumptions whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied the assumptions in determining the incremental borrowing rate for its leases, the Group makes adjustments to the existing rates received from financial institutions, taking into consideration the lease term and leased assets. The Group also considers changes in the financial condition since the last offered rates from financial institutions.

**5. REVENUE**

Revenue for continuing operations comprise of the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000 (Re-presented)** | **2019 RM'000** | **2018 RM'000** |
| Revenue from contract with customers | 286,720 | 371,780 | 5,406 | 8,013 |
| Revenue from other sources: | | | | |
| - government subsidy on LPG | 110,910 | 147,732 | - | - |
| - rental income | 2,441 | 2,530 | - | - |
| - finance lease income | 131 | - | - | - |
| Dividend income from: | | | | |
| - subsidiaries | - | - | 12,500 | 13,000 |
| - associates | - | - | - | 2,880 |
| - others | 281 | 280 | 281 | 280 |
| | 400,483 | 522,322 | 18,187 | 24,173 |

Disaggregation of revenue from contracts with customers

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following divisions. This is consistent with the revenue information that is disclosed for each reportable division under MFRS 8 Operating Segments (see Note 41).

| **Group 2019** | **LPG RM'000** | **Agro RM'000** | **ICT RM'000** | **Power RM'000** | **Total RM'000** |
|---|---|---|---|---|---|
| Sale of LPG | 214,803 | - | - | - | 214,803 |
| Sale of equipment | - | - | 16,910 | - | 16,910 |
| Sale of FFB | - | 42,338 | - | - | 42,338 |
| Maintenance services | - | - | 4,773 | - | 4,773 |
| Construction contract | - | - | - | 6,495 | 6,495 |
| Others | - | - | - | 1,401 | 1,401 |
| | 214,803 | 42,338 | 21,683 | 7,896 | 286,720 |
| Timing of revenue recognition: | | | | | |
| - at a point in time | 214,803 | 42,338 | 21,683 | 1,401 | 280,225 |
| - over time | - | - | - | 6,495 | 6,495 |
| | 214,803 | 42,338 | 21,683 | 7,896 | 286,720 |

# NOTES TO THE FINANCIAL STATEMENTS

## 5. REVENUE (CONT'D)

| Group<br>2018<br>(Re-presented) | LPG<br>RM'000 | Agro<br>RM'000 | ICT<br>RM'000 | Power<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|
| Sale of LPG | 256,913 | - | - | - | 256,913 |
| Sale of equipment | - | - | 16,987 | - | 16,987 |
| Sale of FFB and crude palm oil | - | 67,536 | - | - | 67,536 |
| Maintenance services | - | - | 7,182 | - | 7,182 |
| Construction contract | - | - | - | 21,228 | 21,228 |
| Others | - | - | - | 1,934 | 1,934 |
| | 256,913 | 67,536 | 24,169 | 23,162 | 371,780 |
| Timing of revenue recognition: | | | | | |
| - at a point in time | 256,913 | 67,536 | 24,169 | 1,934 | 350,552 |
| - over time | - | - | - | 21,228 | 21,228 |
| | 256,913 | 67,536 | 24,169 | 23,162 | 371,780 |

The Company's revenue from contract with customers comprises of management services to subsidiaries which are recognised at the point in time as and when the services are rendered.

All of the Group's revenue are derived from Malaysia.

During the financial year, certain subsidiaries of the Company under Agro segment have entered into a management service agreement with a third party to manage its plantation operations.

There were no unsatisfied performance obligation for construction contracts as of 31 December 2019.

## 6. COST OF SALES

| | Group | |
|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000<br>(Re-presented) |
| Cost of inventories sold | 356,805 | 470,011 |
| Cost of construction services | 7,850 | 13,326 |
| Cost of maintenance services | 3,588 | 5,049 |
| Cost of property management services | 1,791 | 1,758 |
| | 370,034 | 490,144 |

## 7. FINANCE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000<br>(Re-presented) | 2019<br>RM'000 | 2018<br>RM'000 |
| Finance income from: | | | | |
| - subsidiaries | - | - | 864 | 632 |
| - banks and other financial institutions | 3,199 | 2,127 | 746 | 285 |
| | 3,199 | 2,127 | 1,610 | 917 |

# NOTES TO THE FINANCIAL STATEMENTS

## 8. FINANCE COSTS

| | Group 2019 RM'000 | Group 2018 RM'000 (Re-presented) | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| Finance costs on: | | | | |
| - bank borrowings | 7,042 | 8,240 | 56 | 109 |
| - lease liabilities | 167 | - | - | - |
| - obligations under hire purchase | 33 | 34 | 8 | 13 |
| - intercompany advances | - | - | 808 | 1,665 |
| | 7,242 | 8,274 | 872 | 1,787 |

## 9. PROFIT BEFORE ZAKAT AND TAXATION

Other than disclosed in Note 5 to Note 8, the profit before zakat and taxation for continuing operations has been arrived at after charging the following expenses:

| | Group 2019 RM'000 | Group 2018 RM'000 (Re-presented) | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|
| Employee benefits expense (a) | 33,454 | 43,931 | 10,187 | 12,841 |
| Depreciation of: | | | | |
| - property, plant and equipment | 15,512 | 18,292 | 1,056 | 1,696 |
| - investment properties (Note 16) | 424 | 353 | 73 | 73 |
| - right-of-use assets (Note 17) | 703 | - | - | - |
| Auditor's remuneration (Note 10) | 652 | 716 | 209 | 304 |
| Non-executive Directors' remuneration (Note 11) | 770 | 1,626 | 698 | 972 |
| Allowance for impairment: | | | | |
| - property, plant and equipment | 7,147 | 26,094 | - | - |
| - trade and other receivables | 567 | 1,753 | - | - |
| - contract assets | - | 34 | - | - |
| - advances to subsidiaries (Note 18) | - | - | 46 | - |
| - due from subsidiaries (Note 22) | - | - | 1,249 | 1,261 |
| - investment in subsidiaries (Note 18) | - | - | - | 5,537 |
| Provision for liquidated ascertained damages (Note 34) | - | 59 | - | - |
| Property, plant and equipment written off | 1,634 | 192 | - | - |
| Inventories written off/down | 632 | 2,086 | - | - |
| Loss on fair value changes of derivatives instruments | 21 | - | - | - |
| Loss on fair value changes in investment unquoted share | 17 | - | 17 | - |
| Loss on fair value changes in biological assets (Note 26) | - | 106 | - | - |
| Realised loss on foreign exchange | 4 | 9 | - | - |
| Unrealised loss on foreign exchange | 108 | 101 | - | - |

(Details of material expenses charged for discontinued operations are disclosed in Note 13)

# NOTES TO THE FINANCIAL STATEMENTS

## 9. PROFIT BEFORE ZAKAT AND TAXATION (CONT'D)

Profit before zakat and taxation for continuing operations has been arrived at after crediting the following income:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| Gain on disposal of property, plant and equipment | 2,038 | 370 | 21 | - |
| Gain on disposal of non-current assets held for sale | 28,772 | 6,209 | 25,265 | - |
| Gain on disposal of subsidiary | 293 | - | - | - |
| Gain on disposal of associate company | - | 800 | - | 800 |
| Gain on fair value changes in investment unquoted share | - | 26 | - | 26 |
| Gain on fair value changes in biological assets (Note 26) | 550 | - | - | - |
| Realised gain on fair value changes in short-term investment (Note 27) | 274 | 17 | - | - |
| Unrealised gain on fair value changes in short-term investment (Note 27) | - | 838 | - | - |
| Amortisation of deferred income | - | 107 | - | - |
| Forfeiture of cylinder deposits payable | - | 2,067 | - | - |
| Rental income | 663 | 370 | 700 | 771 |
| Reversal of allowance for: | | | | |
| - advances to subsidiaries (Note 18) | - | - | 15,125 | 42,371 |
| - amount due from subsidiaries (Note 22) | - | - | 361 | 544 |
| Reversal of impairment on receivables | 570 | 94 | - | - |
| Reversal of impairment on contract assets | 94 | - | - | - |
| Gain on fair value changes in derivative instruments | - | 23 | - | - |
| Realised gain on foreign exchange | 2,681 | 3,331 | - | - |
| Unrealised gain on foreign exchange | 53 | 40 | - | - |

(Details of material income credited for discontinued operations are disclosed in Note 13)

# NOTES TO THE FINANCIAL STATEMENTS

## 9. PROFIT BEFORE ZAKAT AND TAXATION (CONT'D)

### (a) Employee Benefits Expenses

The employee benefit expenses for continuing operations are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| Wages, bonuses and salaries | 23,314 | 36,597 | 6,035 | 10,201 |
| Contributions to defined contribution plans | 2,117 | 3,150 | 821 | 1,084 |
| Social security contributions | 394 | 247 | 44 | 67 |
| Other benefits | 7,629 | 3,937 | 3,287 | 1,489 |
| | 33,454 | 43,931 | 10,187 | 12,841 |

The above also includes the Company's Executive Director's remuneration amounting to RM1,507,000 (2018: RM1,192,000) as disclosed in Note 11.

Included in the employee other benefits of the Group and the Company in the current financial year is the cost incurred in relation to voluntary separation scheme ('VSS'), retrenchment benefits and mutual separation scheme ('MSS') amounting to RM5,256,000 and RM2,167,000 respectively.

## 10. AUDITOR'S REMUNERATION

Details of auditor's remuneration for both continuing and discontinued operations are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| Auditor's remuneration: | | | | |
| Statutory audits | | | | |
| - to the Company's auditors | 360 | 428 | 132 | 130 |
| - to other firms of auditors | 26 | 22 | - | - |
| Other services | | | | |
| - to the Company's auditors* | 203 | 167 | 67 | 89 |
| - to other firms of auditors | 63 | 139 | 10 | 85 |
| Total auditor's remuneration | 652 | 756 | 209 | 304 |
| - continuing operations | 652 | 716 | 209 | 304 |
| - discontinued operations | - | 40 | - | - |
| Total auditor's remuneration | 652 | 756 | 209 | 304 |

* Fees for other services to the Company's auditors, Deloitte PLT and its other member firms in the year were incurred in relation to tax compliance and advisory services, transfer pricing documentation and review of Statement of Risk Management and Internal Control.

# NOTES TO THE FINANCIAL STATEMENTS

**11. DIRECTORS' REMUNERATION**

The details of remuneration for the Company's Directors during the year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000** | **2019 RM'000** | **2018 RM'000** |
| Executive Director: | | | | |
| Salaries and other emoluments | 1,130 | 870 | 1,130 | 870 |
| Ex-gratia/Bonus | 200 | 158 | 200 | 158 |
| Defined contribution plans | 177 | 164 | 177 | 164 |
| Total executive Director's remuneration excluding benefits-in-kind | 1,507 | 1,192 | 1,507 | 1,192 |
| Estimated money value of benefits-in-kind | 116 | 106 | 116 | 106 |
| | 1,623 | 1,298 | 1,623 | 1,298 |
| Non-executive Directors: | | | | |
| Fees | | | | |
| - current year | 494 | 676 | 494 | 470 |
| - previous year | - | 20 | - | - |
| Allowances | 276 | 930 | 204 | 502 |
| Total non-executive Directors' remuneration excluding benefits-in-kind (Note 9) | 770 | 1,626 | 698 | 972 |
| Estimated money value of benefits-in-kind | 105 | 167 | 99 | 133 |
| | 875 | 1,793 | 797 | 1,105 |
| **Total Directors' remuneration excluding benefits-in-kind** | 2,277 | 2,818 | 2,205 | 2,164 |
| Estimated money value of benefits-in-kind | 221 | 273 | 215 | 239 |
| Total Directors' remuneration | 2,498 | 3,091 | 2,420 | 2,403 |

# NOTES TO THE FINANCIAL STATEMENTS

## 12. TAXATION

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 31 December 2018 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 (Re-presented) | 2019 RM'000 | 2018 RM'000 |
| Tax expense for the year | | | | |
| - Continuing operations | 2,104 | 5,895 | - | - |
| - Discontinued operations (Note 13) | - | 2,129 | - | - |
| Tax expense for the year | 2,104 | 8,024 | - | - |
| Continuing operations: | | | | |
| Estimated income tax: | | | | |
| - Current year | 3,480 | 4,871 | - | - |
| - (Over)/Underprovision in prior years | (2,047) | 805 | - | - |
| | 1,433 | 5,676 | - | - |
| Deferred tax: | | | | |
| - Origination of temporary differences | 1,393 | 778 | - | - |
| - Overprovision in prior years | (722) | (559) | - | - |
| | 671 | 219 | - | - |
| Total | 2,104 | 5,895 | - | - |
| Discontinued operations: | | | | |
| Estimated income tax: | | | | |
| - Underprovision in prior years | - | 34 | - | - |
| Deferred tax: | | | | |
| - Expenses for the year (Note 24) | - | 2,095 | - | - |
| Total | - | 2,129 | - | - |

Domestic income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit/(loss) for the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. TAXATION (CONT'D)

The numerical reconciliations of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000 (Re-presented)** | **2019 RM'000** | **2018 RM'000** |
| Continuing operations: | | | | |
| Profit/(Loss) before zakat and taxation | 20,590 | (30,169) | 44,826 | 40,271 |
| Tax at the statutory tax rate of 24% (2018: 24%) | 4,942 | (7,241) | 10,758 | 9,665 |
| Income not subject to tax | (7,379) | (8,135) | (13,235) | (14,513) |
| Net effect of expenses not deductible for tax purposes | 3,728 | 16,918 | 2,477 | 4,848 |
| Effect on share of results of associate | 1,266 | 795 | - | - |
| Deferred tax asset not recognised during the financial year | 2,942 | 3,477 | - | - |
| Effect of utilisation of previously unrecognised tax losses and capital allowances | (626) | (165) | - | - |
| (Over)/Underprovision of tax expense in prior years | (2,047) | 805 | - | - |
| Overprovision of deferred tax in prior years | (722) | (559) | - | - |
| Tax expense for the year | 2,104 | 5,895 | - | - |

The overprovision of tax expense in prior years is attributable to the utilisation of group tax relief upon submission of tax return to Inland Revenue Board ('IRB') by certain subsidiaries amounting to RM1,929,000.

## 13. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

**Discontinued Operations**

On 6 July 2018, Restoran Kualiti Sdn Bhd, a wholly owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Inter Mark Resources Sdn Bhd and KUB Malaysia Berhad as the Guarantor for the sale and transfer of the entire equity interest in A&W (Malaysia) Sdn Bhd ('AWM') for a total consideration of RM34,000,000 comprising:

(a) RM30,000,000 for AWM's entire equity interest; and
(b) RM4,000,000 for reimbursement of intercompany balances

AWM was principally involved in the food and beverage business and represented the entirety of the Group's Food division.

The disposal was completed on 19 September 2018 which resulting in a gain of RM23,279,000.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (CONT'D)

**Discontinued Operations (cont'd)**

The analysis of the results of the discontinued operations which have been included in the results for the previous year, are as follows:

| | **2018 RM'000** |
|---|---|
| Revenue | 47,136 |
| Cost of sales | (17,263) |
| Gross profit | 29,873 |
| Other income | 96 |
| Distribution expenses | (1,333) |
| Administrative expenses | (26,401) |
| Finance income | 59 |
| Finance costs | (219) |
| Other expenses | (5,281) |
| Loss before taxation from discontinued operations | (3,206) |
| Taxation | (2,129) |
| | (5,335) |
| Gain on sale of discontinued operation* | 23,279 |
| Profit for the year from discontinued operations, net of tax, attributable to the owners of the parents | 17,944 |

* Being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net asset.

In the previous year, the loss before taxation from discontinued operations is stated after charging/(crediting) the following:

| | **2018 RM'000** |
|---|---|
| Employee benefit expenses | 12,733 |
| Depreciation of property, plant and equipment | 1,684 |
| Amortisation of intangible assets | 211 |
| Impairment losses on property, plant and equipment | 2,966 |
| Royalties expenses | 2,444 |
| Advertisement and promotion expenses | 1,124 |
| Restoration costs | 100 |
| Rental of premises | 4,804 |
| Rental of equipment | 707 |
| Directors' remuneration and allowances | 42 |
| Auditor's remuneration | 40 |
| Inventories written off | 258 |
| Finance costs | 219 |
| Finance income | (59) |

# NOTES TO THE FINANCIAL STATEMENTS

## 13. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (CONT'D)

**Discontinued Operations (cont'd)**

The net cash flows from/(used in) discontinued operation:

| | 2018 RM'000 |
|---|---|
| Net cash flows generated from operating activities | 2,690 |
| Net cash used in from investing activities | (5,598) |
| Net cash generated from financing activities | 1,835 |
| Net decrease in cash flows for the year | (1,073) |

Effect of disposal of AWM to the financial position of the Group in the previous year were as follows:

| | 2018 RM'000 |
|---|---|
| Property, plant and equipment | 13,658 |
| Intangible assets | 3,068 |
| Inventories | 4,492 |
| Trade and other receivables | 2,779 |
| Cash and cash equivalents | 3,760 |
| Fixed deposits pledged with banks | 430 |
| Trade and other payables | (17,605) |
| Borrowings | (3,861) |
| Net assets disposed | 6,721 |
| Gain realised on disposal | 23,279 |
| Proceeds from disposal | 30,000 |
| Less: cash and cash equivalents | (3,760) |
| Cash flow on disposal, net of cash disposed | 26,240 |

**Non- current assets held for sale**

The movements of the non-current assets held for sale for the current and previous year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| As of 1 January | 106,805 | 3,731 | 8,593 | - |
| Transfer (to)/from property, plant and equipment (Note 15) | (52,181) | 106,805 | 1,840 | 8,593 |
| Transfer from deferred income (Note 33) | (4,811) | - | - | - |
| Disposals | (47,973) | (3,731) | (8,593) | - |
| As of 31 December | 1,840 | 106,805 | 1,840 | 8,593 |

# NOTES TO THE FINANCIAL STATEMENTS

**13. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (CONT'D)**

On 8 November 2019, the Company had disposed a piece of leasehold land of the Company measuring approximately 4,238 square metres held under H.S.(D) 316917, PT 9 Seksyen 26, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor for a net sales consideration of RM33,858,000. This has resulted in a net gain on disposal after cost to sell of RM25,265,000.

On 22 July 2019, KUB Maju Mill Sdn Bhd had entered into the sale and purchase agreement with a third party for the disposal of a mill, ancillary equipment and machineries for a palm oil mill in Mukah, Sarawak for a net sales consideration of RM42,887,000. The disposal was completed on 22 November 2019 with a net gain on disposal of RM3,507,000.

.

<u>Non-current assets held for sale in current year</u>

The transfer of assets from/(to) property, plant and equipment and deferred income were in relation to:

(i) the carrying value of RM52,618,000 of the oil palm plantation in Mukah, Sarawak which was transferred to property, plant and equipment following the Group's decision not to sell the assets.

(ii) changes in carrying amount of assets to be disposed from the property, plant and equipment including building, furniture fittings and motor vehicles amounting to RM1,403,000 in relation to the disposal of a palm oil mill in Mukah, Sarawak.

(iii) On 1 November 2019, the Group and the Company has entered into a sales agreement for the disposal of an office floor located at Oasis Square, Ara Damansara with carrying value of RM1,840,000 for a sale consideration of RM2,900,000 . The disposal was completed on 26 February 2020.

During the financial year, the carrying amount of RM4,811,000 of government grant in relation to the construction of the mill was transferred to the assets held for sale prior to the disposal.

<u>Non-current assets held for sale in prior year</u>

As of 31 December 2018, the non-current assets held for sale of the Group are in respect of:

(i) the oil palm plantation in Mukah, Sarawak with carrying value of RM52,618,000.

(ii) a palm oil mill in Mukah, Sarawak with carrying value of RM45,594,000 which was disposed in the current year.

(iii) a piece of leasehold land in Petaling Jaya, Selangor with the carrying value of RM8,593,000 which was disposed in the current year.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per ordinary share is calculated by dividing earnings for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the earnings and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Profit/(Loss) net of taxation attributable to owners of the parent used in the computation of basic and diluted earnings per share | | |
| - from continuing operations | 17,355 | (16,767) |
| - from discontinued operations (Note 13) | - | 17,944 |
| | 17,355 | 1,177 |

| | Group | |
|---|---|---|
| | **2019 in '000** | **2018 in '000** |
| Weighted average number of ordinary shares for basic and diluted earnings per share computation | 556,465 | 556,465 |

| | **2019 Sen** | **2018 Sen** |
|---|---|---|
| Basic and diluted earnings/(loss) per share attributable to the owners of the parent | | |
| - from continuing operations | 3.12 | (3.01) |
| - from discontinued operations | - | 3.22 |
| | 3.12 | 0.21 |

# NOTES TO THE FINANCIAL STATEMENTS

## 15. PROPERTY, PLANT AND EQUIPMENT

| Group 2019 | Freehold land RM'000 | Leasehold land RM'000 | Bearer plants(a) RM'000 | Factory and buildings RM'000 | Plant, renovation, cylinders and equipment RM'000 | Motor vehicles RM'000 | Assets under construction RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| As of 1 January 2019 | 332 | 112,721 | 44,039 | 39,878 | 133,947 | 5,598 | 10,107 | 346,622 |
| Additions | - | 11 | 1,588 | 444 | 15,408 | - | 1,883 | 19,334 |
| Disposals | - | (157) | - | - | (3,536) | - | - | (3,693) |
| Written off | - | (119) | - | (26) | (879) | (1,007) | (1,439) | (3,470) |
| Reclassifications | - | - | - | 6,022 | 4,529 | - | (10,551) | - |
| Transfer from/(to) non-current assets held for sale (Note 13) | - | 9,922 | 69,956 | 4,849 | 44 | (449) | - | 84,322 |
| As of 31 December 2019 | 332 | 122,378 | 115,583 | 51,167 | 149,513 | 4,142 | - | 443,115 |
| **Accumulated depreciation and impairment** | | | | | | | | |
| As of 1 January 2019 | | | | | | | | |
| Accumulated depreciation | - | 1,934 | 12,459 | 12,400 | 91,169 | 1,821 | - | 119,783 |
| Accumulated impairment losses | - | 18 | - | - | - | - | - | 18 |
| | | 1,952 | 12,459 | 12,400 | 91,169 | 1,821 | - | 119,801 |
| Depreciation charge for the year | - | 496 | 5,154 | 1,233 | 8,138 | 491 | - | 15,512 |
| Impairment losses | - | 6,940 | - | 187 | 20 | - | - | 7,147 |
| Disposals | - | (57) | - | - | (3,528) | - | - | (3,585) |
| Written off – depreciation | - | - | - | (14) | (815) | (1,007) | - | (1,836) |
| Transfer from/(to) non-current assets held for sale - depreciation (Note 13) | - | 3,563 | 28,098 | 836 | 22 | (378) | - | 32,141 |
| As of 31 December 2019 | | | | | | | | |
| Accumulated depreciation | - | 5,936 | 45,711 | 14,455 | 94,986 | 927 | - | 162,015 |
| Accumulated impairment losses | - | 6,958 | - | 187 | 20 | - | - | 7,165 |
| | - | 12,894 | 45,711 | 14,642 | 95,006 | 927 | - | 169,180 |
| **Net carrying amount** | 332 | 109,484 | 69,872 | 36,525 | 54,507 | 3,215 | - | 273,935 |

**15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

| Group 2018 | Freehold land RM'000 | Leasehold land RM'000 | Bearer plants(a) RM'000 | Factory and buildings RM'000 | Plant, renovation, cylinders and equipment RM'000 | Motor vehicles RM'000 | Assets under construction RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| As of 1 January 2018 | 332 | 29,346 | 88,488 | 145,242 | 216,524 | 5,443 | 3,002 | 488,377 |
| Additions | - | 104,562 | 27,439 | 6,135 | 20,976 | 1,596 | 7,757 | 168,465 |
| Disposals | - | - | - | - | (1,999) | (183) | - | (2,182) |
| Disposal of a subsidiary (Note 13) | - | - | - | (47,028) | (34,910) | (797) | - | (82,735) |
| Written off | - | - | (1,932) | (3,240) | (46,139) | (461) | (115) | (51,887) |
| Reclassifications | - | - | - | 537 | - | - | (537) | - |
| Transfer to non-current assets held for sale (Note 13) | - | (21,187) | (69,956) | (61,768) | (20,505) | - | - | (173,416) |
| As of 31 December 2018 | 332 | 112,721 | 44,039 | 39,878 | 133,947 | 5,598 | 10,107 | 346,622 |

## 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Group 2018 | Freehold land RM'000 | Leasehold land RM'000 | Bearer plants(a) RM'000 | Factory and buildings RM'000 | Plant, renovation, cylinders and equipment RM'000 | Motor vehicles RM'000 | Assets under construction RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment** | | | | | | | | |
| As of 1 January 2018 | | | | | | | | |
| Accumulated depreciation | - | 7,483 | 37,358 | 36,035 | 153,588 | 2,533 | - | 236,997 |
| Accumulated impairment losses | - | 18 | - | 14,987 | 8,196 | 20 | - | 23,221 |
| | - | 7,501 | 37,358 | 51,022 | 161,784 | 2,553 | - | 260,218 |
| Depreciation charge for the year | - | 686 | 5,135 | 4,163 | 9,283 | 709 | - | 19,976 |
| Impairment losses | - | - | - | 19,230 | 9,830 | - | - | 29,060 |
| Disposals | - | - | - | - | (1,887) | (183) | - | (2,070) |
| Disposal of a subsidiary (Note 13) | | | | | | | | |
| - depreciation | - | - | - | (20,148) | (22,196) | (777) | - | (43,121) |
| - impairment | - | - | - | (14,866) | (11,070) | (20) | - | (25,956) |
| Written off – depreciation | - | - | (1,932) | (3,117) | (45,973) | (461) | | (51,483) |
| Written off – impairment | - | - | - | (121) | (91) | - | - | (212) |
| Transfer to non-current assets held for sale (Note 13) | | | | | | | | |
| - depreciation | - | (6,235) | (28,102) | (4,533) | (1,646) | - | - | (40,516) |
| - impairment | - | - | - | (19,230) | (6,865) | - | - | (26,095) |
| As of 31 December 2018 | | | | | | | | |
| Accumulated depreciation | - | 1,934 | 12,459 | 12,400 | 91,169 | 1,821 | - | 119,783 |
| Accumulated impairment losses | - | 18 | - | - | - | - | - | 18 |
| | - | 1,952 | 12,459 | 12,400 | 91,169 | 1,821 | - | 119,801 |
| **Net carrying amount** | 332 | 110,769 | 31,580 | 27,478 | 42,778 | 3,777 | 10,107 | 226,821 |

(a) The net carrying amount of bearer plant comprises of:

| | Group 2019 RM'000 | Group 2018 RM'000 |
|---|---|---|
| Matured | 64,855 | 28,151 |
| Immature | 5,017 | 3,429 |
| | 69,872 | 31,580 |

# NOTES TO THE FINANCIAL STATEMENTS

## 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| Company 2019 | Freehold buildings RM'000 | Office renovation and equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| As of 1 January 2019 | 15,742 | 8,078 | 468 | 24,288 |
| Additions | - | 84 | - | 84 |
| Disposals | - | (66) | - | (66) |
| Transfer to assets held for sale (Note 13) | (2,189) | - | - | (2,189) |
| As of 31 December 2019 | 13,553 | 8,096 | 468 | 22,117 |
| **Accumulated depreciation** | | | | |
| As of 1 January 2019 | 1,983 | 6,713 | 251 | 8,947 |
| Depreciation charge for the year | 314 | 649 | 93 | 1,056 |
| Disposals | - | (60) | - | (60) |
| Transfer to assets held for sale (Note 13) | (349) | - | - | (349) |
| As of 31 December 2019 | 1,948 | 7,302 | 344 | 9,594 |
| **Net carrying amount** | 11,605 | 794 | 124 | 12,523 |

| Company 2018 | Freehold buildings RM'000 | Leasehold land RM'000 | Office renovation and equipment RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of 1 January 2018 | 15,742 | 11,265 | 7,400 | 468 | 34,875 |
| Additions | - | - | 678 | - | 678 |
| Transfer to assets held for sale (Note 13) | - | (11,265) | - | - | (11,265) |
| As of 31 December 2018 | 15,742 | - | 8,078 | 468 | 24,288 |
| **Accumulated depreciation** | | | | | |
| As of 1 January 2018 | 1,669 | 2,586 | 5,510 | 158 | 9,923 |
| Depreciation charge for the year | 314 | 86 | 1,203 | 93 | 1,696 |
| Transfer to assets held for sale (Note 13) | - | (2,672) | - | - | (2,672) |
| As of 31 December 2018 | 1,983 | - | 6,713 | 251 | 8,947 |
| **Net carrying amount** | 13,759 | - | 1,365 | 217 | 15,341 |

# NOTES TO THE FINANCIAL STATEMENTS

## 15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as security

As at 31 December 2019, the freehold and leasehold land, factory and buildings, and bearer plants of the Group and of the Company with a total carrying amount of RM129,196,000 and RM11,605,000 (2018: RM129,475,000 and RM13,759,000) respectively are pledged to banks as securities for borrowings as disclosed in Note 32.

During the previous financial year, RM52,002,000 of assets pledged as security were transferred to non-current assets held for sale (Note 13).

Assets held under hire purchase

The carrying amount of assets held under hire purchase of the Group and of the Company at the reporting date were RM664,000 and RM124,000 (2018: RM985,000 and RM217,000) respectively.

Impairment loss on assets

The impairment loss of the Group in 2019 mainly relates to a leasehold land in Klang, Selangor of RM6,940,000 after considering the market valuation of the land from an independent firm of valuer.

The impairment loss of the Group in previous year mainly relates to a palm oil mill in Mukah, Sarawak amounting to RM26,095,000 after considering the potential disposal prices as the recoverable amount.

Assets written off

The assets that were written off of the Group in the current financial year are mainly in relation to cost related refrigerated liquid terminal amounting RM1,439,000.

Reconciliation to the cash flows

Reconciliation to the cash flows for purchase of property, plant and equipment is as follows:

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Additions for the financial year | 19,334 | 168,465 |
| Less: | | |
| Purchases by means of hire purchase | - | (196) |
| | 19,334 | 168,269 |

# NOTES TO THE FINANCIAL STATEMENTS

## 16. INVESTMENT PROPERTIES

| Group 2019 | Freehold land and buildings RM'000 | Leasehold buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| As of 1 January | 28,980 | 1,722 | 30,702 |
| Disposal of a subsidiary* | (1,228) | - | (1,228) |
| As of 31 December | 27,752 | 1,722 | 29,474 |
| **Accumulated depreciation and impairment losses** | | | |
| As of 1 January | | | |
| Accumulated depreciation | 10,061 | 180 | 10,241 |
| Accumulated impairment losses | 7,426 | - | 7,426 |
| | 17,487 | 180 | 17,667 |
| Depreciation charged for the year | 394 | 30 | 424 |
| As of 31 December | | | |
| Accumulated depreciation | 10,455 | 210 | 10,665 |
| Accumulated impairment losses | 7,426 | - | 7,426 |
| | 17,881 | 210 | 18,091 |
| **Net carrying amount** | 9,871 | 1,512 | 11,383 |
| **Fair value** | 26,000 | 2,500 | 28,500 |

* The disposal of a subsidiary consists of property under construction that has not been depreciated.

| Group 2018 | Freehold land and buildings RM'000 | Leasehold buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| As of 1 January | 28,112 | 1,722 | 29,834 |
| Addition | 868 | - | 868 |
| As of 31 December | 28,980 | 1,722 | 30,702 |
| **Accumulated depreciation and impairment losses** | | | |
| As of 1 January | | | |
| Accumulated depreciation | 9,738 | 150 | 9,888 |
| Accumulated impairment losses | 7,426 | - | 7,426 |
| | 17,164 | 150 | 17,314 |
| Depreciation charged for the year | 323 | 30 | 353 |
| As of 31 December | | | |
| Accumulated depreciation | 10,281 | 180 | 10,461 |
| Accumulated impairment losses | 7,206 | - | 7,206 |
| | 17,487 | 180 | 17,667 |
| **Net carrying amount** | 11,493 | 1,542 | 13,035 |
| **Fair value** | 32,000 | 3,600 | 35,600 |

# NOTES TO THE FINANCIAL STATEMENTS

## 16. INVESTMENT PROPERTIES (CONT'D)

| Company | Freehold buildings RM'000 |
|---|---|
| **2019** | |
| **Cost** | |
| As of 1 January/31 December | 3,664 |
| **Accumulated depreciation** | |
| As of 1 January | 293 |
| Depreciation for the year | 73 |
| As of 31 December | 366 |
| **Net carrying amount** | 3,298 |
| **Fair value** | 5,770 |
| **2018** | |
| **Cost** | |
| As of 1 January/31 December | 3,664 |
| **Accumulated depreciation** | |
| As of 1 January | 220 |
| Depreciation for the year | 73 |
| As of 31 December | 293 |
| **Net carrying amount** | 3,371 |
| **Fair value** | 5,770 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Rental income | 2,441 | 2,530 | 700 | 771 |
| Direct operating expenses | 1,791 | 1,758 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

## 16. INVESTMENT PROPERTIES (CONT'D)

Valuation of investment properties

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Fair value measurement using significant unobservable inputs (Level 3)** | | | | |
| Fair value of investment properties carried at cost | 28,500 | 35,600 | 5,770 | 5,770 |

Fair value of the investment properties was arrived by relying on the work of independent firm of valuers, determined using open-market value based on active market prices involving identical or similar property, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

Investment properties pledged as security

Freehold buildings of the Group and the Company with net carrying amount of RMNil and RM3,298,000 (2018: RM4,388,000 and RM3,371,000) respectively, is pledged as security for borrowings as disclosed in Note 32.

## 17. LEASES

### (i) As lessee

**Right-of-use assets**

| Group 2019 | Bottling plants RM'000 | Equipment RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost** | | | |
| As of 1 January | - | - | - |
| Impact on adoption of MFRS 16 (Note 42) | 4,254 | - | 4,254 |
| As restated | 4,254 | - | 4,254 |
| Additions, for the year | - | 178 | 178 |
| As of 31 December | 4,254 | 178 | 4,432 |
| **Accumulated depreciation** | | | |
| As of 1 January | - | - | - |
| Depreciation for the year | (659) | (44) | (703) |
| As of 31 December | (659) | (44) | (703) |
| **Net carrying amount** | 3,595 | 134 | 3,729 |

# NOTES TO THE FINANCIAL STATEMENTS

**17. LEASES (CONT'D)**

**(i) As lessee (cont'd)**

**Right-of-use assets (cont'd)**

The Group leases its equipment for 3 years and land premises to operate two of its bottling plants, where the remaining lease term are 5 years and 15 years, respectively. Lease payments of one of the bottling plants were paid upfront for 15 years at the date of commencement and with an option to renew the lease upon expiry of the lease term. With the exception of short-term lease and lease of low value of underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Previously these leases were classified as operating leases under MFRS 117.

In the current financial year, the Group had entered into a new lease agreement for the rental of forklift to be use in its factory and warehouses. The lease term is for a period of 3 years.

**Lease liabilities**

| Group<br>2019 | Bottling plants<br>RM'000 | Equipment<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| As of 1 January | - | - | - |
| Impact on adoption of MFRS 16 (Note 42) | 3,542 | - | 3,542 |
| As restated | 3,542 | - | 3,542 |
| Additions for this year | - | 178 | 178 |
| Finance costs | 165 | 2 | 167 |
| Repayments of lease liabilities | (554) | (44) | (598) |
| Repayments of finance costs | (165) | (2) | (167) |
| As of 31 December | 2,988 | 134 | 3,122 |

There were no lease liabilities in relation to one of the bottling plants amounting to RM805,000 (2018: RM Nil) which were paid upfront for 15 years. In previous year, it was classified as long term prepaid expenses as disclosed in Note 21.

The maturity analysis of the lease liabilities are presented below:

| Group<br>2019 | Bottling plants<br>RM'000 | Equipment<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| Less than one year | 583 | 59 | 642 |
| Between 1 year and 5 years | 2,405 | 75 | 2,480 |
| | 2,988 | 134 | 3,122 |

# NOTES TO THE FINANCIAL STATEMENTS

**17. LEASES (CONT'D)**

**(i) As lessee (cont'd)**

**Lease liabilities (cont'd)**

Amounts recognised in profit or loss

| Group<br>Leases under MFRS 16 | 2019<br>RM'000 |
|---|---|
| Depreciation expense on right-of-use assets | 703 |
| Interest expense on lease liabilities | 167 |
| Expense relating to leases of low value assets | 127 |

Amounts recognised in statement of cash flows

| Group | 2019<br>RM'000 |
|---|---|
| Total cash outflow for leases | 765 |

**Extension options**

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liabilities of RM632,000 (2018: RM Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 17. LEASES (CONT'D)

### (ii) As lessor

**Finance lease receivables**

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

| | Group |
|---|---|
| | **2019**<br>**RM'000** |
| **Amounts receivable under finance leases:** | |
| Less than one year | 420 |
| Year 1 | 420 |
| Year 2 | 420 |
| Year 3 | 420 |
| Year 4 | 248 |
| Undiscounted lease payments | 1,928 |
| Unguaranteed residual values | 932 |
| | 2,860 |
| Less: Unearned finance income | (1,168) |
| Present value of lease payment receivable | 1,692 |
| Impairment loss allowance | - |
| Net investment in the lease | 1,692 |
| **Undiscounted lease receivables analysed as:** | |
| Recoverable within 12 months | 420 |
| Recoverable after 12 months | 1,508 |
| | 1,928 |
| **Net investment in the lease analysed as:** | |
| Recoverable within 12 months | 115 |
| Recoverable after 12 months | 1,577 |
| | 1,692 |

# NOTES TO THE FINANCIAL STATEMENTS

**17. LEASES (CONT'D)**

**(ii) As lessor (cont'd)**

**Finance lease receivables (cont'd)**

The following table presents the movements in the net investment in lease receivables:

| | Group |
|---|---|
| | **2019** **RM'000** |
| As of 1 January | |
| Additions during the year | 1,732 |
| Finance lease income recognised | 131 |
| Repayments of finance lease receivables | (171) |
| As of 31 December | 1,692 |

The Group entered into a business arrangement for the supply of liquefied petroleum gas ('LPG') via bulk tank system with the average term of 5 years.

The LPG is to be delivered and stored in the bulk tank system located at customers' location. The Group has classified this as part of finance lease considering that physical access to the bulk tank system is controlled by the customer. Generally, these lease contracts do not include extension or early termination options.

During 2019, the Group recognised finance lease income from the lease receivables of RM131,000 (2018 : RM Nil) as part of the Group revenue as disclosed in Note 5.

The Group estimates the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

**Operating lease**

The Group has entered into commercial property leases on its properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. These leases have an average tenure of between one and three years.

Rental income recognised in profit or loss of the Group for the financial year ended 31 December 2019 amounting to RM2,441,000 (2018: RM2,530,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Future minimum lease receivable under non-cancellable operating leases at the reporting date are as follows:

| | Group | |
|---|---|---|
| | **2019** **RM'000** | **2018** **RM'000** |
| Less than one year | 1,138 | 2,028 |
| Between one and five years | 137 | 1,778 |
| | 1,275 | 3,806 |

# NOTES TO THE FINANCIAL STATEMENTS

## 18. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 |
| Unquoted shares, at cost (a) | 234,354 | 256,004 |
| Less: Accumulated impairment losses (b) | (34,572) | (46,222) |
| | 199,782 | 209,782 |
| Advances to subsidiaries (c) | 207,390 | 213,468 |
| Less: Accumulated impairment losses | (145,193) | (160,272) |
| | 62,197 | 53,196 |
| Financial guarantees (f) | 10,397 | 10,397 |
| Less: Accumulated impairment losses | (3,113) | (3,113) |
| | 7,284 | 7,284 |
| | 269,263 | 270,262 |

A list of the subsidiaries is shown in Note 44.

a) Movement of cost of unquoted shares:

| | Company | |
|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 |
| As of 1 January | 256,004 | 253,571 |
| Additional for the year (e)(i) | - | 5,537 |
| Share capital reduction (d)(i) | (10,000) | - |
| Write-off of investment in subsidiaries (d) (iii) | (11,650) | (3,104) |
| As of 31 December | 234,354 | 256,004 |

b) Movement in impairment account for unquoted shares:

| | Company | |
|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 |
| As of 1 January | 46,222 | 43,789 |
| Charge for the year (Note 9) | - | 5,537 |
| Write-off of investment in subsidiaries | (11,650) | (3,104) |
| As of 31 December | 34,572 | 46,222 |

# NOTES TO THE FINANCIAL STATEMENTS

**18. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

c) Advances to subsidiaries

The advances to subsidiaries have no fixed tenure and the Company does not expect repayment in the foreseeable future. Accordingly, the balances have been classified as part of investments in subsidiaries.

Movement in advance to subsidiaries:

| | Company | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| As of 1 January | 213,468 | 244,025 |
| Addition for the year | 54 | 1,121 |
| Transfer from amount due from subsidiaries (Note 22) | 8,993 | 10,693 |
| Repayment for the year | (15,125) | (36,834) |
| Capitalised during the year | - | (5,537) |
| As of 31 December | 207,390 | 213,468 |

Movement in impairment account for advances to subsidiaries:

| | Company | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| As of 1 January | 160,272 | 202,643 |
| Allowance of impairment (Note 9) | 46 | - |
| Reversal of impairment on advances to subsidiaries (Note 18(d)(ii)) | (15,125) | (42,371) |
| As of 31 December | 145,193 | 160,272 |

d) Transactions during the financial year

(i) Share capital reduction

During the year, the subsidiary, a subsidiary company Peraharta Sdn Bhd had undertaken a share capital reduction by RM10,000,000 or RM0.50 per share pursuant to Section 117 of the Companies Act, 2016.

(ii) Reversal of impairment on advances to subsidiaries

The Company had reversed its impairment on advances to subsidiaries i.e. KUB Ekuiti Sdn Bhd and Restoran Kualiti Sdn Bhd amounting to RM13,665,000 and RM1,460,000 respectively upon collection during the financial year. These reversals amounting to RM15,125,000 has been recognised in the statement of profit or loss.

(iii) Strike off of dormant subsidiaries

During the financial year, the write-off of invesment in subsidiaries amounting RM11,650,000 is due to the following dormant subsidiaries, which have been struck-off from the register pursuant to Section 550 of the Companies Act 2016 and are accordingly dissolved.

- KUB Research Sdn Bhd
- KUB Realty (PJ) Sdn Bhd
- Utama Steel Works Sdn Bhd

# NOTES TO THE FINANCIAL STATEMENTS

## 18. INVESTMENTS IN SUBSIDIARIES (CONT'D)

d) Transactions during the financial year (cont'd)

(iv) Disposal of a subsidiary

On 20 December 2018, a wholly owned subsidiary of the Company, KUB Ekuiti Sdn Bhd, entered into a Share Sale Agreement with Kasmuncak Holdings Sdn Bhd for the disposal of its 100% equity interest comprising 500,000 units of ordinary shares representing RM500,000 of issued shares of KUB Tower Sdn Bhd at a total consideration of RM1,465,000.

The disposal was completed on 8 November 2019 with a gain on disposal of RM293,000.

On 19 July 2019, a wholly owned subsidiary of the Company, KUB Power Sdn Bhd, has disposed its shareholdings of its 50% equity interest comprising 1 units of ordinary shares representing RM1 of issued shares of Kiew Energy Sdn Bhd at a total consideration of RM1. There was no gain or loss recognised for this disposal.

e) Transactions during the previous year

(i) Subscription of new shares in the subsidiaries

The Company had increased its investment in a subsidiary amounting to RM5,537,000 by capitalising the advances given to the said subsidiary.

(ii) Strike off of dormant subsidiaries

During the previous year, two dormant subsidiaries, namely Pelita Espipi Sdn Bhd and ITTAR-ILP (Prai) Sdn Bhd, have been struck off from the register pursuant to Section 550 of the Companies Act, 2016 and are accordingly dissolved. The investment was fully impaired in the previous year.

(iii) Reversal of impairment on advances to subsidiaries

The Company had reversed its impairment on advances to subsidiaries upon repayment of RM36,834,000 and capitalisation of advances amounting to RM5,537,000.

f) Financial guarantees

This amount relates to fair value of corporate guarantee provided by the Company to banks for banking facilities granted to subsidiaries in prior year and which have been capitalised as part of the investment in these subsidiary companies.

g) Material non-controlling interests

Details of non-wholly owned subsidiaries that have material non-controlling interests:

| | **Profit/(Loss) allocated to non-controlling interests** | | **Accumulated non-controlling interests** | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000** | **2019 RM'000** | **2018 RM'000** |
| **Name of subsidiaries** | | | | |
| KUB Sepadu Sdn Bhd | 1,507 | (7,195) | 7,407 | 5,900 |
| KUB Maju Mill Sdn Bhd | (531) | (13,477) | (18,544) | (18,013) |
| | 976 | 20,672 | (11,137) | (12,113) |

Proportion of ownership held by non-controlling interests in KUB Sepadu Sdn Bhd: 40% (2018: 40%) and KUB Maju Mill Sdn Bhd: 34% (2018: 34%).

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations and consolidation adjustments.

# NOTES TO THE FINANCIAL STATEMENTS

**18. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

g) Material non-controlling interests (cont'd)

In the previous year, the Group has classified the business operations of both companies as part of discontinued operations as disclosed in Note 13.

(i) Summarised statement of financial position

| 2019 | KUB Sepadu RM'000 | KUB Maju Mill RM'000 |
|---|---|---|
| Non-current assets | 50,534 | 18 |
| Current assets | 6,449 | 961 |
| Total assets | 56,983 | 979 |
| Non-current liabilities | 7,831 | - |
| Current liabilities | 30,635 | 55,519 |
| Total liabilities | 38,466 | 55,519 |
| Total equity/(capital deficiency) | 18,517 | (54,540) |

| 2018 | KUB Sepadu RM'000 | KUB Maju Mill RM'000 |
|---|---|---|
| Non-current assets | 1,407 | 71 |
| Non-current assets held for sale | 52,618 | 45,594 |
| Current assets | 2,763 | 1,362 |
| Total assets | 56,788 | 47,027 |
| Non-current liabilities | 33,299 | 57,275 |
| Current liabilities | 8,738 | 42,731 |
| Total liabilities | 42,037 | 100,006 |
| Total equity/(capital deficiency) | 14,751 | (52,979) |

(ii) Summarised statements of profit or loss

| 2019 | KUB Sepadu RM'000 | KUB Maju Mill RM'000 |
|---|---|---|
| Revenue | 18,193 | - |
| Profit/(Loss) for the year | 3,768 | (1,561) |

| 2018 | KUB Sepadu RM'000 | KUB Maju Mill RM'000 |
|---|---|---|
| Revenue | 19,763 | 37,877 |
| Loss for the year | (17,988) | (39,638) |

# NOTES TO THE FINANCIAL STATEMENTS

**18. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

g) Material non-controlling interests (cont'd)

(iii) Summarised statement of cash flows

| 2019 | KUB Sepadu RM'000 | KUB Maju Mill RM'000 |
|---|---|---|
| Net cash inflows/(outflows) from: | | |
| - Operating activities | 108 | (3,158) |
| - Investing activities | 1,631 | 42,932 |
| - Financing activities | (644) | (39,438) |
| Net cash inflows | 1,095 | 336 |

| 2018 | KUB Sepadu RM'000 | KUB Maju Mill RM'000 |
|---|---|---|
| Net cash outflows from: | | |
| - Operating activities | (4,146) | (1,527) |
| - Investing activities | (3,951) | (636) |
| - Financing activities | (692) | (3,952) |
| Net cash outflows | (8,789) | (3,061) |

**19. INVESTMENT IN ASSOCIATES**

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Unquoted shares, at cost | 26,833 | 26,833 | 25,854 | 25,854 |
| Share of post-acquisition reserves | 38,701 | 33,428 | - | - |
| | 65,534 | 60,261 | 25,854 | 25,854 |
| Less: Accumulated impairment losses | (17,834) | (17,834) | (16,854) | (16,854) |
| | 47,700 | 42,427 | 9,000 | 9,000 |

A list of the associates is shown in Note 45.

# NOTES TO THE FINANCIAL STATEMENTS

**19. INVESTMENT IN ASSOCIATES (CONT'D)**

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information represents the amounts in the financial statements of the associate and not the Group's share of those amounts.

**KUB-Berjaya Enviro Sdn Bhd**

(i) Summarised statement of financial position

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Non-current assets | 180,621 | 167,937 |
| Current assets | 39,693 | 40,170 |
| Total assets | 220,314 | 208,107 |
| Non-current liabilities | 47,005 | 46,837 |
| Current liabilities | 54,060 | 55,204 |
| Total liabilities | 101,065 | 102,041 |
| Total equity | 119,249 | 106,066 |

(ii) Summarised statements of profit or loss

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Revenue | 79,992 | 70,853 |
| Profit for the year | 13,183 | 8,281 |
| The Group's share of profit | 5,273 | 3,313 |
| Dividend received from the associates during the year | - | 2,880 |

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates.

| | 2019 RM'000 | 2018 RM'000 |
|---|---|---|
| Net assets as of 1 January | 106,066 | 104,985 |
| Profit for the year | 13,183 | 8,281 |
| Less: Dividend for the year | - | (7,200) |
| Net assets as of 31 December | 119,249 | 106,066 |
| Interest in associate | 40% | 40% |
| Carrying value of Group's interest in associates | 47,700 | 42,427 |

(iv) There is no financial information available for the associates that are not individually material as of 31 December 2019. These associates are dormant companies and the Group and Company have fully impaired the carrying amount for these associates in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 20. OTHER INVESTMENTS

| | Group/Company | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Investments in equity instruments designated as FVTOCI | | |
| - quoted shares in Malaysia | 5,339 | 2,889 |
| Investments in equity instruments designated as FVTPL | | |
| - unquoted shares | 1,657 | 1,674 |
| Total other investments | 6,996 | 4,563 |

The investments in quoted shares are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, Company has elected to designate these investments in equity instruments as at FVTOCI as recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The fair values of the unquoted shares have been estimated using a discounted dividend model. The valuation requires management to make certain assumptions about the model inputs, including growth rates and required rate of return.

## 21. LONG TERM PREPAID EXPENSES

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| As of 1 January | 805 | - |
| Reclassification to lease (Note 17) | (805) | - |
| Addition | - | 865 |
| Less: Amount due within the next 12 months | - | (60) |
| As of 31 December | - | 805 |

The above represents amount prepaid for lease of land for period of 15 years. The non-current portion of the long term prepaid expenses is expected to be utilised as follows:

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Between one and five years | - | 300 |
| More than five years | - | 505 |
| | - | 805 |

With the implementation of MFRS 16, the above long term prepaid expenses have been reclassified to right-of-use assets as per Note 17.

# NOTES TO THE FINANCIAL STATEMENTS

## 22. DUE FROM/(TO) SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| **Non-current** | | |
| Due from subsidiaries | 13,982 | 13,908 |
| Less: Allowance for impairment losses (a) | (13,982) | (13,908) |
| | - | - |
| Due to subsidiaries | - | 9,775 |
| **Current** | | |
| Due from subsidiaries | 9,946 | 4,443 |
| Less: Allowance for impairment losses | (2,075) | (1,261) |
| | 7,871 | 3,182 |
| Due to subsidiaries | 715 | 10,289 |

During the financial year, amount due from subsidiaries of RM8,993,000 (2018: RM10,693,000) has been transferred and capitalised as investment in subsidiaries company.

The amount due from/(to) subsidiaries are unsecured and bears interest at the market Base Lending Rate ('BLR') of 6.90% (2018: 6.65%) per annum.

The amounts due from subsidiaries classified under non-current assets are not expected to be recalled in the next twelve months whilst the amounts due to subsidiaries under non-current liabilities are not due to be settled within the next twelve months.

The amounts classified under current are repayable on demand.

Movement in allowance for impairment accounts:

| | Company | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| As of 1 January | 15,169 | 14,452 |
| Charged for the year (Note 9) | 1,249 | 1,261 |
| Reversal for the year (Note 9) | (361) | (544) |
| As of 31 December | 16,057 | 15,169 |

# NOTES TO THE FINANCIAL STATEMENTS

## 23. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM000 | 2019 RM'000 | 2018 RM'000 |
| **Trade** | | | | |
| Trade receivables (a) | 28,826 | 23,699 | - | - |
| Less: Allowance for impairment losses | | | | |
| Lifetime ECL - Non credit - impaired | (681) | (582) | - | - |
| Lifetime ECL - Credit - impaired | (2,494) | (2,770) | - | - |
| | (3,175) | (3,352) | - | - |
| | 25,651 | 20,347 | - | - |
| **Non-trade** | | | | |
| Government subsidy receivable | 10,386 | 9,294 | - | - |
| Deposits | 3,829 | 7,212 | 253 | 253 |
| GST receivables | 2,773 | 6,938 | - | - |
| Prepaid expenses | 712 | 1,541 | 15 | 39 |
| Other receivables | 4,123 | 3,666 | 1,503 | 374 |
| Less: Allowance for impairment losses (b) | (1,400) | (1,226) | - | - |
| | 2,723 | 2,440 | 1,503 | 374 |
| | 20,423 | 27,425 | 1,771 | 666 |
| | 46,074 | 47,772 | 1,771 | 666 |
| Gross retention sum on contract included within trade receivables | 5,252 | 4,636 | - | - |

### (a) Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) terms.

The allowance for impairment losses for trade receivables are measured based on the simplified approach within MFRS 9 using the lifetime expected credit losses (ECL). The ECL on non credit-impaired trade receivables are collectively impaired by using an estimated provision matrix with expected credit loss rate based on groupings of various customer segments with similar loss patterns (ie. business segments, customer type and rating, and coverage by bank guarantee or other forms of credit insurance) and credit risk grade report from a credit rating agency.

The Group has recognised a loss allowance of 100% (2018: 100%) on individually credit-impaired trade receivables over 1 year past due with no realistic prospect of recovery as historical experience has indicated that these receivables are generally not recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (CONT'D)

### (a) Trade Receivables (cont'd)

The ageing analysis of the Group's trade receivables is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Gross carrying amount RM'000 | Lifetime ECL RM'000 | Gross carrying amount RM'000 | Lifetime ECL RM'000 |
| Days past due: | | | | |
| Not past due | 19,853 | 368 | 17,249 | 337 |
| < 30 days | 2,656 | 64 | 1,956 | 84 |
| 31 - 60 days | 2,383 | 138 | 983 | 54 |
| 61 - 90 days | 964 | 92 | 226 | 20 |
| 91 - 180 days | 476 | 19 | 515 | 87 |
| > 1 year | 2,494 | 2,494 | 2,770 | 2,770 |
| Total | 28,826 | 3,175 | 23,699 | 3,352 |

Movement in allowance for impairment that has been recognised for trade receivables:

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| As of 1 January | 3,352 | 6,354 |
| Charged for the year | 393 | 527 |
| Written off during the financial year | - | (3,435) |
| Reversal during the year (Note 9) | (570) | (94) |
| As of 31 December | 3,175 | 3,352 |

### (b) Other receivables

Movement in allowance for impairment that has been recognised for other receivables:

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| As of 1 January | 1,226 | 627 |
| Charged for the year | 174 | 1,226 |
| Disposal of subsidiary | - | (627) |
| As of 31 December | 1,400 | 1,226 |

# NOTES TO THE FINANCIAL STATEMENTS

## 23. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (CONT'D)

### (c) Contract assets

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Construction costs incurred todate | 58,739 | 84,385 |
| Attributable profits less recognised losses | 4,231 | 8,495 |
| | 62,970 | 92,880 |
| Allowance for impairment | (9) | (103) |
| Provision for foreseeable losses | (522) | (1,180) |
| Progress billing to date | (63,080) | (89,770) |
| Contract (liabilities)/assets, net | (641) | 1,827 |
| Analysed as: | | |
| Contract assets | 340 | 2,065 |
| Contract liabilities (Note 34) | (981) | (238) |

Construction contracts revenue and costs are disclosed in Notes 5 and 6 respectively.

## 24. DEFERRED TAX LIABILITIES

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| As of 1 January | 12,532 | 10,218 |
| Recognised in profit or loss | 671 | 2,314 |
| As of 31 December | 13,203 | 12,532 |
| Deferred tax expense for the year | | |
| - continuing operations | 671 | 219 |
| - discontinued operations | - | 2,095 |
| Deferred tax expense for the year | 671 | 2,314 |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Deferred tax assets | (382) | - |
| Deferred tax liabilities | 13,585 | 12,532 |
| | 13,203 | 12,532 |

# NOTES TO THE FINANCIAL STATEMENTS

**24. DEFERRED TAX LIABILITIES (CONT'D)**

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred tax liabilities of the Group:**

| | Property, plant and equipment RM'000 |
|---|---|
| As of 1 January 2018 | 12,312 |
| Recognised in profit or loss | 220 |
| As of 31 December 2018/1 January 2019 | 12,532 |
| Recognised in profit or loss | 1,053 |
| As of 31 December 2019 | 13,585 |

**Deferred tax assets of the Group:**

| | Unutilised business losses and unabsorbed capital allowances RM'000 | Provisions RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| As of 1 January 2018 | (1,680) | (2,109) | 1,695 | (2,094) |
| Recognised in profit or loss | 1,680 | 2,109 | (1,695) | 2,094 |
| As of 31 December 2018/1 January 2019 | - | - | - | - |
| Recognised in profit or loss | - | (313) | (69) | (382) |
| As of 31 December 2019 | - | (313) | (69) | (382) |

Deferred tax assets have not been recognised in respect of the following items due to the uncertainty of their recoverability:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Unutilised business losses | 94,813 | 73,308 | 8 | 8 |
| Unabsorbed capital allowances | 27,539 | 38,815 | 3,204 | 3,204 |
| Other deductible temporary differences | 811 | 1,390 | - | - |
| | 123,163 | 113,513 | 3,212 | 3,212 |
| Effect of disposal of a subsidiary on unutilised business losses and unabsorbed capital allowances | - | (14,780) | - | - |
| | 123,163 | 98,733 | 3,212 | 3,212 |

The unutilised business losses, unabsorbed capital allowances and other deductible temporary differences of the Group and of the Company are available for offsetting against future taxable profits of the respective entities within 7 years, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

# NOTES TO THE FINANCIAL STATEMENTS

## 24. DEFERRED TAX LIABILITIES (CONT'D)

Reconciliation on the temporary differences with its maturity to be utilised in future years is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| 7 years | 24,430 | 98,733 | - | 3,212 |
| 6 years | 98,733 | - | 3,212 | - |
| Total temporary differences | 123,163 | 98,733 | 3,212 | 3,212 |

## 25. INVENTORIES

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Raw materials | 2,796 | 4,976 |
| Finished goods | 1,489 | 1,634 |
| Consumables | 536 | 179 |
| Parts and components | - | 164 |
| | 4,821 | 6,953 |

Cost of inventories recognised as an expense during the year in respect of continuing operations were RM356,805,000 (2018: RM470,011,000).

The cost of inventories recognised as an expense includes RM632,000 (2018: RM2,086,000) in respect of write-down of inventory to net relisable value.

## 26. BIOLOGICAL ASSETS

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| As of 1 January | 724 | 830 |
| Gain/(Loss) from changes in fair value | 550 | (106) |
| As of 31 December | 1,274 | 724 |

The Group's biological assets consist of fresh fruit bunches ('FFB'). Each FFB takes approximately 6 months from pollination to reach maximum oil content to be ready for harvesting. During the year ended 31 December 2019, the Group harvested approximately 106,012 tonnes of FFB (2018: 110,668 tonnes). The quantity of unharvested FFB of the Group as at 31 December 2019 included in the fair valuation of FFB was 3,630 tonnes (2018: 3,825 tonnes).

# NOTES TO THE FINANCIAL STATEMENTS

## 26. BIOLOGICAL ASSETS (CONT'D)

In determining the fair values of unharvested FFB, the management has considered the oil content of the unripe FFB from the week after pollination to the week prior to harvest and derived the assumption that the net cash flows to be generated from FFB prior to more than 15 days to harvest is negligible. Therefore, quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 80% of the ripe FFB, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Costs to sell include harvesting cost and transport.

FFB valuation have been classified as level 3 in the fair value hierarchy. The fair value of FFB is determined using a discounted cash flow model with reference to the market value of crude palm oil at the date of harvest, adjusted for extraction rates, transportation and other costs to sell at the point of harvest. Changes to the assumed prices of the FFB and tonnage included in the valuation will have a direct effect on the reported valuation.

## 27. SHORT TERM INVESTMENT

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Short term investment at FVTPL: | | |
| Investment in unit trust fund | - | 20,193 |
| Gain on investments at FVTPL comprised: | | |
| Realised gain on redemption (Note 9) | 274 | 17 |
| Unrealised gain on changes in fair values (Note 9) | - | 838 |
| | 274 | 855 |

The short term investment is measured at FVTPL which is readily convertible to cash.

## 28. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000** | **2019 RM'000** | **2018 RM'000** |
| Cash and bank balances | 25,875 | 75,691 | 3,187 | 1,888 |
| Deposits with licensed banks | 119,752 | 47,741 | 44,732 | 16,706 |
| | 145,627 | 123,432 | 47,919 | 18,594 |

Included in cash at banks of the Group is an amount of RM6,776 (2018: RM6,645) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 which is restricted from use in other operations.

Included in cash at banks of the Group is an amount of RM229,000 (2018: RM1,395,000) held by a subsidiary's branch that operates in a jurisdiction where there are legal restrictions of foreign exchange controls that restrict the Group's access to, and use of, the subsidiary's cash balances.

Included in deposits with licensed banks of the Group is an amount of RM32,018,000 (2018: RM30,598,000) which has been pledged as security for borrowings of the Group as disclosed in Note 32.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. CASH AND BANK BALANCES (CONT'D)

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as of the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| Cash and bank balances | 145,627 | 123,432 | 47,919 | 18,594 |
| Less: Deposits pledged with licensed banks | (32,018) | (30,598) | - | - |
| Cash and cash equivalents | 113,609 | 92,834 | 47,919 | 18,594 |

The weighted average effective interest rates ('WAEIR') as of the reporting date the Group and the Company's non-pledged deposits with licensed banks are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| WAEIR (%) | 3.2 | 3.3 | 3.1 | 3.5 |
| Maturity period (days) | 29 | 30 | 31 | 29 |

The currency profile of cash and bank balances is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019<br>RM'000 | 2018<br>RM'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| Malaysia Ringgit | 145,398 | 122,037 | 47,919 | 18,594 |
| Bangladeshi Taka | 229 | 1,395 | - | - |
| | 145,627 | 123,432 | 47,919 | 18,594 |

## 29. SHARE CAPITAL

| | Number of ordinary shares | | Amount | |
|---|---|---|---|---|
| | 2019<br>'000 | 2018<br>'000 | 2019<br>RM'000 | 2018<br>RM'000 |
| Issued and fully paid | 556,465 | 556,465 | 228,863 | 228,863 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 30. RESERVES

| | Note | Group 2019 RM'000 | Group 2018 RM'000 | Company 2019 RM'000 | Company 2018 RM'000 |
|---|---|---|---|---|---|
| Capital reserve | (a) | 34,016 | 34,016 | - | - |
| Fair value adjustment reserve | (b) | 3,322 | 872 | 3,322 | 872 |
| Merger reserve | (c) | 11,147 | 11,147 | - | - |
| Discount paid on acquisition of non-controlling interest | (d) | 971 | 971 | - | - |
| Total | | 49,456 | 47,006 | 3,322 | 872 |

(a) Capital reserve arose from the capitalisation of bonus shares issued by certain subsidiaries in prior years.

(b) Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of financial asset fair value through other comprehensive income.

| | Group/Company 2019 RM'000 | Group/Company 2018 RM'000 |
|---|---|---|
| As of 1 January | 872 | 3,111 |
| Gain/(Loss) on fair value | 2,450 | (2,239) |
| As of 31 December | 3,322 | 872 |

(c) Merger reserve amounting to approximately RM11,147,000 arose from the acquisition of KUB Ekuiti Sdn Bhd in 1997.

(d) Discount on acquisition of non-controlling interest amounting to RM971,000 arose from the acquisition of remaining equity interest of KFT International (Malaysia) Sdn Bhd in 2011 of RM1,229,000 less premium paid on acquisition of Empirical Systems (M) Sdn Bhd of RM258,000 in 2014.

## 31. DIVIDENDS

The Directors do not recommend any dividend payment for the financial year ended 31 December 2019.

The dividends paid during the previous year were as follows:

| | Company 2018 RM'000 | Company Net Dividend per share 2018 Sen |
|---|---|---|
| First and final single tier dividend paid in respect of financial year ended 31 December 2017 | 5,565 | 1.0 |
| Interim single tier dividend paid in respect of financial year ended 31 December 2018 | 5,565 | 1.0 |
| | 11,130 | 2.0 |

# NOTES TO THE FINANCIAL STATEMENTS

## 32. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Long-term borrowings** | | | | |
| **Secured** | | | | |
| Term loans (a) | 70,667 | 114,554 | - | - |
| Hire purchase payables (b) | 366 | 609 | 24 | 123 |
| | 71,033 | 115,163 | 24 | 123 |
| **Short-term borrowings** | | | | |
| **Secured** | | | | |
| Term loans (a) | 4,933 | 8,602 | - | - |
| Revolving credits | 8,000 | 16,941 | - | 1,000 |
| Bankers acceptances | 20,000 | 30,000 | - | - |
| Hire purchase payables (b) | 236 | 222 | 92 | 80 |
| | 33,169 | 55,765 | 92 | 1,080 |
| **Total borrowings** | | | | |
| Term loans (a) | 75,600 | 123,156 | - | - |
| Revolving credits | 8,000 | 16,941 | - | 1,000 |
| Bankers acceptances | 20,000 | 30,000 | - | - |
| Hire purchase payables (b) | 602 | 831 | 116 | 203 |
| | 104,202 | 170,928 | 116 | 1,203 |

The range of weighted average effective of interest rates ('WAEIR') (% per annum) of the borrowings at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 WAEIR % | 2018 WAEIR % | 2019 WAEIR % | 2018 WAEIR % |
| Term loans | 4.35 - 5.37 | 4.82 - 5.50 | - | - |
| Hire purchase | 4.77 - 6.97 | 4.77 - 6.97 | 5.41 | 5.41 |
| Revolving credits | 4.99 - 6.30 | 5.40 - 6.30 | - | 6.30 |
| Bankers acceptances | 3.79 - 4.17 | 4.42 - 4.80 | - | - |

The secured borrowings of the Group and of the Company are secured by way of fixed and floating charges over certain assets of the Group and of the Company as disclosed in Notes 13, 15 and 28.

The facilities of the Group except for hire purchase amounting to RM103,600,000 (2018: RM170,097,000) are also secured by corporate guarantee from the Company. In the event of default in any of the facilities, the maximum exposure of the Company would be amounting to RM78,769,000 (2018: RM100,026,000) as per explained in Note 39(b).

# NOTES TO THE FINANCIAL STATEMENTS

## 32. BORROWINGS (CONT'D)

### (a) Term loans

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| **The maturity profile of the Group's term loans are as follows:** | | |
| Less than 1 year | 4,933 | 8,602 |
| Between 1 year and 5 years | 20,726 | 36,500 |
| More than 5 years | 49,941 | 78,054 |
| | 75,600 | 123,156 |

### (b) Hire purchase payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000** | **2019 RM'000** | **2018 RM'000** |
| **Future minimum hire purchase payables** | | | | |
| Less than 1 year | 244 | 228 | 95 | 81 |
| Between 1 year and 5 years | 391 | 651 | 25 | 130 |
| Total future minimum lease payments | 635 | 879 | 120 | 211 |
| Less: Future finance charges | (33) | (48) | (4) | (8) |
| | 602 | 831 | 116 | 203 |
| **Analysis of present value of hire purchase payables** | | | | |
| Less than 1 year | 236 | 222 | 92 | 80 |
| Between 1 year and 5 years | 366 | 609 | 24 | 123 |
| | 602 | 831 | 116 | 203 |
| Less: Due within 12 months | (236) | (222) | (92) | (80) |
| Due after 12 months | 366 | 609 | 24 | 123 |

# NOTES TO THE FINANCIAL STATEMENTS

**32. BORROWINGS (CONT'D)**

The table below details changes in the Group's liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statements of cash flows as cash flow from financing activities.

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000** | **2019 RM'000** | **2018 RM'000** |
| As of 1 January: | | | | |
| Term loans | 123,156 | 55,082 | - | 1,000 |
| Hire purchase payables | 831 | 835 | 203 | 286 |
| Short term borrowings | 46,941 | - | 1,000 | - |
| | 170,928 | 55,917 | 1,203 | 1,286 |
| Drawdown during the financial year: | | | | |
| Term loans | - | 77,245 | - | - |
| Short term borrowings | 40,000 | 46,941 | - | 1,000 |
| | 40,000 | 124,186 | - | 1,000 |
| Repayment during the financial year: | | | | |
| Term loans | (47,556) | (5,310) | (1,000) | (1,000) |
| Hire purchase payables | (229) | (200) | (87) | (83) |
| Short term borrowings | (58,941) | - | - | - |
| | (106,726) | (5,510) | (1,087) | (1,083) |
| Disposal of the subsidiary | | | | |
| - Term loan | - | (3,861) | - | - |
| Non-cash changes | | | | |
| - New hire purchase | - | 196 | - | - |
| As of 31 December: | | | | |
| Term loans | 75,600 | 123,156 | - | - |
| Hire purchase payables | 602 | 831 | 116 | 203 |
| Short term borrowings | 28,000 | 46,941 | - | 1,000 |
| Total | 104,202 | 170,928 | 116 | 1,203 |

# NOTES TO THE FINANCIAL STATEMENTS

## 33. DEFERRED INCOME

Deferred income refers to a Facilitation Grant (Dana Mudahcara) received by a subsidiary company from Unit Peneraju Agenda Bumiputera (Teraju Corporation) for the construction of a mill. The deferred income is recognised as income in profit or loss over 25 years from the commencement of mill operations.

During the current financial year, the deferred income was transferred to assets held for sale following the disposal of the mill.

| | Group | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| As of 1 January | 2,513 | 2,620 |
| Addition | 2,298 | - |
| Transfer to assets held for sale (Note 13) | (4,811) | - |
| Amortisation for the year | - | (107) |
| As of 31 December | - | 2,513 |

## 34. TRADE AND OTHER PAYABLES, REFUNDABLE CYLINDER DEPOSITS AND CONTRACT LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000 (Re-presented)** | **2019 RM'000** | **2018 RM'000** |
| **Current liabilities** | | | | |
| **Trade payables:** | | | | |
| Trade payables (a) | 44,912 | 47,771 | - | - |
| **Non-trade payables:** | | | | |
| Other payables | 11,961 | 16,607 | 9,050 | 8,015 |
| Deposits | - | - | 276 | 1,242 |
| Refundable cylinder deposits (b) | 24,555 | 26,856 | - | - |
| Provisions (c) | 316 | 316 | - | - |
| | 36,832 | 43,779 | 9,326 | 9,257 |
| | 81,744 | 91,550 | 9,326 | 9,257 |

**(a) Trade payables**

These amounts are non-interest bearing and normally settled between 60 to 90 days (2018: 60 to 90 days) terms.

# NOTES TO THE FINANCIAL STATEMENTS

## 34. TRADE AND OTHER PAYABLES, REFUNDABLE CYLINDER DEPOSITS AND CONTRACT LIABILITIES (CONT'D)

### (b) Refundable cylinder deposits

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Current | 24,555 | 26,856 |
| Non-current | 17,778 | 14,949 |

The refundable cylinder deposits are deposits received in exchange of gas cylinders which has no scheduled repayment term and refundable upon return of the cylinders in good working condition. The Group has classified RM17,778,000 (2018: RM14,949,000) into non-current liabilities based on the Group's long term experiences with the customers in prior years which are currently still active.

### (c) Provisions

Movement of provision for liquidated ascertained damages during the year is as follows:

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| As of 1 January 2018 | 316 | 257 |
| Additions (Note 9) | - | 59 |
| As of 31 December | 316 | 316 |

The provision for liquidated ascertained damages is made based on the approved contract terms and is computed on the agreed penalty charges per delay multiplied by the number of days delayed.

**Contract liabilities**

| | Group | |
|---|---|---|
| | 2019 RM'000 | 2018 RM'000 |
| Construction contracts (Note 23) | 981 | 238 |

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone billing exceeds the revenue recognised to date.

# NOTES TO THE FINANCIAL STATEMENTS

## 35. DERIVATIVES

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Group** | **Contract/ notional amount RM'000** | **Fair value of derivative liabilities RM'000** | **Contract/ notional amount RM'000** | **Fair value of derivative assets RM'000** |
| **Current** | | | | |
| Forward currency contracts | 22,309 | (21) | 22,047 | 23 |

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure.

Forward currency contracts are used to hedge the Group's purchases denominated in United States Dollar (USD) for which firm commitments existed at the reporting date.

During the financial year, the Group recognised a loss of RM20,924 (2018: gain of RM22,751) arising from fair value changes of derivatives as of reporting date. The fair value changes are attributable to changes in foreign exchange spot and forward rate. Forward currency contracts are valued using valuation obtained from counterparties.

## 36. COMMITMENTS, CONTINGENT LIABILITIES AND MATERIAL LITIGATION

### (a) Capital commitments

Authorised capital expenditure not provided for in the financial statements:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000** | **2019 RM'000** | **2018 RM'000** |
| **Property, plant and equipment** | | | | |
| - Contracted | 1,054 | 2,132 | - | - |
| - Not contracted | 6,353 | 19,148 | - | 248 |
| | 7,407 | 21,280 | - | 248 |

### (b) Contingent liabilities

On 19 November 2018, a subsidiary, KUB Telekomunikasi Sdn Bhd ('KUBTel') received a letter of demand from a sub-contractor claiming additional costs incurred, payment on outstanding invoices, and a retention sum amounting to RM3,595,000. This demand was due to an early termination of its services to complete an automatic fare collection system project.

On 29 August 2019, the sub-contractor has revised their claims to RM2,883,000. KUBTel has denied all the disputed claims and similarly seeks to set-off and/or counterclaim RM3,306,000 being the costs incurred by KUBTel to complete the works which the sub-contractor had failed to complete and other related charges.

KUBTel has made an assessment and based on the legal advice in respect of this matter, the Group believes that it has good grounds to defend and contest against the claim.

# NOTES TO THE FINANCIAL STATEMENTS

**36. COMMITMENTS, CONTINGENT LIABILITIES AND MATERIAL LITIGATION (CONT'D)**

**(c) Material litigation**

On 28 November 2019, a winding up petition was filed in the High Court at Shah Alam against a subsidiary, KUB Sepadu Sdn Bhd ('KUB Sepadu') by its minority shareholders, Medan Sepadu Sdn Bhd and Lembaga Amanah Kebajikan Kaum Melanau Sarawak ('Minority Shareholders').

On 2 December 2019, the Minority Shareholders filed an application for the appointment of interim liquidators for KUB Sepadu. The High Court granted the order for the appointment of interim liquidators on 9 December 2019 ('Order for IL').

The winding up petition together with the Order for IL was served on KUB Sepadu on 16 December 2019.

On 18 December 2019, KUB Agro Holdings Sdn Bhd, the immediate holding company of KUB Sepadu as the Opposing Contributory filed an application to set aside the Order for IL ('Setting Aside Application'). On 20 December 2019, the High Court granted a stay on the Order for IL pending the disposal of the winding up petition and/or Setting Aside Application.

The court hearing for the case was on 4 March 2020 and at the hearing date, the Minority Shareholders requested for the matter to be adjourned. The Court allowed the adjournment and fixed a new hearing date on 18 May 2020.

The Group has made an assessment and sought legal advice in respect of this matter. The Group believes that it has good grounds to defend and contest against the case and accordance with MFRS 10, there was no loss of control in KUB Sepadu as the Order for IL has been put aside until the court hearing.

**37. RELATED PARTY DISCLOSURES**

(a) The Company had the following transactions with related parties during the financial year:

| | Company | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Management fees from subsidiaries | 5,406 | 8,013 |
| Rental income from subsidiaries | 291 | 631 |
| IT services rendered by a subsidiary | (227) | (108) |
| Interest income from subsidiaries | 864 | 632 |
| Interest expense charged by subsidiaries | (808) | (1,665) |
| Advances to subsidiaries (net) | (5,577) | (2,050) |

A related party of the Company refers to:

(i) a person or a close member of that person's family who:

(a) has control or joint control over the Company;
(b) has significant influence over the Company; or
(c) is a member of the key management personnel of the Company having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

(ii) a subsidiary, associate or joint venture of the Company and its subsidiaries;

(iii) an entity of which the Company or its subsidiaries are an associate or joint venture to;

(iv) an entity, together with the Company are joint ventures of the same third party;

(v) an entity controlled or jointly controlled by a person identified in (i); and

(vi) an entity of which a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# NOTES TO THE FINANCIAL STATEMENTS

**37. RELATED PARTY DISCLOSURES (CONT'D)**

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business under commercial terms mutually agreed between the parties involved.

Information regarding outstanding balances arising from related party transactions as of 31 December 2019 and 31 December 2018 are disclosed in Notes 18 and 22.

(b) Remuneration of key management personnel other than Directors:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 RM'000** | **2018 RM'000** | **2019 RM'000** | **2018 RM'000** |
| **Other key management personnel** | | | | |
| Salaries, allowances and bonuses | 3,463 | 5,122 | 2,114 | 3,438 |
| Defined contribution plan | 424 | 607 | 260 | 405 |
| Social security contributions | 8 | 12 | 5 | 7 |
| Other benefits | 429 | - | 100 | - |
| | 4,324 | 5,741 | 2,479 | 3,850 |

Key management personnel comprises persons of the Group entities having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

Details of the Company's Directors remuneration for the Group and of the Company are disclosed in Note 11. Other key management personnel includes persons other than the Directors within the Group.

(c) Transactions between the Group and the Company with a company/firm in which certain Director is a common Director or a partner:

| **Group** | **Transactions amount for year ended 31 December 2019 RM'000** | **Transactions amount for year ended 31 December 2018 RM'000** |
|---|---|---|
| **Zul Rafique & Partners*** | | |
| Provision of legal services | 50 | 245 |
| **Company** | | |
| **Zul Rafique & Partners*** | | |
| Provision of legal services | - | 112 |

* a firm in which a former Director of the Company, YM Tunku Alizan bin Raja Muhammad Alias is a partner. He has resigned from the Board of Directors on 4 March 2019. All transactions with Zul Rafique & Partnes were fully paid as at 31 December 2019 and 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

## 38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities of the Group and of the Company as of 31 December 2019 and 2018 are not materially different from their carrying values due to the relatively short-term maturity of these financial instruments or that they are floating rate instruments that are re-priced to market interest rates on or near the end of reporting date except for:

| | Group | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **Financial liabilities at amortised cost** | | | | |
| Term loans (Note 32) | 75,600 | 72,156 | 123,156 | 117,414 |
| Hire purchase payables (Note 32) | 602 | 591 | 831 | 812 |

| | Company | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Carrying amount RM'000 | Fair value RM'000 | Carrying amount RM'000 | Fair value RM'000 |
| **Financial liability at amortised cost** | | | | |
| Hire purchase payables (Note 32) | 116 | 115 | 203 | 199 |

The fair value of term loans and hire purchase payables is determined by discounting the present value of future cash flows, at the market rate at the end of the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

**Fair value of financial instruments that are carried at fair value**

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

| | Note | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **As of 31 December 2019** | | | | | |
| **Financial assets:** | | | | | |
| Fair value through other comprehensive income | | | | | |
| - investment in quoted shares | 20 | 5,339 | - | - | 5,339 |
| Fair value through profit or loss | | | | | |
| - investment in unquoted shares | 20 | - | - | 1,657 | 1,657 |
| **Financial liabilities:** | | | | | |
| Derivatives - Forward currency contracts | 35 | - | 21 | - | 21 |

| | Note | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **As of 31 December 2018** | | | | | |
| **Financial assets:** | | | | | |
| Fair value through other comprehensive income | | | | | |
| - investment in quoted shares | 20 | 2,889 | - | - | 2,889 |
| Fair value through profit or loss | | | | | |
| - investment in unquoted shares | 20 | - | - | 1,674 | 1,674 |
| Derivatives - Forward currency contracts | 35 | - | 23 | - | 23 |

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between the fair value hierarchy during the financial years ended 2019 and 2018.

# NOTES TO THE FINANCIAL STATEMENTS

## 38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

**Fair value of financial instrument that are carried at fair value (cont'd)**

**Categories of financial instruments:**

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| **Financial assets** | | | | | |
| At amortised costs: | | | | | |
| Trade and other receivables | 23 | 45,362 | 46,231 | 1,756 | 627 |
| Due from subsidiaries | 22 | - | - | 7,871 | 3,182 |
| Cash and bank balances | 28 | 145,627 | 123,432 | 47,919 | 18,594 |
| At FVTOCI: | | | | | |
| Other investments | | | | | |
| - investment in quoted shares | 20 | 5,339 | 2,889 | 5,339 | 2,889 |
| At FVTPL: | | | | | |
| Other investments | | | | | |
| - investment in unquoted shares | 20 | 1,657 | 1,674 | 1,657 | 1,674 |
| Short term investment | 27 | - | 20,193 | - | - |
| Derivative financial assets | 35 | - | 23 | - | - |
| **Financial liabilities** | | | | | |
| At amortised costs: | | | | | |
| Trade and other payables | 34 | 81,744 | 91,550 | 9,326 | 9,257 |
| Lease liabilities | 17 | 3,122 | - | - | - |
| Borrowings | 32 | 104,202 | 170,928 | 116 | 1,203 |
| Due to subsidiaries | 22 | - | - | 715 | 20,064 |
| Refundable cylinder deposits | 34 | 17,778 | 14,949 | - | - |
| At FVTPL: | | | | | |
| Derivative financial liabilities | 35 | 21 | - | - | - |

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees on policies and procedures for the management of these risks. The Board Risk Management Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

# NOTES TO THE FINANCIAL STATEMENTS

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to minimise exposure to bad debts.

Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in statements of financial position.

The Group does not have any major concentration of credit risk related to any financial instruments except for the concentration of credit risk arising from exposures to the Government of Malaysia and Government Linked Corporations amounting to RM10,465,000 and RM11,701,000 (2018: RM9,359,000 and RM7,788,000) representing 23% and 25% (2018: 20% and 16%) of the Group's total net trade and other receivables, respectively.

The Group has applied the simplified approach in MFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 23 includes further details on the loss allowance for these assets respectively.

The Company has no default experiences on corporate guarantee provided to the bank for banking facilities granted to subsidiaries.

### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

The Group actively manages its 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 prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short-term funding so as to achieve overall cost effectiveness.

# NOTES TO THE FINANCIAL STATEMENTS

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(b) Liquidity risk (cont'd)**

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

| | Group | | | |
|---|---|---|---|---|
| | On demand or within one year RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
| **As of 31 December 2019** | | | | |
| **Financial liabilities:** | | | | |
| Refundable cylinder deposits | - | - | 17,778 | 17,778 |
| Trade and other payables | 81,744 | - | - | 81,744 |
| Lease liabilities* | 780 | 2,714 | - | 3,494 |
| Borrowings* | 37,223 | 34,545 | 62,347 | 134,115 |
| Total undiscounted financial liabilities | 119,747 | 37,259 | 80,125 | 237,131 |
| **As of 31 December 2018** | | | | |
| **Financial liabilities:** | | | | |
| Refundable cylinder deposits | - | - | 14,949 | 14,949 |
| Trade and other payables | 91,550 | - | - | 91,550 |
| Borrowings* | 62,422 | 61,093 | 92,685 | 216,200 |
| Total undiscounted financial liabilities | 153,972 | 61,093 | 107,634 | 322,699 |

| | Company | | | |
|---|---|---|---|---|
| | On demand or within one year RM'000 | One to five years RM'000 | Over five years RM'000 | Total RM'000 |
| **As of 31 December 2019** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 9,326 | - | - | 9,326 |
| Due to subsidiaries* | 586 | - | - | 586 |
| Borrowings* | 96 | 24 | - | 120 |
| Total undiscounted financial liabilities | 10,008 | 24 | - | 10,032 |
| **As of 31 December 2018** | | | | |
| **Financial liabilities:** | | | | |
| Trade and other payables | 9,257 | - | - | 9,257 |
| Due to subsidiaries* | 16,010 | 5,233 | - | 21,243 |
| Borrowings* | 1,091 | 135 | - | 1,226 |
| Total undiscounted financial liabilities | 26,358 | 5,368 | - | 31,726 |

* The amount inclusive both principal and interest throughout the tenure.

# NOTES TO THE FINANCIAL STATEMENTS

**39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**(b) Liquidity risk (cont'd)**

For the financial year ended 31 December 2019, the Company has assessed the existing financial guarantee in relation to guarantee provided by the Company to banks for banking facilities granted to subsidiaries amounting to RM78,769,000 (2018: RM100,026,000) and determined that the guarantees are more likely not to be called upon by the financiers. However this estimate is subject to change depending on the probability of the financier claiming under the guarantee. The amounts for the financial guarantee are the maximum amount that the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the financiers.

**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

The Group's and the Company's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group and the Company to cash flow interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

The information on the weighted average effective interest rates ('WAEIR') as of the reporting date and the maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk is disclosed in Notes 28 and 32.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM129,000 (2018: RM211,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group are exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollar. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept at an acceptable level.

The Group has entered into forward currency contracts for certain transactions to manage the exposures in foreign currencies as disclosed in Note 35. The Board is of the opinion that the unhedged foreign currencies exposures are minimal and can be efficiently managed.

The amounts of trade payables denominated in foreign currencies as of the reporting date is as follows:

| | **Group** | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Trade payables hedged using forward currency contracts | 22,309 | 22,047 |
| Unhedged trade payables | - | 74 |
| | 22,309 | 22,121 |

# NOTES TO THE FINANCIAL STATEMENTS

## 40. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management is to ensure that it maintains 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 by maintaining or adjusting the capital structure, i.e. the Group may issue new shares, adjust the dividend payment to shareholders or obtain funding through external borrowings. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors its capital using a gearing ratio, which is total borrowings divided by shareholders' fund. The Group's gearing ratio as at 31 December 2019 are as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2019 RM'000 | 2018 RM'000 | 2019 RM'000 | 2018 RM'000 |
| Borrowings - long-term | 32 | 71,033 | 115,163 | 24 | 123 |
| Borrowings - short-term | 32 | 33,169 | 55,765 | 92 | 1,080 |
| Total borrowings | | 104,202 | 170,928 | 116 | 1,203 |
| Total shareholders' fund | | 335,132 | 315,480 | 350,324 | 303,048 |
| Gearing ratio | | 31% | 54% | 0.03% | 0.4% |

## 41. SEGMENT INFORMATION

The Group has five reportable divisions, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately as they required different business strategic. For each of strategic business units the chief executive officer reviews internal management reports on a regular basis.

The five reportable divisions are as follows:

i) LPG
- Importation, bottling and trading of liquefied petroleum gas ('LPG')

ii) Agricultural businesses ('Agro')
- Oil palm plantations, estate management and palm oil mill

iii) Information and communications technology ('ICT')
- Supply of ICT products and services, equipment and maintenance and leasing of telecommunication towers

iv) Power
- Engineering and civil works in the power sectors

v) Others
- Property management, investment holding and provision of management services

Division performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

During the previous year, the Group has ceased the Food business division following the disposal of A&W (Malaysia) Sdn Bhd and is disclosed as discontinued operations.

# NOTES TO THE FINANCIAL STATEMENTS

**41. SEGMENT INFORMATION (CONT'D)**

**(a) Business segments-continuing operations**

| 2019 | LPG RM'000 | Agro RM'000 | ICT RM'000 | Power RM'000 | Others RM'000 | Eliminations RM'000 | Note | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| External sales | 325,844 | 42,338 | 21,812 | 7,896 | 2,593 | - | | 400,483 |
| Inter division sales | - | - | 310 | - | 30,106 | (30,416) | A | - |
| Total revenue | 325,844 | 42,338 | 22,122 | 7,896 | 32,699 | (30,416) | | 400,483 |
| **Results** | | | | | | | | |
| Profit/(Loss) from operations | 16,593 | 5,623 | (5,072) | (1,157) | 3,373 | - | | 19,360 |
| Finance income | 1,914 | 71 | 325 | 36 | 853 | - | | 3,199 |
| Finance costs | (842) | (6,198) | (18) | - | (184) | - | | (7,242) |
| Share of results of associates | - | - | - | - | 5,273 | - | | 5,273 |
| Profit/(Loss) before zakat and taxation | 17,665 | (504) | (4,765) | (1,121) | 9,315 | - | | 20,590 |
| Zakat | (155) | - | - | - | - | - | | (155) |
| Taxation | (3,043) | 233 | 24 | 961 | (279) | - | | (2,104) |
| Segment profit/(loss) | 14,467 | (271) | (4,741) | (160) | 9,036 | - | | 18,331 |

**41. SEGMENT INFORMATION (CONT'D)**

**(a) Business segments-continuing operations (cont'd)**

| 2019 | LPG RM'000 | Agro RM'000 | ICT RM'000 | Power RM'000 | Others RM'000 | Note | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Other information** | | | | | | | |
| Depreciation | (7,483) | (7,129) | (228) | (71) | (1,727) | B | (16,638) |
| Allowance for impairment on trade and other receivables | (5) | - | (209) | (120) | (233) | | (567) |
| Impairment losses on property, plant and equipment | (112) | (95) | - | - | (6,940) | | (7,147) |
| Property, plant and equipment written off | (3) | (37) | (36) | - | (1,558) | | (1,634) |
| Inventories written down/off | - | (632) | - | - | - | | (632) |
| Gain on disposal of property, plant and equipment | 479 | 1,536 | 2 | - | 21 | | 2,038 |
| Gain on disposal of non-current assets held for sale | - | 3,537 | - | - | 25,265 | | 28,802 |
| Gain on disposal of subsidiary | - | - | - | - | 293 | | 293 |
| Gain on fair value changes on biological assets | - | 550 | - | - | - | | 550 |
| Reversal of allowance for impairment on receivables | - | 50 | - | 462 | 58 | | 570 |
| Reversal of allowance for impairment losses contract assets | - | - | - | 94 | - | | 94 |

**41. SEGMENT INFORMATION (CONT'D)**

**(a) Business segments - continuing operations (cont'd)**

| 2019 | LPG RM'000 | Agro RM'000 | ICT RM'000 | Power RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Segment assets | 162,627 | 187,333 | 23,841 | 12,350 | 110,630 | 496,781 |
| Investment in associates | - | - | - | - | 47,700 | 47,700 |
| Non-current assets held for sale | - | - | - | - | 1,840 | 1,840 |
| Total assets | 162,627 | 187,333 | 23,841 | 12,350 | 160,170 | 546,321 |
| **Liabilities** | | | | | | |
| Segment liabilities | 106,516 | 97,558 | 3,380 | 6,491 | 7,736 | 221,681 |
| Additions to non-current assets: | | | | | | |
| - Property, plant and equipment | 16,678 | 1,856 | 196 | 23 | 581 | 19,334 |

**41. SEGMENT INFORMATION (CONT'D)**

**(a) Business segments - continuing operations (cont'd)**

| 2018 (Re-presented) | LPG RM'000 | Agro RM'000 | ICT RM'000 | Power RM'000 | Others RM'000 | Eliminations RM'000 | Note | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| External sales | 404,645 | 67,536 | 24,170 | 23,162 | 2,809 | - | | 522,322 |
| Inter division sales | - | - | 261 | - | 29,893 | (30,154) | A | - |
| Total revenue | 404,645 | 67,536 | 24,431 | 23,162 | 32,702 | (30,154) | | 522,322 |
| **Results** | | | | | | | | |
| Profit/(Loss) from operations | 20,893 | (34,410) | (4,450) | 5,714 | (15,082) | - | | (27,335) |
| Finance income | 1,095 | 233 | 392 | 7 | 400 | - | | 2,127 |
| Finance costs | (1,157) | (6,974) | (16) | (5) | (122) | - | | (8,274) |
| Share of results of associates | - | - | - | - | 3,313 | - | | 3,313 |
| Profit/(Loss) before zakat and taxation | 20,831 | (41,151) | (4,074) | 5,716 | (11,491) | - | | (30,169) |
| Zakat | (1,210) | (165) | - | - | - | - | | (1,375) |
| Taxation | (3,858) | (477) | (342) | (993) | (225) | - | | (5,895) |
| Segment profit/(loss) | 15,763 | (41,793) | (4,416) | 4,723 | (11,716) | - | | (37,439) |

# NOTES TO THE FINANCIAL STATEMENTS

**41. SEGMENT INFORMATION (CONT'D)**

**(a) Business segments - continuing operations (cont'd)**

| 2018 | LPG RM'000 | Agro RM'000 | ICT RM'000 | Power RM'000 | Others RM'000 | Note | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Other information** | | | | | | | |
| Depreciation | (5,483) | (3,956) | (218) | (64) | (8,924) | B | (18,645) |
| Allowance for impairment on trade and other receivables | - | (258) | (226) | (1,268) | (1) | | (1,753) |
| Allowance for impairment on contract assets | - | - | - | (34) | - | | (34) |
| Impairment losses on property, plant and equipment | - | (26,094) | - | - | - | | (26,094) |
| Property, plant and equipment written off | - | - | (192) | - | - | | (192) |
| Inventories written down/off | - | (1,990) | (96) | - | - | | (2,086) |
| Loss on fair value changes in biological assets | - | (106) | - | - | - | | (106) |
| Gain on disposal of property, plant and equipment | 301 | 65 | 4 | - | - | | 370 |
| Gain on disposal of non-current assets held for sale | 2,727 | - | - | - | 3,482 | | 6,209 |
| Reversal of allowance for impairment on receivables | - | - | - | - | 94 | | 94 |

# NOTES TO THE FINANCIAL STATEMENTS

**41. SEGMENT INFORMATION (CONT'D)**

**(a) Business segments**

| 2018 | LPG RM'000 | Agro RM'000 | ICT RM'000 | Power RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Segment assets | 187,517 | 135,221 | 41,887 | 13,512 | 70,148 | 448,285 |
| Investment in associates | - | - | - | - | 42,427 | 42,427 |
| Non-current assets held for sale | - | 98,212 | - | - | 8,593 | 106,805 |
| Total assets | 187,517 | 233,433 | 41,887 | 13,512 | 121,168 | 597,517 |
| **Liabilities** | | | | | | |
| Segment liabilities | 112,838 | 155,161 | 6,759 | 7,426 | 11,321 | 293,505 |
| Additions to non-current assets: | | | | | | |
| - Property, plant and equipment | 49,046 | 117,993 | 277 | 63 | 890 | 168,269 |
| - Investment properties | - | - | - | - | 868 | 868 |

# NOTES TO THE FINANCIAL STATEMENTS

**41. SEGMENT INFORMATION (CONT'D)**

(b) The reportable segments of discontinued operations that are not included in the above segmental reporting are as follows:

| 2018 | Food RM'000 |
|---|---|
| **Revenue** | |
| External sales | 47,136 |
| **Results** | |
| Loss from operations | (3,046) |
| Finance income | 59 |
| Finance cost | (219) |
| Loss before taxation | (3,206) |
| Taxation | (2,129) |
| | (5,335) |
| Gain on sale of discontinued operation | 23,279 |
| Segment profit for the period | 17,944 |

*No segment assets and liabilities for the Food segment following the disposal of A&W (Malaysia) Sdn Bhd during the previous year.*

A Inter-segment revenues are eliminated on consolidation is as follows:

| | Company | |
|---|---|---|
| | **2019 RM'000** | **2018 RM'000** |
| Dividend income | 24,700 | 21,880 |
| Management fees | 5,406 | 8,013 |
| ICT services | 310 | 261 |
| | 30,416 | 30,154 |

B Depreciation relates to property, plant and equipment, investment properties and right-of-use assets.

Geographical information

All of the Group's revenue are derived from Malaysia.

Information on major customers

Included in revenues arising from the major customers are contract with Government and Government Linked Companies amounting to RM130,313,000 (2018: RM187,012,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

**MFRS 16 Leases**

In the current year, the Group has applied MFRS 16 that is effective for annual periods that begin on or after 1 January 2019.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of MFRS 16 on the Group's consolidated financial statements is described below.

The Group has chosen to adopt modified retrospective application of MFRS 16 which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2019 and that comparatives will not be restated.

The Group's activities as a lessor are not material and hence has no significant impact on the financial statements.

**(a) Impact of the new definition of a lease**

The Group has made use of the practical expedient available on transition to MFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with MFRS 117 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in MFRS 117 and IFRIC 4. The Group applies the definition of a lease and related guidance set out in MFRS 16 to all contracts entered into or changed on or after 1 January 2019.

**(b) Impact on Lessee Accounting**

(i) Former operating leases

MFRS 16 changes how the Group accounts for leases previously classified as operating leases under MFRS 117, which were off balance sheet.

Applying MFRS 16, for all leases (except as noted below), the Group:

(a) Recognised right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within 'administrative expenses' in profit or loss.

(ii) Former finance leases

The main differences between MFRS 16 and MFRS 117 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. MFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by MFRS 117. This change did not have a material effect on the Group's consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)**

**MFRS 16 Leases (cont'd)**

**(c) Impact on Lessor Accounting**

MFRS 16 does not change substantially how a lessor accounts for leases. Under MFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. The Group's activities as a lessor not material hence the changes did not significantly impact to the financial statements.

**(d) Financial impact of the initial application of MFRS 16**

The following table explains the difference between operating lease commitments as of 31 December 2018, and lease liabilities recognised in the consolidated statement of financial position as of 1 January 2019:

| | **RM'000** |
|---|---|
| Operating lease commitments as of 31 December 2018 | 4,075 |
| Effect of discounting the above amount at the implicit and incremental borrowing rate of 5.00% | (406) |
| Leases of low value assets recognised on a straight-line basis as expense (Note 17) | (127) |
| Lease liabilities recognised as of 1 January 2019 (Note 17) | 3,542 |

The tables below show the amount of adjustment for each financial statement line item affected by the application of MFRS 16 for the current year.

<u>Impact on profit/(loss) for the year</u>

| | **2019 RM'000** |
|---|---|
| Increase in depreciation of right-of-use asset | (703) |
| Increase in finance costs | (167) |
| Decrease in administrative expenses | 825 |
| Decrease in profit for the year | (45) |

# NOTES TO THE FINANCIAL STATEMENTS

**42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)**

**MFRS 16 Leases (cont'd)**

**(d) Financial impact of the initial application of MFRS 16 (cont'd)**

Impact on statements of financial position as of 1 January 2019

| | As previously reported RM'000 | Impact on MFRS 16 RM'000 | As restated RM'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Right-of-use assets (i) | - | 4,254 | 4,254 |
| Long-term prepaid expenses (ii) | 805 | (805) | - |
| **Current assets** | | | |
| Prepaid expenses (ii) | 60 | (60) | - |
| **Non-current liabilities** | | | |
| Lease liabilities (i) | - | 2,987 | 2,987 |
| **Current liabilities** | | | |
| Lease liabilities (i) | - | 555 | 555 |
| **Equity** | | | |
| Retained earnings (iii) | 39,611 | (153) | 39,458 |

Group as a lessee:

(i) The application of MFRS 16 to leases previously classified as operating leases under MFRS 117 resulted in the recognition of right-of-use assets of RM4,254,000 and lease liabilities of RM3,542,000.

(ii) The long term prepaid expenses have been reclassified as right-of-use assets upon adoption of MFRS 16.

(iii) The impact on retained earnings is due to the timing different when measuring the right-of-use assets and the lease liability. The right-of-use assets is measured at the asset's carrying value as if MFRS 16 have been applied since the commencement date of the lease while the lease liability is measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

**43. SIGNIFICANT EVENTS**

**Significant events during the financial year**

(a) On 20 December 2018, the Company and its indirect wholly-owned subsidiary, KUB Tower Sdn Bhd ('KUBT') had entered into a Supplemental Agreement to vary the terms of the principal Sale and Purchase Agreement dated 21 November 2016 in relation to the disposal of a piece of leasehold land of the Company to KUBT measuring approximately 4,238 square metres held under H.S.(D) 316917, PT 9 Seksyen 26, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor ('the Land') for a total consideration of RM35,535,000.

On 20 December 2018, its wholly-owned subsidiary, KUB Ekuiti Sdn Bhd ('KUBE') has entered into a Share Sale Agreement with a third party for the disposal of its 100% equity interest comprising 500,000 units of ordinary shares representing RM500,000 of issued shares of KUB Tower Sdn Bhd to Kasmuncak Holdings Sdn Bhd for a total consideration of RM1,465,000.

(the above is collectively referred to as the 'Proposed Disposals')

The Proposed Disposals were completed on 8 November 2019 and KUBT accordingly ceased to be a subsidiary of KUBE.

# NOTES TO THE FINANCIAL STATEMENTS

## 43. SIGNIFICANT EVENTS (CONT'D)

**Significant events during the financial year (cont'd)**

(b) On 22 July 2019, KUB Maju Mill Sdn Bhd ('KUBMA') and KUB Sepadu Sdn Bhd ('KUBS') had respectively entered into the sale and purchase agreements with a third party for the disposal of a mill, ancilliary equipment and machineries ('the Factory') for RM43,000,000 and the disposal of a plot of leasehold land measuring approximately sixty (60) hectares for RM1,800,000 ('Proposed Disposals').

The Group has a 66% and 60% effective interest in KUBMA and KUBS via its wholly owned subsidiary namely KUB Agro Holdings Sdn Bhd which in turn a wholly owned subsidiary of KUB Ekuiti Sdn Bhd.

The Proposed Disposals were completed on 22 November 2019.

## 44. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation/ Principal place of business | % of ownership interest and voting power held by the Group** | | % of ownership interest and voting power held non-controlling** | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2019 % | 2018 % | 2019 % | 2018 % | |
| **Held by the Company:** | | | | | | |
| KUB Ekuiti Sdn Bhd | Malaysia | 100 | 100 | - | - | Investment holding |
| Empirical Systems (M) Sdn Bhd* | Malaysia | 100 | 100 | - | - | Information and communication technology infrastructure and consultation |
| Restoran Kualiti Sdn Bhd* | Malaysia | 100 | 100 | - | - | Investment holding |
| Solar Gas Sdn Bhd (formerly known as KUB Gaz Sdn Bhd) | Malaysia | 100 | 100 | - | - | Importation, bottling and trading of LPG |
| Peraharta Sdn Bhd* | Malaysia | 100 | 100 | - | - | Property management |
| Perbiba Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| Pernida Berhad* | Malaysia | 86 | 86 | 14 | 14 | Dormant |
| Peramining Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| Utama Steel Works Sdn Bhd## | Malaysia | - | 51 | - | 49 | Dormant |
| Gerik Timber Industries Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| KUB Malua Plantation Sdn Bhd | Malaysia | 100 | 100 | - | - | Cultivation and management of oil palm estates |
| Cybertrek (Malaysia) Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |

# NOTES TO THE FINANCIAL STATEMENTS

**44. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

| Name of subsidiaries | Country of incorporation/ Principal place of business | % of ownership interest and voting power held by the Group** | | % of ownership interest and voting power held non-controlling** | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2019 % | 2018 % | 2019 % | 2018 % | |
| **Held through KUB Ekuiti Sdn Bhd:** | | | | | | |
| KUB Agro Holdings Sdn Bhd | Malaysia | 100 | 100 | - | - | Cultivation and management of oil palm estates |
| KUB Telekomunikasi Sdn Bhd | Malaysia | 100 | 100 | - | - | Assembly and commissioning of telecommunication equipment |
| KUB Power Sdn Bhd | Malaysia | 100 | 100 | - | - | Supply and erection of electrical substations and transmission lines |
| KUB Realty Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| KUB Development Berhad* | Malaysia | 100 | 100 | - | - | Dormant |
| ITTAR Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| KUB Hotel and Resort Management Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| KUB Teknologi Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| KUB Gas Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| KUB Microelectronics Sdn Bhd* | Malaysia | 78 | 78 | 22 | 22 | Dormant |
| Perumahan KUB Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| KUB Tower Sdn Bhd^ | Malaysia | - | 100 | - | - | Property development and project management |
| KUB Gas Terminal Sdn Bhd* | Malaysia | 100 | 100 | - | - | Liquefied petroleum gas storage |
| KFT International (Malaysia) Sdn Bhd | Malaysia | 100 | 100 | - | - | Assembly and installation telecommunication equipment |

# NOTES TO THE FINANCIAL STATEMENTS

**44. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

| Name of subsidiaries | Country of incorporation/ Principal place of business | % of ownership interest and voting power held by the Group** | | % of ownership interest and voting power held non-controlling** | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2019 % | 2018 % | 2019 % | 2018 % | |
| **Held through Empirical Systems (M) Sdn Bhd:** | | | | | | |
| Credensoft Solutions Sdn Bhd* | Malaysia | 70 | 70 | 30 | 30 | Dormant |
| **Held through KUB Agro Holdings Sdn Bhd:** | | | | | | |
| KUB Sepadu Sdn Bhd | Malaysia | 60 | 60 | 40 | 40 | Cultivation and management of oil palm estates |
| **Held through KUB Agro Holdings Sdn Bhd and KUB Sepadu Sdn Bhd:** | | | | | | |
| KUB Maju Mill Sdn Bhd | Malaysia | 66 | 66 | 34 | 34 | Processing of palm oil products |
| **Held through KUB Power Sdn Bhd:** | | | | | | |
| Kiev Energy Sdn Bhd^ | Malaysia | - | 50 | 50 | - | Investment holding |
| **Held through Kiev Energy Sdn Bhd:** | | | | | | |
| Kiev CRG Sdn Bhd^ | Malaysia | - | 100 | - | - | Erect build, operate and maintain all types of energy systems |

# NOTES TO THE FINANCIAL STATEMENTS

## 44. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of subsidiaries | Country of incorporation/ Principal place of business | % of ownership interest and voting power held by the Group** | | % of ownership interest and voting power held non-controlling** | | Principal activities |
|---|---|---|---|---|---|---|
| | | 2019 % | 2018 % | 2019 % | 2018 % | |
| **Held through KUB Telekomunikasi Sdn Bhd:** | | | | | | |
| KUB Research Sdn Bhd## | Malaysia | - | 100 | - | - | Dormant |
| **Held through ITTAR Sdn Bhd:** | | | | | | |
| ITTAR-IPP (PJ) Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| **Held through KUB Realty Sdn Bhd:** | | | | | | |
| KUB Realty (PJ) Sdn Bhd## | Malaysia | - | 100 | - | - | Dormant |
| **Held through KUB Development Berhad:** | | | | | | |
| Kesina Development Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |
| **Held through KUB Hotel and Resort Management Sdn Bhd:** | | | | | | |
| KUB Singgahsana (PJ) Sdn Bhd* | Malaysia | 100 | 100 | - | - | Dormant |

** Equals to the proportion of voting rights held.
* Audited by firms other than Deloitte PLT.
## The subsidiaries have been struck off the register pursuant to Section 550 of the Companies Act, 2016 in the current financial year.
^ The subsidiaries were disposed in the current year.

# NOTES TO THE FINANCIAL STATEMENTS

## 45. INVESTMENTS IN ASSOCIATES

Details of associates are as follows:

| Name of associates | Country of incorporation/ Principal place of business | % of ownership interest and voting power held by the Group 2019 % | 2018 % | Principal activities |
|---|---|---|---|---|
| **Held by the Company:** | | | | |
| KUB-Berjaya Enviro Sdn Bhd | Malaysia | 40 | 40 | Sanitary waste management |
| Progas Holding Limited | Pakistan | 38 | 38 | Investment holding |
| **Held through KUB Telekomunikasi Sdn Bhd:** | | | | |
| Sphairon (Malaysia) Sdn Bhd | Malaysia | 49 | 49 | Dormant |

## 46. COMPARATIVE FIGURES

(i) Changes to the Statements of Profit or Loss

During the previous year ended 31 December 2018, the Group commenced active discussions with potential buyers as the Board of Directors resolved to dispose its group of assets consisting of an oil palm plantation and a palm oil mill in Mukah, Sarawak. Following this, the Group has classified the financial results of KUB Sepadu Sdn Bhd and KUB Maju Mill Sdn Bhd as part of discontinued operations.

However, in the current financial year, the sale of the oil palm plantation was aborted except for the 60 hectares of leasehold land which was to facilitate the disposal of the mill. Due to this, the Group has re-presented both subsidiaries' financial results as part of continuing operations as the mill's disposal no longer represents a separate major line of business and/or geographical area of operations. As a result, certain comparative figures of the Group in the statements of profit or loss for the year ended 31 December 2018, and the related notes to the financial statements have been re-presented to conform to the current year's presentation.

# NOTES TO THE FINANCIAL STATEMENTS

**46. COMPARATIVE FIGURES (CONT'D)**

(i) Changes to the Statements of Profit or Loss (cont'd)

| Group | As previously reported RM'000 | Adjustments RM'000 | As Re-presented RM'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 480,074 | 42,248 | 522,322 |
| Cost of sales | (439,746) | (50,398) | (490,144) |
| **Gross profit** | 40,328 | (8,150) | 32,178 |
| Other income | 15,379 | 677 | 16,056 |
| Distribution expenses | (1,315) | - | (1,315) |
| Administrative expenses | (37,745) | (3,079) | (40,824) |
| Other expenses | (4,852) | (28,578) | (33,430) |
| **Profit/(Loss) from operating activities** | 11,795 | (39,130) | (27,335) |
| Finance income | 1,971 | 156 | 2,127 |
| Finance costs | (5,550) | (2,724) | (8,274) |
| Share of results of associates | 3,313 | - | 3,313 |
| **Profit/(Loss) before zakat and taxation** | 11,529 | (41,698) | (30,169) |
| Zakat | (1,375) | - | (1,375) |
| Taxation | (5,893) | (2) | (5,895) |
| **Profit/(Loss) for the year from continuing operations** | 4,261 | (41,700) | (37,439) |
| **Discontinued operations** | | | |
| (Loss)/Profit for the year from discontinued operations, net of tax | (23,756) | 41,700 | 17,944 |
| **Loss for the year** | (19,495) | - | (19,495) |

# NOTES TO THE FINANCIAL STATEMENTS

**46. COMPARATIVE FIGURES (CONT'D)**

(ii) Changes to the Statements of Financial Position

**Refundable cylinder deposits**

| | Group | | |
|---|---|---|---|
| | **As previously reported RM'000** | **Adjustments RM'000** | **As Re-presented RM'000** |
| Current | | | |
| Trade and other payables | 106,499 | (14,949) | 91,550 |
| Non-current | | | |
| Refundable cylinder deposits | - | 14,949 | 14,949 |

During the financial year, the Group has assessed and classified RM14,949,000 of refundable cylinder deposits into non-current liabilities based on the Group's long term experiences dealing with the customers for more than 5 years and currently still active.

**47. EVENT AFTER REPORTING PERIOD**

The Covid-19 pandemic has impacted significantly on the global and domestic economies and as such may have an adverse impact on the results of the Group and the Company for the financial year ending 31 December 2020. For the Group and the Company's financial statements for the financial year ended 31 December 2019, the COVID-19 pandemic and the related impacts are considered as non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as of 31 December 2019. The Group and the Company are closely monitoring the situation and will make appropriate decisions as well as undertake necessary measures to minimise the impact on the Group's and the Company's operations.

# STATEMENT BY DIRECTORS

The Directors of **KUB MALAYSIA BERHAD**, state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

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

**DATUK SERI JOHARI BIN ABDUL GHANI**

**DATO' AB RAHIM BIN ABU BAKAR**

30 April 2020

# DECLARATION BY THE OFFICER
## PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **AHMED FAIRUZ BIN ABDUL AZIZ**, the officer primarily responsible for the financial management of **KUB MALAYSIA BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

**AHMED FAIRUZ BIN ABDUL AZIZ**

Subscribed and solemnly declared by the abovenamed **AHMED FAIRUZ BIN ABDUL AZIZ** at **PETALING JAYA** in the State of **SELANGOR DARUL EHSAN** on 30th day of April, 2020.

Before me:

**Gunalan a/l Munusamy (B459)**
Commissioner for Oaths

# LIST OF PROPERTIES
## AS AT 31 DECEMBER 2019

| Location/Address | Description | Usage | Area | Tenure | Net Book Value as at 31/12/19 (RM'000) | Age of Building (Years) | Date of Acquisition/ (Revaluation) |
|---|---|---|---|---|---|---|---|
| **KUB MALAYSIA BERHAD** | | | | | | | |
| Unit No. C301, C3A01, C801, C901,C1001 & C1101 held under Master Title HS(D) 111073, PT No. 9 Mukim of Damansara District of Petaling | Office Space | Commercial | 43,657 sq. feet | Freehold | 16,743 | 9 | 24 May 2010 |
| **KUB AGRO HOLDINGS SDN BHD** | | | | | | | |
| Unit No. 39-1, 39-2, 39-3, 39-4, 39-5, Ground Floor, Block 4 Lot 3407, Seksyen 13 District of Petaling Mukim Bandar Shah Alam | Office Space | Commercial | 8,010 sq.feet | Leasehold (99 years expiring 2109) | 3,131 | 6 | 15 Apr 2013 |
| **KAHANG ESTATE** | | | | | | | |
| Lot No. 2836 Mukim of Paloh PTD No. 3796 Mukim of Kahang District of Kluang Johor | Oil Palm Plantation | Agricultural | 956.12 hectares | Leasehold (99 years expiring 2086) | 7,763 | – | 17 Mar 1987 |
| **SUNGAI YONG ESTATE** | | | | | | | |
| PTD No. 4901 Mukim of Kahang PTD No. 26005 and 26006 Mukim of Kluang District of Kluang Johor | Oil Palm Plantation | Agricultural | 1,491.81 hectares, 147.54 hectares and 60.69 hectares respectively | Leasehold (99 years expiring 2093) | 8,614 | – | 14 Nov 1994 |
| **KUB SEPADU SDN BHD** | | | | | | | |
| **SUNGAI BULOH ESTATE** | | | | | | | |
| Lot 221, 252, 261 Block No. 7 Lot 642, Block No. 363 Oya Dalat Land District Sarawak | Oil Palm Plantation | Agricultural | 2,435.3 hectares | Leasehold (60 years expiring 2050) | 15,228 | – | 10 May 1999 |
| **SUNGAI NAPE ESTATE** | | | | | | | |
| Lot 135, Block No. 48 Lot 8, Block No. 109 Oya Dalat Land District Sarawak | Oil Palm Plantation | Agricultural | 2,240.90 hectares | Leasehold (60 years expiring 2052) | 33,932 | – | 10 May 1999 |

# LIST OF PROPERTIES

| Location/Address | Description | Usage | Area | Tenure | Net Book Value as at 31/12/19 (RM'000) | Age of Building (Years) | Date of Acquisition/ (Revaluation) |
|---|---|---|---|---|---|---|---|
| **KUB MALUA PLANTATION SDN BHD** | | | | | | | |
| Kg Kuamut<br>Sg Kinabatangan<br>Sabah | Oil Palm Plantation | Agricultural | 1,534 hectares | Leasehold (999 years expiring 2887) | 100,173 | - | 03 Jan 2018 |
| **KUB DEVELOPMENT BERHAD** | | | | | | | |
| PT 515, PT 518, PT 524,<br>PT 520 – PT 523,<br>PT 528 – PT 543 and<br>PT 546 – PT 555<br>Bukit Mawat<br>Mukim of Ulu Melaka<br>District of Langkawi<br>Kedah | Vacant Agricultural Land | Agricultural | 46.81 hectares | Freehold | 4,388 | – | 01 Dec 2004 |
| Lot 12701<br>Mukim of Serting Ulu<br>District of Jempol<br>Negeri Sembilan | Vacant Development Land | Industrial | 8.04 hectares | Leasehold (99 years expiring 2086) | 679 | – | 1999 |
| **PERAHARTA SDN BHD** | | | | | | | |
| Lot 4180N<br>Bangunan Seri Kinta<br>Jalan Sultan Idris Shah<br>Ipoh Perak | 4-Storey Podium Commercial and 9-Storey Tower Block | Commercial | 56,894 sq. feet | Strata Title | 5,483 | 36 | 1983 (4 Aug 2006) |
| Lot No. 373, Seksyen 16<br>District of Kota Bharu<br>Kelantan | 5-Storey Office Building | Commercial | 637 sq. meters | Leasehold (66 years expiring 2061) | 1,290 | 29 | 04 Dec 2012 |
| **SOLAR GAS SDN BHD (FORMERLY KNOWN AS KUB GAZ SDN BHD)** | | | | | | | |
| PTD 40053<br>Mukim of Tebrau<br>District of Johor Bahru<br>Johor | Land, Office and Plant | Industrial | 143,609 sq.feet | Freehold | 988 | 32 | 07 Jul 1998 |
| **KUB GAS TERMINAL SDN BHD** | | | | | | | |
| HS(D) 67801, PT 64539<br>Mukim Klang<br>Klang<br>Selangor | Vacant Land | Industrial | 31,014.61 square meters | Leasehold (99 years expiring 2097) | 18,874 | - | 25 Sep 2018 |

# ANALYSIS OF SHAREHOLDINGS
## AS AT 30 APRIL 2020

Issued Shares : RM228,863,000.00 of 556,464,690 Ordinary Shares
Class of Shares : Ordinary Shares
Voting Rights : One vote per Ordinary Share (On a Poll)

### ANALYSIS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Issued Capital |
|---|---|---|---|---|
| Less than 100 | 7,717 | 14.37 | 319,854 | 0.06 |
| 100 – 1,000 | 25,960 | 48.34 | 16,529,967 | 2.97 |
| 1,001 – 10,000 | 17,220 | 32.07 | 49,330,060 | 8.87 |
| 10,001 – 100,000 | 2,512 | 4.68 | 81,212,810 | 14.59 |
| 100,001 to less than 5% | 292 | 0.54 | 113,368,940 | 20.37 |
| 5% and above | 2 | 0.00 | 295,703,059 | 53.14 |
| **Total** | **53,703** | **100.00** | **556,464,690** | **100.00** |

### DIRECT AND INDIRECT INTERESTS OF DIRECTORS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016 the Directors' Interest in the Company and its subsidiaries are as follows:

| No. | Names | Direct Shareholdings | Indirect Shareholdings | % of Issued Capital |
|---|---|---|---|---|
| 1. | Datuk Seri Johari bin Abdul Ghani | - | 183,400,000 | 32.96* |
| 2. | Dato' Ab Rahim bin Abu Bakar | - | - | - |
| 3. | Dato' Ahmad Ibnihajar | - | - | - |
| 4. | Mohammad Farish Nizar bin Othman | - | - | - |
| 5. | Datuk Haji Mohd Haniff bin Haji Koslan | - | - | - |
| 6. | Datuk Norliza binti Abdul Rahim | - | - | - |
| 7. | Tengku Zahaimi bin Tuan Hashim | - | - | - |
| 8. | Megat Joha bin Megat Abdul Rahman | - | - | - |

**Notes:**

* Deemed interest by virtue of his interest in JAG Capital Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

### SUBSTANTIAL SHAREHOLDERS

| | | Direct Shareholdings | | Indirect Shareholdings | |
|---|---|---|---|---|---|
| No. | Names | No. of Shares Held | % of Issued Capital | No. of Shares Held | % of Issued Capital |
| 1. | JAG Capital Holdings Sdn Bhd | | | - | - |
| | Shares held in the name of : Cimsec Nominees (Tempatan) Sdn Bhd | 183,400,000 | 32.96 | | |
| | Datuk Seri Johari bin Abdul Ghani* | - | - | 183,400,000 | 32.96 |
| 2. | Anchorscape Sdn Bhd | 112,303,059 | 20.18 | - | - |

**Notes:**

* Deemed interest by virtue of his interest in JAG Capital Holdings Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

# ANALYSIS OF SHAREHOLDINGS

### TOP THIRTY (30) LARGEST SHAREHOLDERS

| No. | Names | No. of Shares Held | % of Issued Capital |
|---|---|---|---|
| 1. | Cimsec Nominees (Tempatan) Sdn Bhd<br>CIMB for JAG Capital Holdings Sdn Bhd | 183,400,000 | 32.96 |
| 2. | Anchorscape Sdn Bhd | 112,303,059 | 20.18 |
| 3. | Leong Kong Min | 6,866,700 | 1.23 |
| 4. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lim Lian Seng | 5,800,000 | 1.04 |
| 5. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Erwin Selvarajah a/l Peter Selvarajah | 4,479,200 | 0.80 |
| 6. | Lim Gaik Bway @ Lim Chiew Ah | 4,313,500 | 0.78 |
| 7. | JF Apex Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Paramjit Singh Gill | 4,070,000 | 0.73 |
| 8. | Fung Heen Choon | 2,750,000 | 0.49 |
| 9. | Tan Kar Meng | 2,557,200 | 0.46 |
| 10. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Gan Cheong Poon | 2,100,000 | 0.38 |
| 11. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>CIMB Bank Bhd for Perbadanan Kemajuan Negeri Perak | 2,000,000 | 0.36 |
| 12. | Ker Chwee Geok | 1,240,000 | 0.22 |
| 13. | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Khoo Bee Lian | 1,190,000 | 0.21 |
| 14. | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt AN for DBS Bank Ltd | 1,100,000 | 0.20 |
| 15. | Lee Cheang Mei | 1,100,000 | 0.20 |
| 16. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chea Jian Kai | 1,066,000 | 0.19 |
| 17. | Olive Lim Swee Lian | 1,000,000 | 0.18 |
| 18. | RHB Capital Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Wong Han Keong | 1,000,000 | 0.18 |
| 19. | Yap Heng Sang | 967,500 | 0.17 |
| 20. | Chee Sok Mee | 961,800 | 0.17 |
| 21. | Alliancegroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tan Kian Aik | 929,300 | 0.17 |
| 22. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Vincent Tan Chee Yioun | 900,000 | 0.16 |
| 23. | Yeo Hock Kim | 835,000 | 0.15 |
| 24. | Chor Chee Heung | 800,000 | 0.14 |
| 25. | MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Syarifah Anita Ibrahim | 750,000 | 0.13 |
| 26. | HLIB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ong Joo Theam | 700,000 | 0.13 |
| 27. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teah Bee Fong | 700,000 | 0.13 |
| 28. | Sukumaran s/o Ramasamy | 700,000 | 0.13 |
| 29. | Public Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Tan Yok Son @ Tan Siew Tuan | 680,700 | 0.12 |
| 30. | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Teh Swee Heng | 660,000 | 0.12 |

GROUP
# DIRECTORY

## LPG DIVISION
- Solar Gas Sdn Bhd (196901000777 (9189-U))
  (formerly known as KUB Gaz Sdn Bhd)

**Corporate Office**

Level 3, Unit 1, Capital 3
Oasis Square, Ara Damansara
Jalan PJU 1A/7A
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +(603) 7610 9488
Fax: +(603) 7610 9489

**Operations Office**

*(Westport Branch)*
Lot 55710
Lorong Kenanga 8
Liquid Bulk Terminal
Westport, Pulau Indah
42009 Port Klang
Selangor Darul Ehsan
Tel : +(603) 3101 1799
Fax: +(603) 3101 1791

*(Johor Bahru Branch)*
16, Jalan Kangkar Tebrau
81100 Johor Bahru
Johor Darul Takzim
Tel : +(607) 333 1351
Fax: +(607) 332 6527

*(Beranang Branch)*
No. 2, Jalan Perusahaan 3
Kawasan Perusahaan Beranang
43700 Beranang
Selangor Darul Ehsan
Tel : +(603) 8725 6660
Fax: +(603) 8725 6855

## INFORMATION AND COMMUNICATION TECHNOLOGY DIVISION
- KUB Telekomunikasi Sdn Bhd (199101019684 (230021-D))
- Connecta Sdn Bhd (202001002285 (1358604-W))

**Corporate Office**

Unit G30, Level G-Unit 430
Level 4, Block 4
Laman Seri Business Park
Persiaran Sukan
Section 13
40100 Shah Alam
Selangor Darul Ehsan
Tel : +(603) 5514 3800
Fax: +(603) 5510 0242

## AGRO DIVISION
- KUB Agro Holdings Sdn Bhd (197901002890 (47135-V))
- KUB Sepadu Sdn Bhd (199601019820 (392172-H))
- KUB Maju Mill Sdn Bhd (199401022159 (307838-U))
- KUB Malua Plantation Sdn Bhd (198001008932 (62716-K))

**Corporate Office**

Level 3A, Unit 1, Capital 3
Oasis Square, Ara Damansara
Jalan PJU 1A/7A
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +(603) 7680 9600
Fax: +(603) 7680 9777

## POWER DIVISION
- KUB Power Sdn Bhd (199201004834 (236338-P))

**Corporate Office**

Level 3, Unit 1, Capital 3
Oasis Square, Ara Damansara
Jalan PJU 1A/7A
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +(603) 7610 0018
Fax: +(603) 7610 0017

## OTHERS
- Peraharta Sdn Bhd (197401002041 (19250-X))

**Corporate Office**

Level 3A, Unit 1, Capital 3
Oasis Square, Ara Damansara
Jalan PJU 1A/7A
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : +(603) 7860 9600
Fax: +(603) 7860 9777

*Note: Registered Office of all Companies located at:*

**KUB Malaysia Berhad** (196501000205 (6022-D))
Level 3A, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya, Selangor Darul Ehsan
**Tel :** +(603) 7680 9600 **Fax:** +(603) 7680 9777

**Website** : www.kub.com