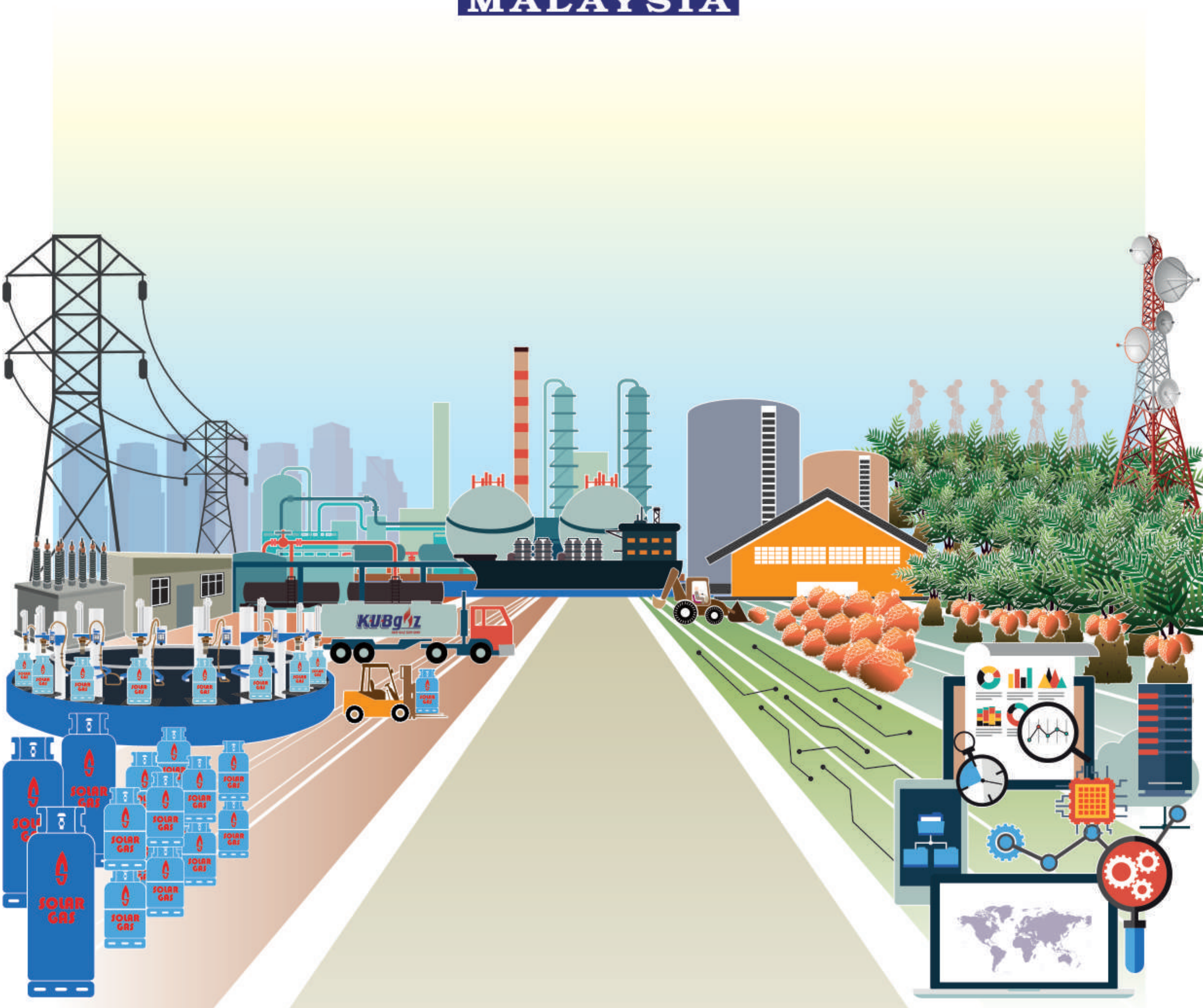
KUB MALAYSIA



A NEW HORIZON

ANNUAL REPORT **2018**

A NEW HORIZON

On the back of an important phase of corporate transformation, we move into 2019 with renewed energy and purpose. Having taken difficult yet necessary steps to streamline and strengthen our operations, our focus now lies in developing a sustainable KUB that will thrive in decades to come.

This is our new horizon, and the cover of this year's annual report is a vivid representation of all the promise it brings. Through the power of shared vision, the rich market knowledge of our experienced staff, and underpinned by the grounding that our values provide, our diverse business sectors will maximise their individual potentials, turning the page to a new era for our Group.

Now is the time.

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/annualreport2018**. You will have the privilege to download, retrieve and view any pages of the annual report at your convenience.

The printed copy of the Annual Report is also available upon request. Kindly please fill in the requisition form and return it to us via post or fax.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Ahmad Ibnihajar
Chairman,
Independent Non-Executive Director

Datuk Seri Johari bin Abdul Ghani
Non-Independent Non-Executive Director

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

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

Datuk Abdul Rahim bin Mohd Zin
President/Group Managing Director

Tengku Zahaimi bin Tuan Hashim
Non-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

COMPANY SECRETARIES

Sharina binti Saidon
(LS 0006127)

Mohd Afendy bin Md Yazim
(MAICSA 7056481)

REGISTERED OFFICE

KUB Malaysia Berhad (6022-D)
Level 8-11, Unit 1, Capital 3
Oasis Square, Ara Damansara
Jalan PJU 1A/7A
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : +(603) 7680 9600 (General)
Fax : +(603) 7680 9793
(Group Secretarial Division)
: +(603) 7680 9610
(General)

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 (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 (378993-D)
(Formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : +(603) 7841 8000 / 7849 0777
Fax : +(603) 7841 8151 / 8152

PRINCIPAL BANKERS

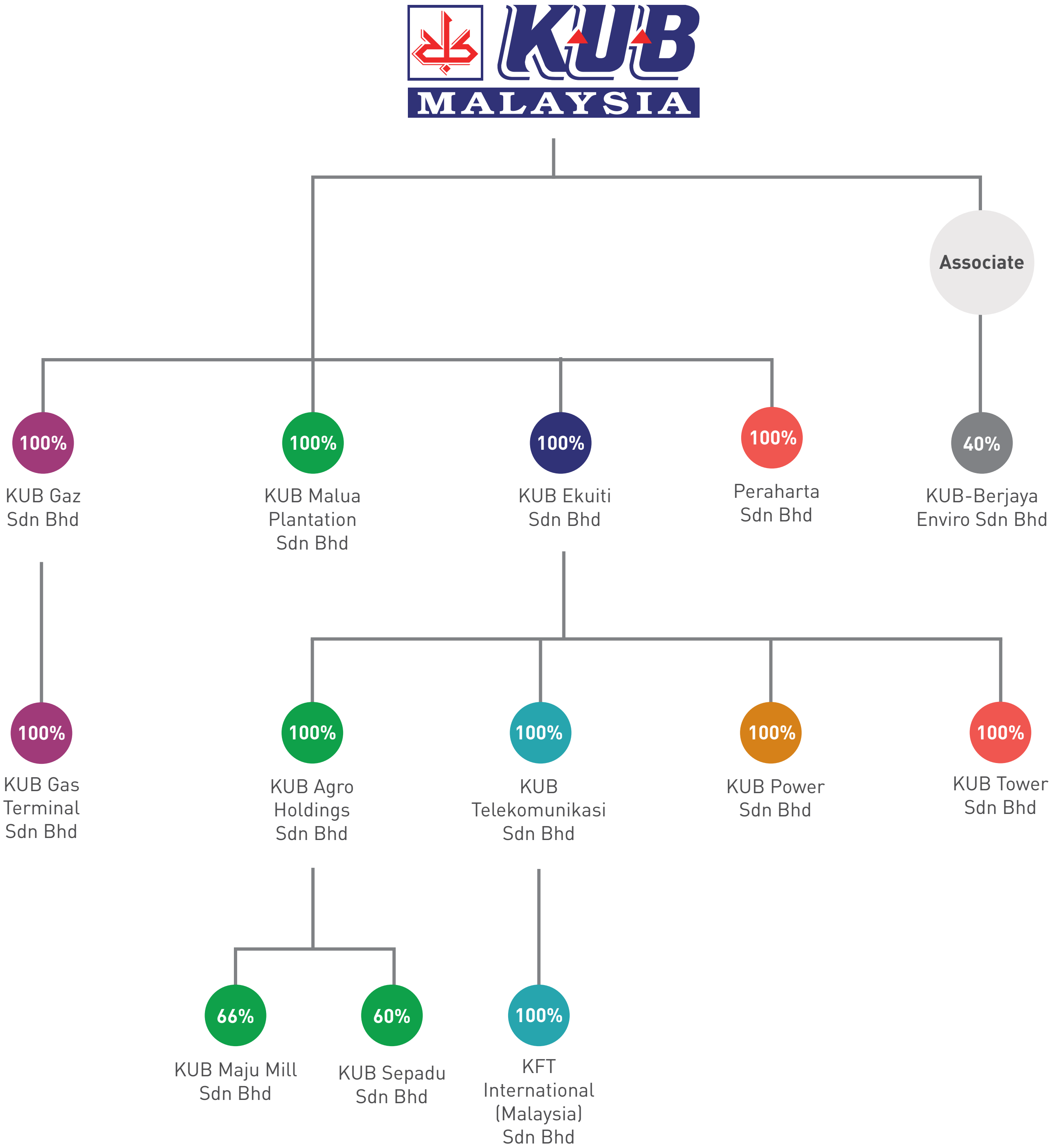
Malayan Banking Berhad

Bank Pertanian Malaysia Berhad (Agrobank)

Bank Islam Malaysia Berhad

Affin Bank Berhad

CORPORATE STRUCTURE



- Energy Sector
- Agro Sector
- ICT Sector
- Power Sector
- Property Sector
- Investment Holding

Note: The above structure represents active companies.

BOARD OF DIRECTORS

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

PROFILE OF DIRECTORS

DATO' AHMAD IBNIHAJAR

Chairman, Independent Non-Executive Director

Malaysian 69 Male

DATE OF APPOINTMENT
27 November 2015

LENGTH OF SERVICE
3 Years 4 Months

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

AREAS OF EXPERTISE
- Banking
- Investment
- Management
- Leadership

PRESENT DIRECTORSHIP(S)

LISTED ENTITY
- None

PUBLIC COMPANIES
- None

OTHERS
- Chairman of Heirs Corporation Sdn Bhd since 1991
- Chairman of Penang Sentral Sdn Bhd

ATTENDANCE AT BOARD MEETING IN 2018
Attended all ten (10) meetings

DATUK SERI JOHARI BIN ABDUL GHANI

Non-Independent Non-Executive Director

Malaysian 55 Male

DATE OF APPOINTMENT
4 March 2019

LENGTH OF SERVICE
Less than one (1) year

BOARD COMMITTEE MEMBERSHIP
None

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Chartered Accountant, Chartered Association of Certified Accountants, United Kingdom

WORKING EXPERIENCE(S)
- More than twenty-five (25) years involvement in the corporate sector
- Former Minister of Finance II
- Accountant of Peat Marwick & Co. (currently known as KPMG)

AREAS OF EXPERTISE
- Corporate Recovery/Turnaround
- Finance
- Business Management

PRESENT DIRECTORSHIP(S)

LISTED ENTITY
- Director of C.I. Holdings Berhad

PUBLIC COMPANIES
- None

OTHERS
- Director of JAG Capital Holdings Sdn Bhd

ATTENDANCE AT BOARD MEETING IN 2018
None

PROFILE OF DIRECTORS

MEGAT JOHA BIN MEGAT ABDUL RAHMAN

Non-Independent Non-Executive Director

Malaysian 56 Male

DATE OF APPOINTMENT
4 March 2019

LENGTH OF SERVICE
Less than one (1) year

BOARD COMMITTEE MEMBERSHIP
None

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 of Majuperak Holdings Berhad
- Chief Operating Officer cum Executive Director (Operations) of Mayban Securites Sdn Bhd
- Assistant General Manager of Labuan International Financial Exchange ('LFX')
- Investigations Senior Manager for Market Supervision of Kuala Lumpur Stock Exchange (currently 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 of Percetakan Keselamatan Nasional and Security Printers of FIMA Berhad
- Messrs. KPMG Kuala Lumpur
- Messrs. KPMG Chicago, United States of America

AREAS OF EXPERTISE
- Finance
- Corporate Restructuring
- Strategic Planning

PRESENT DIRECTORSHIP(S)

LISTED ENTITY
- Group Managing Director of C.I. Holdings Berhad

PUBLIC COMPANIES
- Chairman of Central Cables Berhad
- Chairman of Padiberas Nasional Berhad

OTHERS
- Director of JAG Capital Holdings Sdn Bhd

ATTENDANCE AT BOARD MEETING IN 2018
None

DATO' AB RAHIM BIN ABU BAKAR

Senior Independent Non-Executive Director

Malaysian 67 Male

DATE OF APPOINTMENT
5 August 2013

LENGTH OF SERVICE
5 Years 8 Months

BOARD COMMITTEE MEMBERSHIP
- Chairman of Board Risk Management Committee
- Chairman of Board Investment Committee
- Member of Board Audit Committee
- Member of Board Nomination and Remuneration Committee
- Member of Employee Share Option Scheme Committee

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Bachelor of Electrical Engineering, NED University of Engineering and Technology

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

AREAS OF EXPERTISE
- Electrical/Power Engineering
- Contracting Business
- Construction
- Oil and Gas

PRESENT DIRECTORSHIP(S)

LISTED ENTITY
- None

PUBLIC COMPANIES
- None

OTHERS
- Director of several companies within KUB Group
- Chief Executive Officer, Nouva ASP (M) Sdn Bhd (a subsidiary of BARTEC Group International)
- Chairman of EDMI Meters Sdn Bhd
- Chairman of Anzeco Power Range Sdn Bhd

ATTENDANCE AT BOARD MEETING IN 2018
Attended nine (9) out of ten (10) meetings

PROFILE OF DIRECTORS

DATUK ABDUL RAHIM BIN MOHD ZIN
President/Group Managing Director

Malaysian 55 Male

DATE OF APPOINTMENT
17 August 2015

LENGTH OF SERVICE
3 Years 8 Months

BOARD COMMITTEE MEMBERSHIP
None

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Master Degree in Accountancy, University of Glasgow, Scotland
- Bachelor of Accountancy (Honours), National University of Malaysia
- Chartered Accountant
- Member of the Malaysian Institute of Accountants

WORKING EXPERIENCE(S)
- Director of Labuan Shipyard and Engineering Sdn Bhd from 2011 to 2015
- Group Chief Executive Officer of Radimax Group Sdn Bhd from 2010 to 2015
- President and Group Managing Director of Bank Pembangunan Malaysia Berhad Group from 2003 to 2007
- Chief Executive Officer of Southern Finance Berhad from 2001 to 2003
- Senior General Manager, Corporate Finance of Amanah Merchant Bank Berhad from 1998 to 2000
- General Manager, Group Finance of Southern Bank Berhad from 1996 to 1998
- General Manager, Bumiputra Merchant Bankers Berhad from 1990 to 1996

AREAS OF EXPERTISE
- Banking
- Finance
- Oil and Gas
- Shipping
- Food and Beverage

PRESENT DIRECTORSHIP(S)

LISTED ENTITY
- None

PUBLIC COMPANIES
- None

OTHERS
- Director of several companies within KUB Group

ATTENDANCE AT BOARD MEETING IN 2018
Attended all ten (10) meetings

TENGKU ZAHAIMI BIN TUAN HASHIM
Non-Independent Non-Executive Director

Malaysian 50 Male

DATE OF APPOINTMENT
16 June 2015

LENGTH OF SERVICE
3 Years 10 Months

BOARD COMMITTEE MEMBERSHIP
- Member of Board Nomination and Remuneration Committee
- Member of Board Investment Committee

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Bachelor of Science in Business Administration, University of Tulsa, Oklahoma, USA
- 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 to the Governor of Al-Madinah Al-Munawarah in Saudi Arabia for the Strategic Study Transformation Readiness initiative
- Regional Manager for 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 Communications Technology
- Management

PRESENT DIRECTORSHIP(S)

LISTED ENTITY
- None

PUBLIC COMPANIES
- None

OTHERS
- Director of several companies within KUB Group
- Director of Nur Power Sdn Bhd
- Director of Nur Generation Sdn Bhd
- Director of Nur Distribution Sdn Bhd
- Director of National Aerospace and Defence Industries Sdn Bhd

ATTENDANCE AT BOARD MEETING IN 2018
Attended all ten (10) meetings

PROFILE OF DIRECTORS

MOHAMMAD FARISH NIZAR BIN OTHMAN
Independent Non-Executive Director

Malaysian 47 Male

DATE OF APPOINTMENT
27 November 2015

LENGTH OF SERVICE
3 Years 4 Months

BOARD COMMITTEE MEMBERSHIP
- Chairman of Board Audit Committee
- Member of Board Nomination and Remuneration Committee
- Member of Board Risk Management Committee
- Member of Board Employee Share Option Scheme Committee

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Bachelor of Accountancy (Honours), International Islamic University of Malaysia
- Member of the Malaysian Institute of Accountants
- Member of the Chartered Institute of Management Accountants

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

AREAS OF EXPERTISE
- Finance
- Accounting
- Strategic Management
- Corporate Governance

PRESENT DIRECTORSHIP(S)

LISTED ENTITY
- None

PUBLIC COMPANIES
- None

OTHERS
- Director of Corporate Services of Malaysian Technology Development Corporation

ATTENDANCE AT BOARD MEETING IN 2018
Attended nine (9) out of ten (10) meetings

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

Malaysian 60 Male

DATE OF APPOINTMENT
25 August 2016

LENGTH OF SERVICE
2 Years 7 Months

BOARD COMMITTEE MEMBERSHIP
- Member of Board Audit Committee
- Member of Board Nomination and Remuneration Committee
- Member of Board Risk Management Committee
- Member of Board Investment 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 ('AAPM')
- Registered Business Analyst & Fellow, American Academy of Financial Management ('AAFM')

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

AREAS OF EXPERTISE
- Property Development
- Construction
- Taxation
- Business Strategies
- Management

PRESENT DIRECTORSHIP(S)

LISTED ENTITY
- None

PUBLIC COMPANIES
- None

OTHERS
- Director of several companies within KUB Group

ATTENDANCE AT BOARD MEETING IN 2018
Attended all ten (10) meetings

PROFILE OF DIRECTORS

DATUK NORLIZA BINTI ABDUL RAHIM

Independent Non-Executive Director

Malaysian 50 Female

DATE OF APPOINTMENT
28 August 2018

LENGTH OF SERVICE
Less than one (1) year

BOARD COMMITTEE MEMBERSHIP
None

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Bachelor of Commerce and Management (Majoring in Accounting, Lincoln University)
- Diploma in Accountancy, Politeknik Ungku Omar

WORKING EXPERIENCE(S)
- Chairman of Mutiara.com from 2015 until 31 July 2018
- Board Member of JKP Sdn Bhd, Penang from 2013 until 31 July 2018
- Member of the Upper House (Senator) from May 2011 until May 2017
- Assistant Director of State Housing Office, Penang from 1992 until 1996

AREAS OF EXPERTISE
- Property Development
- Construction
- Information Communications and Technology

PRESENT DIRECTORSHIP(S)

LISTED ENTITY
- None

PUBLIC COMPANIES
- None

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

ATTENDANCE AT BOARD MEETING IN 2018
Attended four (4) out of five (5) meetings

Additional Information

1. Save as disclosed below, none of the Directors has any family relationship with and is not related to any director and/or substantial shareholders of KUB Malaysia Berhad, nor has any personal interest in any business arrangement involving the Company:
   i. JAG Capital Holdings Sdn Bhd is the substantial shareholder of KUB.
   ii. The nominee Directors of JAG Capital Holdings Sdn Bhd are as follows:
      - Datuk Seri Johari bin Abdul Ghani
      - Megat Joha bin Megat Abdul Rahman
   iii. Anchorscape Sdn Bhd is the substantial shareholder of KUB which in turn is a wholly-owned subsidiary of Gaya Edisi Sdn Bhd.
   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 nor has been imposed of 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 2018 are set out in the **Profile of Directors** from pages 04 to 08 of this Annual Report.
4. The full profiles of the Directors are available online under the **Board of Directors** at www.kub.com.

BOARD COMMITTEES

BOARD AUDIT COMMITTEE	Appointed with effect from (w.e.f.)
1. Mohammad Farish Nizar bin Othman (Chairman)	27/11/2015
2. Dato' Ab Rahim bin Abu Bakar	29/06/2015
3. Datuk Haji Mohd Haniff bin Haji Koslan	27/02/2018
4. Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego (Resigned w.e.f. 26 February 2019)	27/11/2015
BOARD NOMINATION AND REMUNERATION COMMITTEE	
1. Dato' Ab Rahim bin Abu Bakar	29/06/2015
2. Tengku Zahaimi bin Tuan Hashim	27/11/2015
3. Mohammad Farish Nizar bin Othman	18/08/2017
4. Datuk Haji Mohd Haniff bin Haji Koslan	16/08/2018
5. Tunku Alizan bin Raja Muhammad Alias (Chairman) (Resigned w.e.f. 4 March 2019)	29/06/2015
BOARD RISK MANAGEMENT COMMITTEE	
1. Dato' Ab Rahim bin Abu Bakar (Chairman)	21/10/2014
2. Mohammad Farish Nizar bin Othman	27/11/2015
3. Datuk Haji Mohd Haniff bin Haji Koslan	27/02/2018
4. Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego (Resigned w.e.f. 26 February 2019)	29/05/2012
BOARD INVESTMENT COMMITTEE	
1. Dato' Ab Rahim bin Abu Bakar (Chairman)	29/06/2015
2. Dato' Ahmad Ibnihajar	27/11/2015
3. Tengku Zahaimi bin Tuan Hashim	29/06/2015
4. Datuk Haji Mohd Haniff bin Haji Koslan	07/10/2016
5. Tunku Alizan bin Raja Muhammad Alias (Resigned w.e.f. 4 March 2019)	29/06/2015
6. Dato' Jamelah binti A. Bakar (Resigned w.e.f. 28 June 2018)	21/10/2014
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. 4 March 2019)	28/08/2017
4. Dato' Jamelah binti A. Bakar (Resigned w.e.f. 28 June 2018)	27/11/2015

PROFILE OF SENIOR MANAGEMENT

DATUK ABDUL RAHIM BIN MOHD ZIN
President/Group Managing Director

(As expressed on page 06 of the Profile of Directors)

AHMED FAIRUZ BIN ABDUL AZIZ
Chief Financial Officer, KUB Group

Malaysian 41 Male

DATE OF APPOINTMENT
4 January 2016

LENGTH OF SERVICE
3 Years 3 Months

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Bachelor Degree in Accounting and Finance, London School of Economics, United Kingdom
- Chartered Accountant with the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants

WORKING EXPERIENCE(S)
- Group Chief Financial Officer ('CFO')/Head of Group Corporate Finance/Senior Manager, Group Corporate Finance, Naza Corporation Group of Companies (2008-2015)
- Manager, Group Corporate Finance/Executive, Investment Banking Division, CIMB Investment Bank Berhad (2005-2008)
- Senior Associate 1, Messrs. Ernst & Young (2002-2005)
- Associate, Messrs. Arthur Anderson & Co. (2001-2002)

AREAS OF EXPERTISE
- Financial Reporting
- Corporate Finance
- Treasury
- Tax
- Advisory and Audit

PRESENT DIRECTORSHIP(S)

LISTED ENTITY	PUBLIC COMPANIES
• None	• None

AZMAN BIN ABDULLAH
Chief Operating Officer, KUB Group

Malaysian 43 Male

DATE OF APPOINTMENT
15 February 2016

LENGTH OF SERVICE
3 Years 2 Months

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Bachelor Degree in Accounting and Finance, University of Warwick, United Kingdom
- Associate Member of the Chartered Institute of Management Accountants, United Kingdom
- Member of the Malaysian Institute of Accountants

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

AREAS OF EXPERTISE
- Operations and General Management
- Strategic Planning
- Business Development

PRESENT DIRECTORSHIP(S)

LISTED ENTITY	PUBLIC COMPANIES
• None	• None

SHARINA BINTI SAIDON
Head, Group Secretarial
Company Secretary
(Appointed as Company Secretary on 14 June 2013)

Malaysian 59 Female

DATE OF APPOINTMENT
2 June 2013

LENGTH OF SERVICE
5 Years 10 Months

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- LLB (Honours) in Business Law, City of London Polytechnic, United Kingdom (currently known as London Metropolitan University)
- Diploma in Law, MARA Institute of Technology
- Licensed Company Secretary (LS 0006127)
- Admitted to the Malaysian Bar

WORKING EXPERIENCE(S)
- General Manager, Legal/Company Secretary, Utusan Melayu (Malaysia) Berhad (1996-2013)
- Legal Assistant, Messrs. Maydien & Associates (1990-1996)

AREAS OF EXPERTISE
- Company secretarial practice
- Corporate governance and compliance

PRESENT DIRECTORSHIP(S)

LISTED ENTITY	PUBLIC COMPANIES
• None	• None

PROFILE OF SENIOR MANAGEMENT

MOHAMAD MAZRI BIN ZAINAL ABIDIN

Vice President/Chief Executive Officer, KUB Power Sdn Bhd

Malaysian 52 Male

DATE OF APPOINTMENT
15 May 2014

LENGTH OF SERVICE
4 Years 11 Months

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Bachelor Degree in Electrical Engineering, University of Malaya
- Member of Board of Engineers Malaysia
- Member of Institution of Engineers Malaysia

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

AREAS OF EXPERTISE
- Construction
- Project Management
- Consultancy in High Voltage Engineering

PRESENT DIRECTORSHIP(S)

LISTED ENTITY	PUBLIC COMPANIES
• None	• None

DR. ZAINI BIN MOHAMED TAMBAH

Head, Plantation and Operations,
KUB Agro Holdings Sdn Bhd and KUB Sepadu Sdn Bhd

Malaysian 56 Male

DATE OF APPOINTMENT
1 March 2017

LENGTH OF SERVICE
2 Years 2 Months

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Doctorate in Business Administration, University of Hertfordshire, United Kingdom
- Master in Business Administration, University of Delaware
- Diploma in Agriculture, Universiti Pertanian Malaysia (currently known as University Putra Malaysia)

WORKING EXPERIENCE(S)
- Head of Business Development and Special Project/Senior Manager, Plantation Operations Department, KUB Agro Holdings Sdn Bhd (2012-2016)
- Business Development Manager/Estate Manager/Assistant Manager/Senior Agriculture Executive, KUB Agrotech Sdn Bhd (1995-2012)
- Agriculture Executive, KUB Holdings Berhad (1994-1995)
- Assistant District Officer, Rubber Industry Smallholders Development Authority (1992-1994)
- General Manager, KPK Bandar Baharu Bhd (1985-1992)

AREAS OF EXPERTISE
- Agriculture and Plantation Management

PRESENT DIRECTORSHIP(S)

LISTED ENTITY	PUBLIC COMPANIES
• None	• None

AZIZUL RAHMAN BIN MOHD BASIR

Vice President/Chief Executive Officer,
KUB Telekomunikasi Sdn Bhd

Malaysian 41 Male

DATE OF APPOINTMENT
1 June 2017

LENGTH OF SERVICE
1 Year 11 Months

ACADEMIC / PROFESSIONAL QUALIFICATION(S)
- Master of Science (Telecommunications and Networks), UPEC, France
- Bachelor of Science (Telecommunications and Networks) UPEC, France
- Diploma in Telecommunications and Networks, University of Joseph Fourier, France
- Project Management Professional – PMP Certified 2012
- Business Continuity Plan – Associate Business Continuity Planner – 2007

WORKING EXPERIENCE(S)
- General Manager, Risk and Corporate Compliance Management, Telekom Malaysia (2016-2017)
- Associate Director, Business Process Management, Packet One Pvt. Ltd. Malaysia (2015-2016)
- Assistant General Manager, Business Continuity Management, Telekom Malaysia (2013-2014)
- Director, Sales and Business Development, Voix Global FZC (2008-2009)
- Head of Corporate Strategy Division, TM International Bangladesh Limited (2007-2008)

AREAS OF EXPERTISE
- Telecommunications
- Risk Management
- Business Process Management

PRESENT DIRECTORSHIP(S)

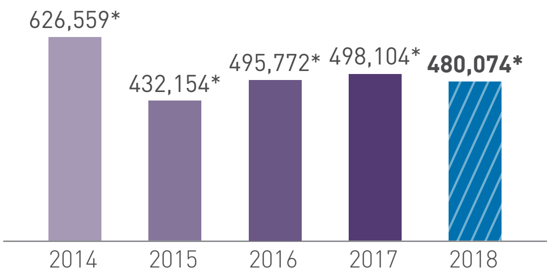
LISTED ENTITY	PUBLIC COMPANIES
• None	• None

Additional Information

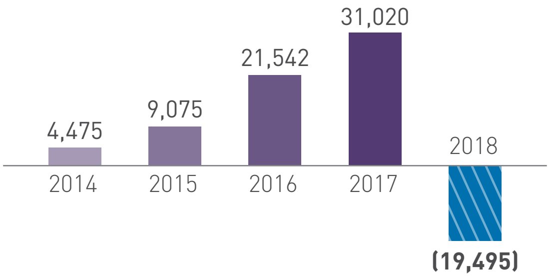
1. None of the Senior Management has any family relationship with and is not related to any director and/or substantial shareholders of KUB Malaysia Berhad, nor has any personal interest in any business arrangement involving the Company.
2. None of the Senior Management has been convicted for offences within the past five (5) years nor has been imposed of any public sanction or penalty by any regulatory bodies in 2018, 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

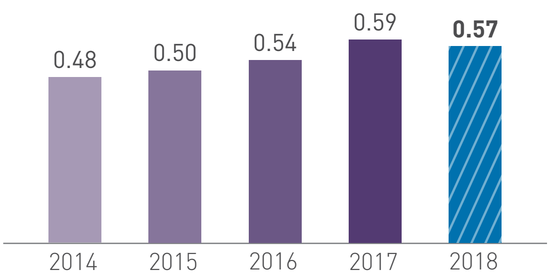
REVENUE (RM'000) RM480,074



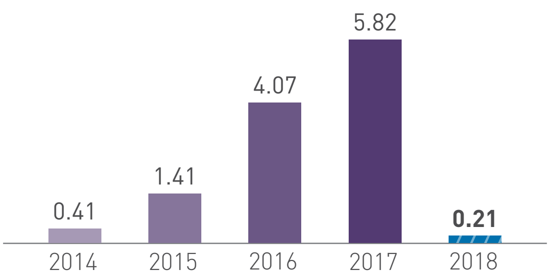
(LOSS)/PROFIT FOR THE YEAR (RM'000) (RM19,495)



NET ASSETS PER SHARE (RM) RM0.57



BASIC EARNINGS PER SHARE (SEN) 0.21sen

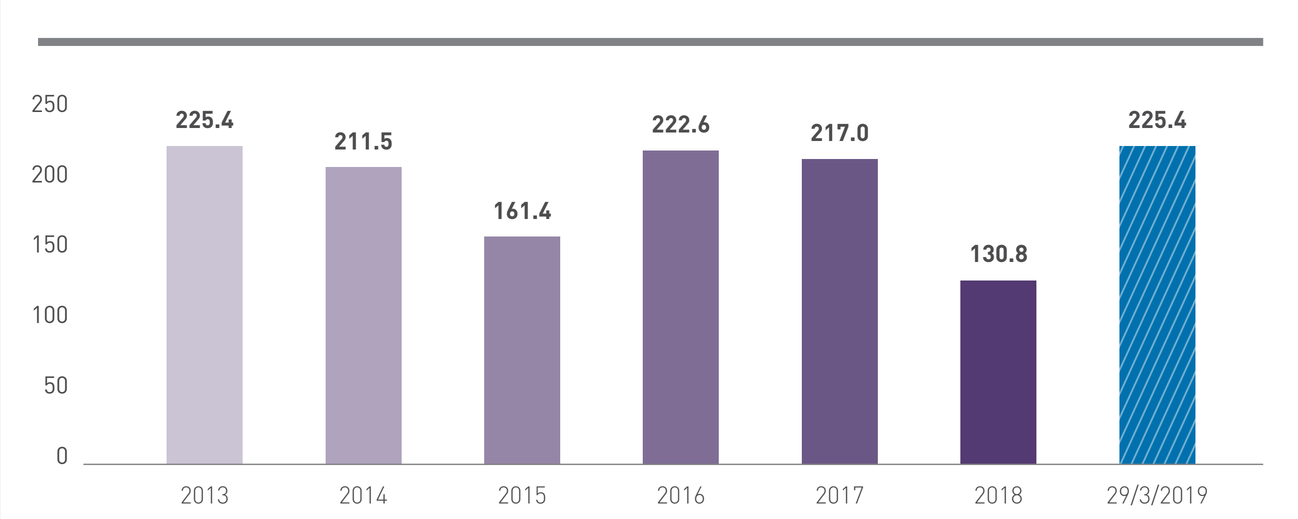


RM'000	2014	2015	2016	2017	2018
Revenue*	626,559	432,154	495,772	498,104	480,074
Profit before taxation*	10,198	50,303	32,334	38,975	11,529
(Loss)/Profit for the year	4,475	9,075	21,542	31,020	(19,495)
Profit attributable to owners of the parent	2,294	7,854	22,628	32,395	1,177
Shareholders' fund #	269,716	277,153	299,398	327,672	315,480
Basic earnings per share (sen)	0.41	1.41	4.07	5.82	0.21
Net assets per share attributable to owners of the parent (RM)	0.48	0.50	0.54	0.59	0.57
Dividend declared per share (sen)	–	0.5	1.0	1.0	1.0
Gearing ratio (times)	0.22	0.21	0.21	0.17	0.54

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

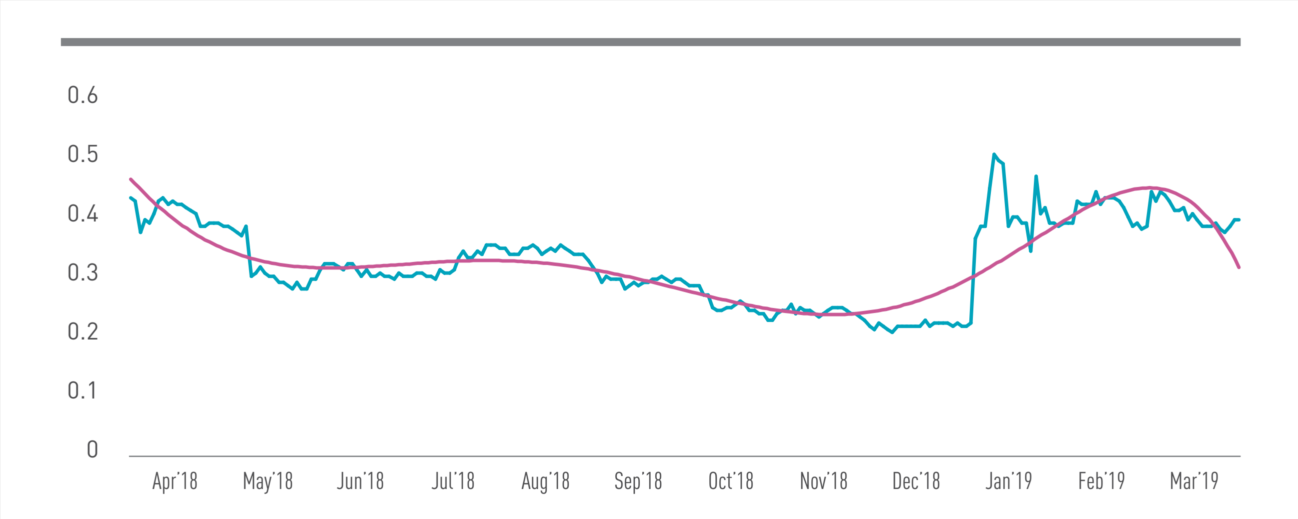
ECONOMIC VALUE FOR SHAREHOLDERS

MARKET CAPITALISATION* (RM MILLION)



As at 31 December (closing price)

SHARE PRICE MOVEMENT# (RM)



 # Daily Closing Price

MONTHLY TRADING VOLUME & SHARE PRICE STATISTICS

Month	Apr'18	May'18	Jun'18	Jul'18	Aug'18	Sep'18	Oct'18	Nov'18	Dec'18	Jan'19	Feb'19	Mar'19
Volume ('000)	30.13	28.41	15.55	32.38	21.04	7.75	11.26	5.15	14.92	226.54	113.74	95.88
High (sen)	0.455	0.395	0.345	0.375	0.380	0.325	0.315	0.275	0.245	0.530	0.470	0.485
Low (sen)	0.380	0.280	0.295	0.305	0.320	0.290	0.240	0.230	0.225	0.235	0.365	0.385
Closing Price (sen)	0.395	0.295	0.320	0.360	0.320	0.310	0.260	0.230	0.235	0.400	0.390	0.405

MESSAGE FROM THE CHAIRMAN

DEAR VALUED SHAREHOLDER,

On behalf of the Board of Directors of KUB Malaysia Berhad ('KUB' or 'the Group'), I am pleased to present to you the Group's Annual Report and Audited Financial Statements for the financial year ended 31 December 2018 ('FY2018').

Without doubt, 2018 was a challenging year for the Group. In addition to adapting to the rapidly changing and more competitive business climate in Malaysia, the unfavourable weather patterns too have had an adverse effect on our revenue generating abilities, severely impacting our operations in the Agro sector and compounding already falling Crude Palm Oil ('CPO') prices. Underpinned by a tightening of the global economy and lower than expected growth in Malaysia's Gross Domestic Product ('GDP'), this made for a demanding year for the Group.

Nevertheless, 2018 marked the completion of our three (3)-year roadmap where we streamlined our business by disposing of various non-core assets, and I am confident that the Group now stands in good stead to place increased focus on our key sectors, namely Energy and Agro. With the right strategies in place, we hope to recover from the difficulties of the past year and build a more sustainable and successful future.

OUR FINANCIAL PERFORMANCE

In FY2018, the Group recorded revenue of RM480.1 million, representing a decrease of 4% compared to the previous year. Profit After Tax ('PAT') from continuing operations stood at RM4.3 million. However, after accounting for the losses incurred from discontinued operations, including the recognition of a one-off impairment of our mill in Mukah, Sarawak, amounting to RM26.1 million, Losses After Tax ('LAT') stood at RM19.5 million, in contrast to the previous year's PAT of RM31.0 million.

KEY CORPORATE DEVELOPMENTS

Several key developments provide room for optimism in FY2019.

Firstly, we completed the acquisition of a 1,534 hectares brownfield oil palm plantation in Kinabatangan, Sabah from Kwantas Plantations Sdn Bhd earlier in the year. We believe that the acquisition will improve our earnings going forward as the majority of the plantation is at a high-yield stage and also have the added impact of reducing the overall age profile of our Agro sector estates.

We have also pushed forward with necessary investments in our Energy sector. In 2019, we plan to launch a new satellite bottling plant to improve our distribution capacity, invest in new 200 kg tanks to service the bulk Liquefied Petroleum Gas ('LPG') market, and to implement aggressive marketing strategies that will safeguard our market share while driving further growth.

Additionally, we are also implementing strategies in the Power and Information and Communications Technology ('ICT') sectors which will enable us to penetrate underserved market niches while generating sustainable, recurring sources of income. These new initiatives will facilitate our entry into both the renewable energy and telecommunications infrastructure spaces, where we foresee a robust secondary market for services in which we have developed expertise.

Beyond these developments, and in line with our three (3)-year roadmap, we have also successfully monetised our shares in A&W (Malaysia) Sdn Bhd, netting a gain of RM23.3 million. This successful disposal frees funds for use in our core operations, furthering progress towards our goal of realigning our energies towards high-performing sectors for a sustainable, long-term outlook.

In FY2018, shareholders were rewarded with two (2) dividend payments. The first, an interim single tier dividend of 1.0 sen per share in respect of FY2018 amounting to RM5.565 million, was paid on 13 April 2018, while a further single tier dividend of 1.0 sen per share, amounting to RM5.565 million in respect of the financial year ended 31 December 2017 ('FY2017'), was paid on 31 July 2018. However, due to our less than ideal full year financial performance, we are not recommending a final dividend for FY2018.

GOVERNANCE AT THE CORE

As a public listed company, it is incumbent upon us to adopt the most forward-thinking and progressive corporate governance, risk management and internal control measures at all levels of the Group. Through these rigorous measures, we are confident in our ability to deliver value to our shareholders and the Malaysian public.

MESSAGE FROM THE CHAIRMAN

KUB is continuously working to abide by the principles and requirements of the Malaysian Code on Corporate Governance 2017, Corporate Governance Guide of Bursa Malaysia Securities Berhad ('Bursa Malaysia') and the Main Market Listing Requirements.

STRIDES TO SUSTAINABILITY

Without sustainability there is simply no future. Instilling this truth at all levels of our business is a mission-critical objective for KUB, and in FY2018 we have seen the fruits of several major initiatives developed in this direction.

Understanding the positive relationship between sustainable practices and long-term business performance, we are proud to have launched in FY2018 our inaugural Group-wide Sustainability Policy which lays the groundwork for KUB to improve our sustainability practices. The implementation of the policy led to the formulation of our Sustainability Framework, which governs our interactions with our stakeholders in the business and societal spaces while promoting sound environmental and social practices in our all initiatives and activities.

We have also aligned our aspirations with the United Nations' 2030 Agenda for Sustainable Development and the Sustainable Development Goals ('SDGs'). Known as the Global Goals, the SDGs aim to orient market players, societal demands and government policy towards shared goals of prosperity, poverty alleviation and environment protection, and the goals will continue to guide us moving forward.

Meanwhile, our business continuity programme, established in FY2017 to bolster our ability to respond to and recover from a disruptive incident, has now been fully implemented. All our subsidiaries and sectors are now fully compliant with the programme, enhancing our long term sustainability outlook.

In the financial year ending 31 December 2019 ('FY2019'), our objective is to fully embed these sustainability practices at all levels of our business operations and continually monitor our sustainability performance with a view to sustain value creation through these ingrained practices. On this note, I encourage you to peruse our Group website, which offers in-depth insight into this important pillar of the Group.

AN EXEMPLARY CORPORATE CITIZEN

Another foundational aspect of sustainability is being active in the community at large, and in FY2018 we successfully ramped up our Corporate Social Responsibility ('CSR') activities, expanding our reach to many of the country's most needful. Our activities in the year in review include organising outings for children in orphanages during festive periods, offering financial support to educational organisations which reach underprivileged children, providing direct aid to such children through Back-to-School programmes that enable them to purchase essential schools supplies, and organising a breast cancer awareness campaign in collaboration with Hospital Kuala Lumpur.

Our staff are also key to our ability to make an impact. In seeking to give our staff the best opportunities for professional development, we continue to invest in extensive seminars and training programmes in relevant skill areas, complemented by regular reviews of our employee benefits and compensation packages to ensure we attract the best talent available. In support of our staff, we have also introduced an Incentive Scheme Programme which supports children of employees who wish to pursue tertiary studies, and rewards outstanding academic achievement with cash incentives. In FY2018, the Group had aided a total of twenty-six (26) children of employees, amounting to a total disbursement of RM119,500.00.

In short, we believe that by empowering the entire KUB team to be the best they can be, both through the personal skills they develop and how they use these skills for the benefit of others, we are fulfilling our mandate to the public as a responsible corporate citizen.

APPRECIATION

First of all, I would like to extend my personal gratitude to the outgoing members of our Board of Directors, Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego, Datuk Jamelah binti A.Bakar and Tengku Alizan bin Raja Muhammad Alias, for their stellar service to the Group. I would also like to welcome our incoming members of the Board of Directors, Datuk Seri Johari bin Abdul Ghani and Encik Megat Joha bin Megat Abdul Rahman, being representatives of our new major shareholder of the Group, JAG Capital Holdings Sdn Bhd.

On behalf of the Board of Directors, allow me to reiterate our heartfelt appreciation for the unwavering commitment and confidence that our shareholders have shown in us. Even through less than ideal market conditions, we have always benefitted from an overriding faith in our business acumen and vision, and for that we are truly grateful.

Similarly, I would like to thank my fellow Board Members for their continued resilience, insight and energy as we navigate this period in our history. Your respective abilities to reimagine what is possible gives me confidence for the future.

Finally, to our employees across the Group, the biggest acknowledgement of all, for without you there would be no KUB. At all levels of the Group, your work delivers results and drives valuable feedback. Thank you for all your hard work, dedication and commitment to the cause.

Dato' Ahmad Ibnihajar
Chairman
29 March 2019

THE PRESIDENT/GMD'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

DEAR VALUED SHAREHOLDER,
2018 was unquestionably a difficult year for the Group. Hampered by various circumstances beyond our control, we have also had to navigate a business and regulatory environment that has changed tremendously in a short period of time. Many realities are different, but opportunity presents itself too. For this reason, we have decided to theme our annual report for the financial year ended 31 December 2018 ('FY2018') - **'A New Horizon'**.

It is a theme that is emblematic of the obstacles we have faced as well as our determination to turn the page to a brighter future. Having now completed our three (3)-year roadmap for the Group, whereby we recalibrated our operations by disposing of various non-core assets, we are in a position to place more focus on our key sectors of Energy and Agro. While we have faced unforseen setbacks along the way, such as extensive operational losses and a one-off impairment of property, plant and equipment of RM26.1 million relating to our mill in Mukah, margin compression in our Energy sector due to intense competition as well as our inability to secure major contracts for our Information and Communications Technology ('ICT') and Power sectors, which forced us to reset some strategies, we will continue to place emphasis on enhancing the long-term outlook for the core sectors of the Group, laying the groundwork for future growth.

FINANCIAL PERFORMANCE REVIEW

In the year in review, our revenue and Profit After Tax ('PAT') both declined, with figures of RM480.1 million (4% decrease) for revenue and RM4.3 million (86% decrease) for PAT respectively. When losses from discontinued operations are factored, including the one-off impairment of our mill in Mukah, Sarawak, totaling RM26.1 million, we sustained Losses After Tax ('LAT') of RM19.5 million, compared to the previous year's ('FY2017') PAT of RM31.0 million.

The fall in revenue and profit sustained by the Group can be largely attributed to market and environmental factors in the Agro sector and the continued losses at our mill in Mukah including the impairment as highlighted earlier. Additionally, Group's overall performance was impacted by the reduction in the value of contracts secured by our ICT and Power business in previous years, leading to a natural deflation in revenue within these sectors.

Earnings per share in FY2018 stands at 0.21 sen, with net assets per share at 57 sen. Our cash position, meanwhile, increased from RM119.1 million to RM123.4 million, fortified by the gain on disposals of non-core properties, including our entire share in A&W (Malaysia) Sdn Bhd.

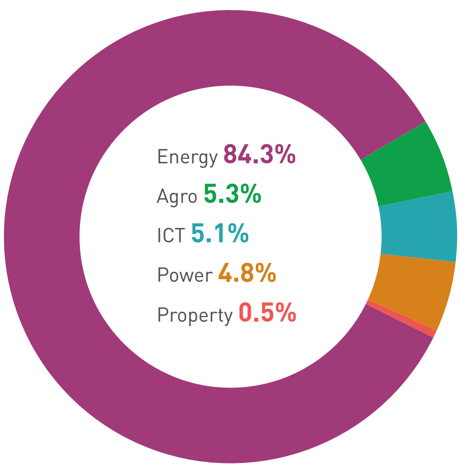
TOTAL REVENUE*
RM**480.1**MILLION
FY2017 : RM498.1 MILLION

BASIC EARNINGS PER ORDINARY SHARE
0.21SEN
FY2017 : 5.82 SEN

TOTAL LIABILITIES
RM**293.5**MILLION
FY2017 : RM211.9 MILLION

NET ASSETS PER SHARE
RM**0.57**
FY2017 : RM0.59

FY2018 REVENUE* (RM'000)



Energy	Agro	ICT	Power	Property	Others
404,645	25,288	24,170	23,162	2,529	280
RM480,074					

* *Note : Continuing Operations only*

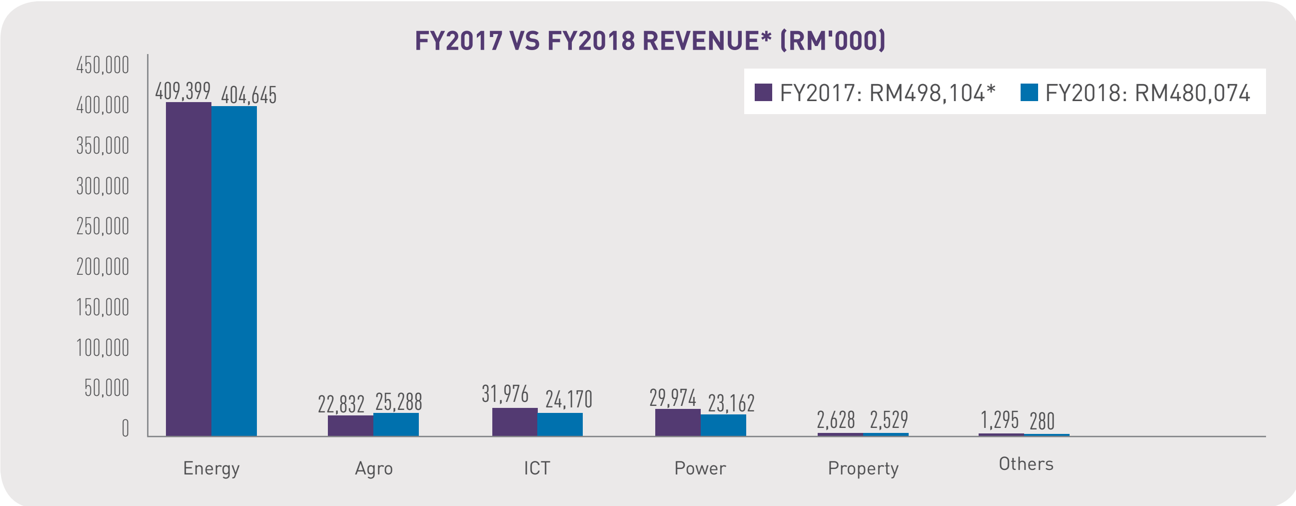
(LOSS)/PROFIT AFTER TAX
(RM**19.5**MILLION)
FY2017 : RM31.0 MILLION

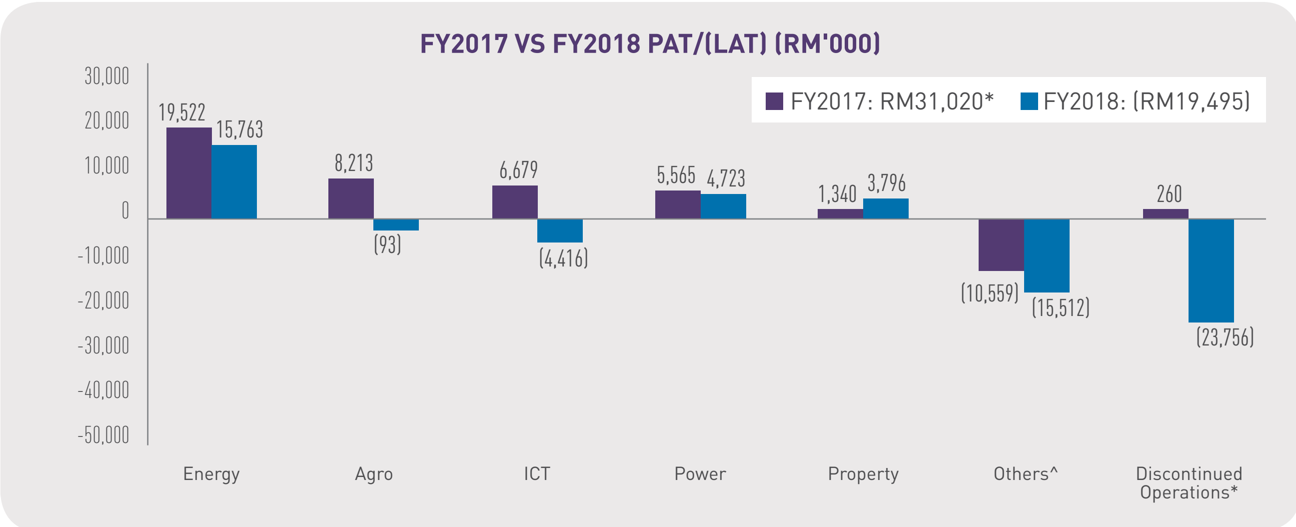
TOTAL ASSETS
RM**597.5**MILLION
FY2017 : RM548.8 MILLION

SHAREHOLDERS' FUND/EQUITY
RM**315.5**MILLION
FY2017 : RM327.7 MILLION

GEARING RATIO
0.54TIMES
FY2017 : 0.17 TIMES

THE PRESIDENT/GMD'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS





Notes: ^ PAT for 'Others' segment include contribution from associate company and group expenses
** Discontinued operations include financial results from A&W (Malaysia) Sdn Bhd, KUB Sepadu Sdn Bhd and KUB Maju Mill Sdn Bhd*

SEGMENTAL BUSINESS REVIEW

ENERGY SECTOR

Our Energy business comprises the importation, bottling, marketing and distribution of Liquefied Petroleum Gas ('LPG') under the brand name of Solar Gas, through our wholly-owned subsidiary KUB Gaz Sdn Bhd. The imported LPG is distributed to residential, commercial and industrial customers through our network of appointed dealers located throughout Peninsular Malaysia.

In FY2018, the Energy sector continued to be the main driver of the Group's revenue, accounting for 84.3% (based on continuing operations) of the FY2018 total revenue. However, total revenue fell from RM409.4 million to RM404.6 million, a decrease of RM4.8 million or 1.2% compared to FY2017 owing to lower overall sales volumes due to soft market conditions and intense competition amongst other players. This decrease in revenue, coupled with higher operating expenses, led to the Energy sector registering a PAT of RM15.8 million, a 19.3% decrease compared to FY2017 RM19.5 million. Nevertheless, various initiatives and developments introduced in FY2017 and FY2018 provide room for optimism moving forward.

Chief amongst these developments was the construction of a RM1.8 million dedicated pipeline extension at Westport. The pipeline, which was completed in FY2017, has had the effect of ensuring the stability and efficiency of our LPG supply by optimising our receiving capacity.

To further improve our presence in the residential market, the reconditioning and requalifying of our existing cylinders continues in addition to new cylinder injections, with the aim of increasing product quality and quantity and further improving brand image and brand loyalty. This is an ongoing process that will continue in the coming years.

The Group is also making sustained efforts at building a strong presence outside its traditional stronghold of the residential market. Through the introduction of 200 kg cylinders

THE PRESIDENT/GMD'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

to our existing product mix, we will open doors to new opportunities in the bulk or industrial LPG business area, enabling us to further expand our presence in the LPG business as a whole.

Meanwhile, a new satellite bottling plant located in the Klang Valley is near completion and should be operational by the third quarter of the financial year ending 31 December 2019 ('Q3-FY2019'). The satellite bottling plant benefits from a strategic location near a densely populated area and will enable us to increase product availability in the Klang Valley while reducing costs associated with distribution.

In totality, these initiatives are expected to contribute positively to our Energy products and services, forming the basis of sustainable growth in the years to come.

AGRO SECTOR

Our plantation-based businesses, has traditionally been a cornerstone of the Group's diversified holdings, and contributed approximately 5.3% of the Group's total revenue from continuing operations in FY2018 (or 11.9% when discontinued operations are taken into account).

In the past year, we added a fifth (5th) plantation estate to our landbank, with the acquisition of a brownfield oil palm plantation in Kinabatangan, Sabah, from Kwantas Plantations Sdn Bhd, a wholly-owned subsidiary of Kwantas Corporation Bhd, in January 2018. The acquisition added 1,534 hectares to our plantation holdings and also resulted in an increase in sectoral revenue from RM22.8 million to RM25.3 million despite the depressed Crude Palm Oil ('CPO') prices in FY2018.

However, our overall Agro sector faced challenges on multiple fronts in FY2018, leading to LAT of RM41.8 million (after incorporating discontinued operations). The losses can be primarily attributed to a decline in CPO prices and the significant losses at our Mukah mill, including the RM26.1 million one-off impairment.

The mill in question has proved to be costly to operate with persistent operating losses owing to low Fresh Fruit Bunches ('FFB') processed and low average Oil Extraction Rates ('OER') recorded. Therefore, having suffered greater losses in FY2018, the Group reached the unfortunate but necessary decision to dispose the mill and conjoining plantation. The Group is currently in active discussions with potential buyers for these assets and, hence, have classified them under assets held for sale/discontinued operations in the financial statements.

Further compounding the losses and impairment of the mill was a backdrop of falling global CPO prices as mentioned above, and increased competition in the industry during FY2018, exerting sustained pressure on margins throughout the sector. Unusual weather patterns also caused severe flooding and hampered our ability to extract and evacuate time-sensitive crops from our plantations.

These unforeseen weather interruptions led to multiple access and field roads being rendered unusable, thus immobilising a large cross-section of our plantation-based workforce. The flooding also necessitated additional resources to be deployed in order to mitigate its worst effects, thus having the dual effect of lowering production levels and increasing cost of production.

Looking to the future, we have reason to believe that we have passed the worst of the storm. Our revenue has continued to increase year-on-year in spite of challenging external conditions. Meanwhile, our newest landbank in Kinabatangan, Sabah, is at its prime and will likely see an uptick in performance, while the completion of the replanting exercise at our Johor estates will lead to increased revenue recognition in the financial years to come.

Nevertheless, for FY2019, the performance of our Agro sector will remain dependent on the direction of CPO prices, while market supply has the potential to exert downward pressure on margins as well. Therefore, we will continue to place appropriate focus on strategies designed to improve productivity, enhance yields and more efficiently utilise the human and mechanised resources at our disposal. With global demand for edible oils set to remain robust, we are confident that these collective strategies place us in a position to mount a strong rally in FY2019.

Concurrently, FY2018 also saw us implement a raft of sustainability initiatives in our Agro sector aimed at minimising our impact on the environment. These initiatives include palm oil waste management practices, a pest management programme, a chemical management programme and engaging an external consultant to drive compliance with the Malaysian Sustainable Palm Oil ('MSPO') Certification Scheme, a national scheme designed to drive sustainable resource consumption in the industry. A holistic view of these wide-reaching initiatives can be accessed through our Sustainability Statement.

ICT SECTOR

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').

Established in 1991, KUB Telekomunikasi has successfully positioned itself as a total solution provider, offering the necessary expertise to power the country's transformation from relative digital poverty into a powerhouse of the global ICT ecosystem. To this end, KUB Telekomunikasi has secured licenses from the Malaysian Communications and Multimedia Commission ('MCMC') as Network Facility Provider ('NFP'), Network Service Provider ('NSP') and Application Service Provider ('ASP'), while delivering billions of ringgit worth of contracts since its inception.

THE PRESIDENT/GMD'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

2018 was a year of reform for the Malaysian telecommunications industry. With a new administration in the seat of government power, telecommunications infrastructure provider Telekom Malaysia ('TM') has been placed under pressure to adopt what has been termed 'wholesale access pricing' for High Speed Broadband ('HSBB'), a policy created with the intent of lowering access prices for commercial HSBB providers which use TM's infrastructure, thus reducing retail prices for end users.

Having secured a RM53.7 million contract in the financial year ended 31 December 2016 ('FY2016') to supply telecommunications infrastructure to TM for use in the rollout of HSBB, a delay in issuing purchase orders has affected our ability to generate income tied to the phased implementation of the project, while incurring excess costs tied to the procurement of resources related to the delivery of the project. After factoring this significant impediment, the ICT sector generated revenue of RM24.2 million in FY2018 (a decrease of 24% compared to FY2017) and LAT of RM4.4 million (compared to a PAT in FY2017 of RM6.7 million).

While the Group has been hit by the reduction in the value of contracts recognised in the year in review, our order book was lifted by the addition of a large contract with the TM-Nokia Network Simplification Initiative ('NSI') in the first (1st) quarter ('Q1-FY2018'). Added to a five (5)-year contract with the TM-NOKIA Metro-E BAY maintenance service (value of RM16.7 million) and a contract to construct nine (9) telecommunications towers for the MCMC Universal Service Provider ('USP') (value of RM6.8 million), which were both secured in FY2017, these long-term commitments stand us in good stead as we move into FY2019.

The Group is conscious that it is competing in an ever more crowded market for the provision of telecommunications products and services, a situation further encouraged by the falling price of leasing infrastructure, and will continue to aggressively bid for further sizeable contracts whenever the opportunity arises while leveraging on our considerable experience in this sector as a competitive advantage.

Furthermore, strategies are being put in place in order to explore new growth opportunities in underserved sub-sectors of the Malaysian ICT ecosystem. One such initiative which is in the development stage is a push into the telecommunication infrastructure space, whereby the Group will pursue partnerships with landowners and state governments with an eye to developing suitable vacant lands for hosting telecommunications towers. The intention of this strategy is to secure a greater volume of recurring income in the sector, thus enhancing sustainability.

POWER SECTOR

Via the Group's subsidiary company, KUB Power Sdn Bhd ('KUB Power'), the principal activities of the Group's Power sector involves the construction of substations and transmission lines, supplying and installing electrical infrastructure for private companies, and electrical maintenance contracts. In its history, KUB Power has completed several notable projects including the 500kV Switchyard Erection, Testing and Commissioning project for Tenaga Nasional Berhad ('TNB') Janamanjung Power Station, Perak and the supply and erection of two (2) 132/33/11kV substations including switchgears, ancillaries and civil works at Ulu Melaka, Langkawi and Bukit Mertajam, Seberang Prai for TNB.

During FY2018, the Power sector secured a PAT of RM4.7 million (a 15.1% decrease compared to FY2017), with a major contributor being the reversal of the over provision of costs relating to projects performed in previous years.

In line with a Group-wide pivot towards sustainable, recurring sources of income as a means of enhancing long-term earning potential, KUB Power will continue to explore niche areas such as Energy Management and Energy Efficient Systems, with a focus on penetrating the growing market for renewable energy sources. We will also seek to leverage our expertise in engineering and construction to secure civil and electrical works contracts with other market players in the Power sector.

PROPERTY SECTOR

KUB's Property sector is the smallest contributor to the Group's revenue but nevertheless experienced a profitable year, with a 183% rise in PAT from RM1.3 million in FY2017 to RM3.8 million in FY2018, and a total revenue of RM2.5 million, a marginal decrease of 3.8% compared to the year previous.

This sector of our business is managed by our wholly-owned subsidiary, Peraharta Sdn Bhd, and comprises the management and building maintenance of several owned assets including Bangunan Wisma Sri Kinta in Perak and Wisma KUB Kota Bharu in Kelantan.

The sector's performance in FY2018 was bolstered by the successful disposal of shop offices in Gombak, Selangor, Pekan Razaki and Batu Gajah, Ipoh, totaling RM3.5 million. Looking forward to FY2019, the Group will continue to pursue a policy of disposing saleable assets in the Property sector, provided that a favourable price is secured.

PROSPECTS

2018 was a year of upheaval in the Malaysian business environment, spearheaded by lower than expected Gross Domestic Product ('GDP') growth (4.7% in 2018 compared to 5.9% in 2017) and changes in the regulatory environment due to a new government administration. In addition, unstable market conditions have manifested in the form of volatile commodity prices, a weak currency and unpredictable weather patterns. Yet, in spite of this challenging operating environment, we have maintained revenue at a steady level and are cautiously

THE PRESIDENT/GMD'S STATEMENT AND MANAGEMENT DISCUSSION & ANALYSIS

optimistic that FY2019 will offer new market opportunities for us to grow our business in a sustainable and successful manner.

In FY2019, the Energy sector will continue to be the Group's leading revenue generator. Aided by the reconditioning and requalifying exercise of our existing cylinders used for the residential market and the introduction of new 200 kg tanks to service the industrial/bulk LPG market, we are on the path to increased specialisation and differentiation of our products and services, enabling sustainable growth in the years to come. In the short term, however, this growth will be offset by intense competition and escalating input costs which will continue to exert pressure on operating margins.

Our Agro sector remains in a still-challenging industry environment dominated by lower than expected CPO prices and increased competition, factors which are exerting pressure on margins throughout the industry. However, the Group forsees an improvement in performance going forward with an expected uptick in crop production from our newly-acquired Sabah estate and the absence of losses contributed by the plantation and mill in Mukah, Sarawak. As mentioned, the Group is currently in active discussions with potential buyers for the plantation and mill in question.

Meanwhile, we foresee a neutral outlook for our ICT and Power sectors. We will continue to aggressively pursue sizeable contracts in these sectors while implementing strategies to streamline our processes and maximise operational efficiency.

There is no denying that increasing competition and lower barriers to entry are becoming the norm across most of our business sectors. However, the implementation of our three (3)-year roadmap formulated in FY2016 promises to make us more competitive in a crowded marketplace and places us in an ideal position to deliver long term value for our shareholders in this evolving business climate. Under the three (3)-year roadmap, we committed to strengthening our core businesses and realigning our business strategies by disposing of non-core assets, amongst other goals, and we now stand in a position to benefit from this transformation.

In FY2018, we successfully disposed of our entire stake in A&W (Malaysia) Sdn Bhd to Inter Mark Resources Sdn Bhd for total consideration of RM34.0 million, netting a one-off gain of RM23.3 million. Added to the sale of shop offices totaling RM3.5 million under the Property sector, these moves have augmented our cash position, freeing up additional funds for investment in high potential sectors and opportunities.

Moreover, we continue to nurture business opportunities in the ICT and Power sectors that will provide entry into the telecommunications infrastructure and renewable energy spaces respectively. Our strategy with respect to these opportunities is to develop partnerships with existing market players with an eye to building a strong presence in secondary markets, where project volumes are set to increase in the medium to long term.

All in all, as these various initiatives mature, they will bear fruit in the form of greater differentiation of our products and services, access to new markets, enhanced brand equity and more sustainable, regular income. This forms our faith that the future offers good prospects for the Group.

Having weathered the storm before us and navigated difficult yet necessary changes to our business structure and strategies, we now look towards a new horizon with renewed strength and optimism.

APPRECIATION

As the President/Group Managing Director, I would like to express my deepest gratitude to our valued shareholders for their continued trust and support to the Group during the year in review. Rest assured that we are fully committed to implementing the right measures and strategies in order to emerge stronger than ever from these trying times.

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 express my appreciation to the Board of Directors for their immense contributions in providing the stewardship, direction and corporate oversight to lead KUB forward, as well as steering the Group's business trajectory. In particular, let me extend my personal thanks to our outgoing members of the Board of Directors, Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego, Datuk Jamelah binti A.Bakar and Tengku Alizan bin Raja Muhammad Alias.

I am also pleased to announce that as of 1 March 2019, JAG Capital Holdings Sdn Bhd has emerged as the new major shareholder of KUB with a 32% stake. On behalf of the Board, I would like to welcome Datuk Seri Johari bin Abdul Ghani and Encik Megat Joha bin Megat Abdul Rahman, being representatives of JAG Capital Holdings Sdn Bhd, as our new directors. Their appointments will certainly strengthen our Board composition and I very much look forward to their active participation in our company's development apart from the knowledge and wisdom which they will surely bring.

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.

Datuk Abdul Rahim bin Mohd Zin
President/Group Managing Director
29 March 2019

SUSTAINABILITY STATEMENT 2018

About This Statement

In steering our business towards future sustainable practices, KUB Malaysia Berhad ('KUB' or 'the Group') is proud to present our Sustainability Statement for the third (3rd) consecutive year.

At the Group, sustainable practices are borne through a paradigm shift within the organisation by recognising the importance of sustainability to our long-term business performance, environmental stewardship and our relationship with the society we operate within. From implementing innovative information communications technology ('ICT') systems across the nation, engaging in the bottling, marketing and distributing of Liquefied Petroleum Gas ('LPG') for residential and industrial uses and cultivation of palm oil, we understand the importance of sustaining our business to promote continuous growth in the long-term.

Statement Boundary

This statement is a platform for us to communicate our Economic, Environment and Social ('EES') risks and opportunities within our operations for the financial year ended 31 December 2018.

The Statement will include information and performance data through qualitative and quantitative, where possible, narratives to highlight our sustainability journey and progress for financial year ended 31 December 2018.

Based on the contribution of revenue to the Group, the Statement shall only cover Corporate, Energy, Agro and ICT sectors.

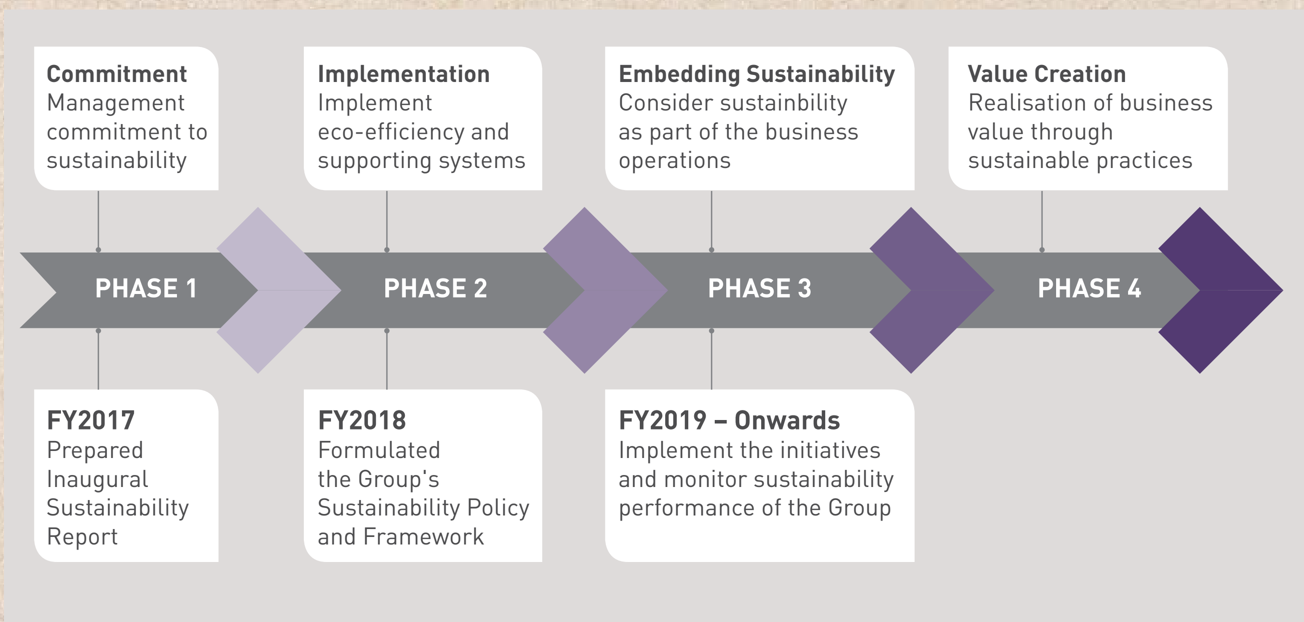
Statement Guidelines

We prepared this report in accordance with Bursa Malaysia Securities Berhad ('Bursa Malaysia') Sustainability Reporting Guides and the Main Market Listing Requirements ('MMLR').

As part of our initiative to streamline our reporting mechanism, we refer to the Global Reporting Initiative ('GRI') Standards ('Core Option') as recommended by Bursa Malaysia to generate a structured and informative report.

SUSTAINABILITY ROADMAP

We strive to embed sustainability into our daily business operations and conduct an effective sustainability governing and measurement system for sustainable development within the industry. The roadmap captures the Group's progressive journey towards a sustainable future based on the four (4) sustainability pillars the Group has subscribed to.



SUSTAINABILITY GOVERNANCE

Strong governance facilitates business longevity through stable and healthy economic growth while safeguarding resources for the future generation. In steering our business towards sustainable practices, we established a sustainability governance structure which comprises the Board of Directors ('the Board'), the Board Risk Management Committee ('BRMC'), Sustainability Steering Committee ('SSC') and the Sustainability Working Committee ('SWC').

POLICY AND FRAMEWORK

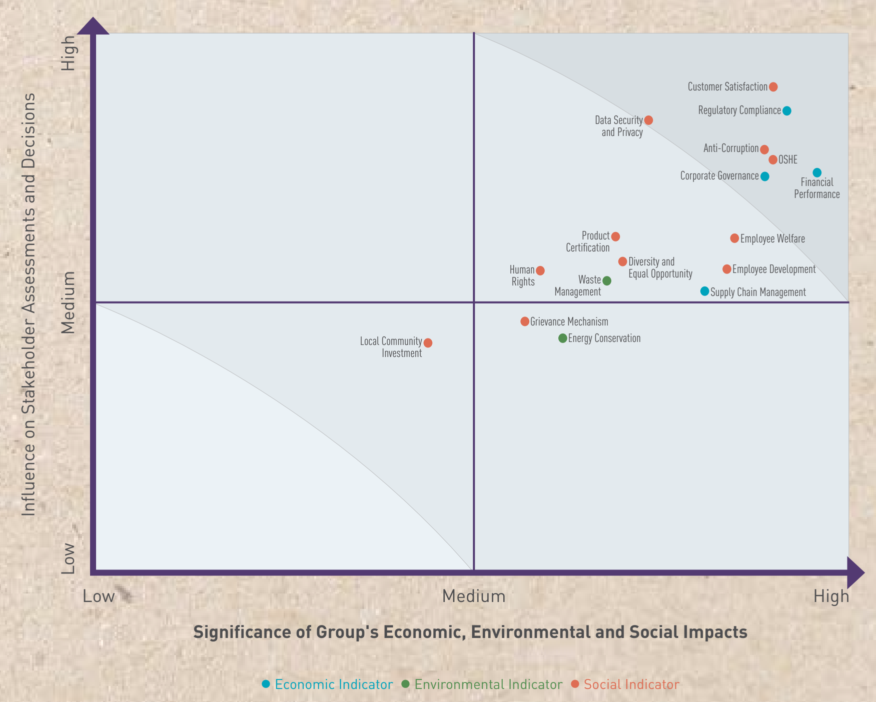
The implementation of our Sustainability Policy further led to the formalisation of our Sustainability Framework that articulates the Group's strategic commitment to sustainable development. The framework will become an integral part of our approach to risk management whilst promoting sound environmental and social practices, transparency and accountability, and contributes to positive development impacts. The framework was approved by the Board on 28 August 2018 and has been officially adopted in October 2018.

MATERIALITY MATRIX

In keeping to our goal towards achieving continuous improvement, we reviewed our materiality matrix to better reflect our current business environment and stakeholder outlook on each material sustainability matter. The results of the materiality assessment produced a materiality matrix that reflects the importance of each material sustainability matter to the Group's EES impacts as well as its influence on the decisions of our stakeholders.

At KUB, we are committed and aspired to continuously improve our services and to operate to the highest standard of quality performance with the support of our trustworthy stakeholders. Following the materiality matrix, the Group does not focus solely on the economic performance, but also actively monitors its environmental footprint and constantly enriching its local communities.

For the details of the Group's 2018 Sustainability Statement please refer to the Company's website at www.kub.com.



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of KUB Malaysia Berhad ('the Board') remains committed to ensure that the process and structure used to direct and manage the business and affairs of KUB Malaysia Berhad ('KUB' or 'the Company') and its subsidiaries ('KUB Group') towards promoting sustainability and corporate accountability with the ultimate objective of realising long-term shareholders' value while taking into account the interest of other stakeholders. Last year, KUB was ranked 42nd for Good Disclosures in Corporate Governance and ranked 83rd for Overall Corporate Governance and Performance among over 900 companies listed on Bursa Malaysia Securities Berhad by Minority Shareholders Watch Group on Malaysia-Asean Corporate Governance Report 2017.

The Board continues to review its existing Corporate Governance practices and policies throughout KUB Group in ensuring full application of key corporate governance principles as set out in Bursa Malaysia Securities Berhad ('Bursa Malaysia') Main Market Listing Requirements ('Listing Requirements'), the Malaysian Code on Corporate Governance issued by Securities Commission in April 2017 ('the Code') and all other statutory requirements.

This Corporate Governance Overview Statement ('the Statement') is to be read together with the Corporate Governance Report ('CG Report') of the Company which is available on KUB's website. The CG Report provides detailed explanations of how KUB Group has applied the recommended practices under the Code taking into consideration the specific circumstances affecting KUB Group, including any alternative measures in place to achieve the intended outcomes, where applicable.

PRINCIPLE A

BOARD LEADERSHIP AND EFFECTIVENESS

Board Duties and Responsibilities

The Board is responsible for ensuring that Shareholders' value and interests are protected and enhanced. The Board has continuously reviewed and adopted various guidelines and processes to enhance the standards of the corporate governance practised within KUB Group. These include but not limited to review the Board Charter and Terms of Reference of its Sub-Committees and the Management Guidelines ('the Policies').

The Board has full control of KUB Group and oversees the business affairs to ensure proper management. These include adopting strategic plans, approving key business initiatives, major investments decisions, reviewing financial and management performance, developing corporate objectives and implementing investor relations programmes.

Chairman

Dato' Ahmad Ibnihajar, Independent Non-Executive Chairman, with his vast experience in various corporate sectors and non-governmental organisations manage the effectiveness of the relationship between Directors and the Management, encouraging active participation and allowing dissenting views to be freely expressed. The Board decisions shall be made by a majority of votes at a physically convened Board meeting, or alternatively through circular resolutions signed by a majority of Directors who are not precluded or prohibited from voting by reason of the Companies Act, 2016, Listing Requirements and KUB's Constitution. The resolutions passed by way of such circular resolutions are then tabled to the Board on a quarterly basis for notation.

President/Group Managing Director

The positions of the Chairman and the President/Group Managing Director are held by different individuals. The President/Group Managing Director is responsible to implement the policies and strategies approved by the Board for the purpose of managing the business and the day-to-day management of KUB Group.

Company Secretaries

The Company Secretaries are persons qualified pursuant to Section 235(2) of the Companies Act, 2016. The Company Secretaries are responsible and accountable to the Board, through the President/Group Managing Director, for ensuring that the secretarial function provides adequate support to the Board, Board Committees and Subsidiaries Boards for all Board-related administrative functions. The Company Secretaries are responsible to the Board in ensuring all governance matters, Board proceedings, applicable laws and regulations are complied with. The Company Secretaries are the custodian of the Board and Board Committee meetings agenda and ensure that matters for discussion are ordered appropriately so as to focus the Board's attention on critical matters requiring deliberation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Support for Directors

The notice for each of the meetings is accompanied by the minutes of the preceding Board Meetings, together with the relevant information and supporting documents to facilitate the Board's informed decision-making process. Management and consultants are invited to attend the Board Meetings as deemed fit to assist the Board with management and operational input as well as professional advice. They also have access to the advice and services of the Company Secretaries and independent professionals as and when required. All deliberations and decisions (including dissenting views) made at the Board meetings are recorded by the Company Secretaries including whether any Directors abstained from voting or deliberating on particular matters. Decisions made, policies approved and follow-up actions at Board meetings will be communicated to Management after the Board Meeting. Minutes of the meeting are circulated to the Board and the Management for review and comments in a timely manner before the minutes of the last Board meeting are confirmed at the next Board meeting.

The calendar of meetings of the Board and Board Committees are drawn up and distributed to the Board in the quarter preceding the beginning of the new calendar year. This is to enable Directors to meet the time commitment for the meeting. All scheduled meetings held during the year were preceded by a formal notice issued by the Company Secretaries in consultation with the Chairman and/or President/Group Managing Director. Additional meetings are convened when specific directions or decisions are required expeditiously or urgently from the Board.

Demarcation of Responsibilities between the Board, Board Committees and Management

There is the demarcation of responsibilities between the Board, Board Committees and Management. The Board's power and functions are specified in the Board Charter ('the Charter'). Based on the Charter, the Board assisted by its Sub-Committees is ultimately responsible for KUB Group's corporate governance, strategic direction, establishing KUB Group's business and investment policies, overseeing the conduct of KUB Group's business and evaluating whether these are being properly and effectively managed.

The objectives of the Charter are to ensure that all Board members acting on behalf of KUB are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect and on behalf of KUB.

The Charter was formalised and approved by the Board in 2016. The Board reviews the Board Charter periodically, when necessary, to ensure it remains relevant and effective at the prevailing time and business environment. The revised Board Charter was recently reviewed and approved by the Board in 2018 to realign the existing governance policies in the Company with the good standard of corporate governance practices prescribed by the Code and Listing Requirements, where possible or relevant. The Charter is available on KUB's website at www.kub.com.

Code of Conduct and Ethics

The Company has in place a separate Code of Conduct for Directors and employees of KUB Group. The Directors' Handbook and Code of Conduct and Ethics for employees are available on KUB's website. The Directors' Handbook and Code of Conduct was formalised in 2016 and revised in 2018 to be realigned with the Companies Act, 2016, the Listing Requirements, the Code and the Constitution. The Directors' Handbook and Code of Conduct is designed to provide the Directors of KUB with the guidelines on the policies and procedures governing the terms, conditions and benefits of their services with KUB.

Integrity, Anti-Corruption and Whistleblowing Policy

The Company has implemented a Whistleblowing Policy approved by the Board in 2017 and revised in 2018.

This Policy provides the employees of KUB Group in communicating instances of illegal and immoral conduct to the appropriate parties within KUB Group and at the same time protecting these employees against victimisation or discrimination in any way arising from such communications. It also provides initiation of an independent investigation on all allegations or reports lodged by parties from within or outside KUB Group. The Whistleblowing Policy is available on KUB's website.

Independent Directors

The Board currently comprises of a Chairman/Independent Non-Executive Director, a President/Group Managing Director, a Senior Independent Non-Executive Director, three (3) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. The Independent Directors make up fifty-six per cent (56%) or a majority of the Board membership which is in compliance with Paragraph 15.02(1) of the Listing Requirements and Practice 4.1 of the Code.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Tenure of Independent Directors

In line with Practice 4.2 and Step Up 4.3 of the Code, the Board on 29 March 2018 approved that the tenure of an Independent Director (inclusive of redesignated) does not exceed a limit of nine (9) years. Upon completion of the nine (9)-year tenure, the Independent Director is to relinquish his/her Directorship.

Diversity

The Company sees increasing diversity at Senior Management level as an essential element in supporting the attainment of its strategic objectives. In any appointment, a number of aspects have been considered to maintain a diversified Board and Senior Management which will facilitate in the growth of KUB Group, including but not limited to gender, age, educational background, professional experience, skills and knowledge.

The Board encourages women candidate to take up board positions. The Company has established the Board Diversity Policy with the objective of at least ten per cent (10%) women representation on the Board. The Board is of the view that while it is important to promote boardroom diversity, the normal selection criteria of a Director based on an effective blend of competency, skill, vast experience and knowledge in KUB's business sector, should remain a priority so as not to compromise on qualification, experience and capability. The Board Diversity Policy is published on KUB's website.

Board Nomination and Remuneration Committee ('BNRC')

The BNRC comprises exclusively of Non-Executive Directors, a majority of Independent Directors in accordance with the Listing Requirements. In the financial year under review, the Committee is chaired by Tunku Alizan bin Raja Muhammad Alias, Non-Independent Non-Executive Director, being representative to the substantial shareholder to ensure the Board and Senior Management is adequately remunerated in discharging their obligations and responsibilities towards KUB. No individual or group of individuals dominates the BNRC's decision making process and independent views have been taken into consideration in each discussion.

Recruitment Process

The Board delegated to the BNRC including but not limited to the responsibility of recommending the appointment of any new Directors, review of KUB's succession plans and training programmes.

The policies and procedures for recruitment and appointment including re-election are embedded in the Board Charter and the Directors Handbook and Code of Conduct. The appointment of a new Director is a matter for consideration and decision by the Board upon appropriate recommendation from the BNRC. The BNRC has adopted the process for identification of suitable candidates for appointment to the Board, having regard to the skills required and the skills represented.

Board Assessment

The Annual Board Evaluation comprises the Board and Board Committees Effectiveness and Directors' Self and Peer Assessment ('the Exercise'). The Exercise is conducted to assess the Board's performance as well as to recommend improvement areas and remedial actions on the Board's administration and process. The performance evaluation was conducted for the Board as a whole, its Board Committees and contribution of each individual Director.

Directors' Training

The Board acknowledges the importance of continuing education for its Directors to ensure that they are equipped with the necessary skills and knowledge to perform their duties. The Group Secretarial Division notifies the Directors of available programmes and monitors the budget.

During the financial year under review, all Directors attended various training programmes and workshops relevant to KUB Group, particulars as reflected under the 'Continuous Professional Development' section.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Remuneration Policies

The BNRC is responsible for reviewing KUB Group's compensation policy and ensuring alignment of compensation to corporate performance, and that compensation offered is in line with the market practice. The Board had approved on the review of Organisational Design, Remuneration and Reward Package and Employment Terms and Conditions of KUB Group.

The implementation of the Compensation Policy provides the employees of KUB Group with a detailed description of defined standards and processes relative to the development, implementation, management and governance of compensation practice in KUB Group.

The Board ensures that KUB Group's remuneration policy remains competitive to attract and retain employees of such calibre who are able to provide the necessary skills and experience, commensurate with the responsibilities for the effective management of KUB Group.

The Non-Executive Directors' remuneration should be adequate to attract, retain and motivate individuals of the necessary calibre, expertise and experience to join the Board. In determining the Non-Executive Directors' remuneration various factors will be considered including KUB Group's demands, complexities and performance as a whole, as well as necessary expertise and experience required, and in line with the strategic objectives of KUB Group which rewards contribution for the long term success of KUB Group.

The Terms of Reference of the BNRC

The BNRC roles and responsibilities are stipulated in the Terms of Reference which is available on KUB's website.

Remuneration of Directors

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

Executive Director	Remuneration						
	Company						
	Fees (RM)	Salary (RM)	Bonus (RM)	EPF (RM)	Allowance (RM)	Benefits in Kind (RM)	Total (RM)
Datuk Abdul Rahim bin Mohd Zin	–	870,077	157,500	164,414	–	106,463	1,298,454

Non-Executive Directors	Remuneration								
	Company				Subsidiaries				Grand Total (Total A + B)
	Fees (RM)	Allowance (RM)	Benefits in Kind (RM)	Total A (RM)	Fees (RM)	Allowance (RM)	Benefits in Kind (RM)	Total B (RM)	
Dato' Ahmad Ibnihajar	60,000	267,000	71,164	398,164	–	–	–	–	398,164
Dato' Ab Rahim bin Abu Bakar	60,000	28,500	6,894	95,394	70,000	179,500	25,447	274,947	370,341
Tengku Zahaimi bin Tuan Hashim	60,000	20,333	5,193	85,526	51,010	111,917	–	162,927	248,453
Mohammad Farish Nizar bin Othman	60,000	96,750	3,450	160,200	–	–	–	–	160,200
Datuk Haji Mohd Haniff bin Haji Koslan	60,000	26,167	18,986	105,153	34,000	39,083	–	73,083	178,236
^Datuk Norliza binti Abdul Rahim	20,589	11,000	206	31,795	–	–	–	–	31,795
#Tunku Alizan bin Raja Muhammad Alias	60,000	22,500	15,588	98,088	22,000	46,750	–	68,750	166,838
~Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego	60,000	21,167	6,778	87,945	24,000	7,833	–	31,833	119,778
*Dato' Jamelah binti A.Bakar	29,630	8,250	5,186	43,066	24,732	43,750	8,128	76,610	119,676
Total	**470,219**	**501,667**	**133,445**	**1,105,331**	**225,742**	**428,833**	**33,575**	**688,150**	**1,793,481**

Note : *^ Appointed w.e.f. 28 August 2018*
 # Resigned w.e.f. 4 March 2019
~ Resigned w.e.f. 26 February 2019
** Retired w.e.f. 28 June 2018*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

i) Tunku Alizan bin Raja Muhammad Alias
Provision of legal services

Company	RM111,500
Subsidiaries	RM133,700
Group Total	RM245,200

Remuneration of Senior Management

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

The variable remuneration refers to the discretionary bonus which is cash based and does not consist of shares or non-cash instruments as KUB Group does not have such instruments in place. The pool for the variable remuneration is determined by financial matrices such as KUB Group's overall performance, achievement of selected financial ratios, market trends and economic outlook.

The following depicts the total value of cash based remuneration paid out to Senior Management of KUB Group for financial year ended 31 December 2018:

Range of Remuneration	Group (RM'000)	Company (RM'000)
Short Term Employee Benefits:		
• Salary , allowances and bonuses	5,122	3,438
Post Employment Benefits:		
• Defined contribution plan - EPF	607	405
• Social security contributions	12	7
TOTAL	**5,741**	**3,850**

Note : The above excludes the remuneration of President/Group Managing Director which has been declared under the Directors' Remuneration.

PRINCIPLE B

EFFECTIVE AUDIT AND RISK MANAGEMENT

Board Audit Committee ('BAC')

In the financial year under review, the BAC comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director, who are equipped with the financial expertise and commercial acumen for them to discharge their responsibilities and fulfil their roles as BAC members.

The Chairman of the BAC is not the Chairman of the Board, so as not to impair the objectivity of the Board's view of the BAC's findings and recommendations. Details of the composition and activities of the BAC are set out in the BAC Report on page 41 to 43 of this Annual Report.

Terms of Reference of the BAC

The BAC is guided by its Terms of Reference. KUB has always recognised the need to uphold independence. None of the members of the BAC was former key audit partners within the cooling-off period of two (2) years. In the financial year under review, the Board has approved the revised Terms of Reference of the BAC in line with the Code. The Terms of Reference of the BAC reflects a policy that requires a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the BAC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

External Auditors Assessment

KUB has established a transparent and appropriate relationship with KUB Group's External Auditors through the BAC. The BAC meets the External Auditors without the presence of the Management at least twice (2) a year.

The BAC also undertakes an annual assessment of the performance, suitability and independence of the External Auditors in recommending the re-appointment of the External Auditors which encompassed the performance of the External Auditors and the quality of their communication with the BAC and KUB Group. The BAC also took into account the openness in communication and interaction with the lead audit engagement partner and engagement team through discussions at private meetings, which demonstrated their objectivity, independence and professionalism. The External Auditors' performance and independence checklist is embedded in the Board Charter.

Continuous Professional Development

BAC members acknowledge the need for continuing education training. For the financial year under review, the majority of the BAC members had attended training on 'Internal Audit for Board Audit Committee' and 'Financial Reporting by Listed Issuers: 'Interpreting Financial Numbers and Overcoming Challenges in Facing Timely and Accurate Reporting'.

Particulars of training programmes attended by all Directors during the financial year under review are reflected in the CG Report.

Risk Management and Internal Control Framework

The Board Risk Management Committee ('BRMC') assists the Board to oversee the risk management matters relating to the activities of KUB Group. In the financial year under review, the BRMC comprises three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The BRMC reviews the Enterprise Risk Management Framework ('Framework') and processes to ensure that they remain relevant for use, and monitors the effectiveness of risk mitigation action plans for the management and control of the significant risks exposures inherent in its business operation. The design of this Framework is aligned with the principles and processes outlined in ISO 31000 : 2009 Risk Management – Principles and Guidelines.

Internal Audit Function

Internal audit is independent of both business management and of the activities under its review. Internal audit is responsible for providing assurance that the design and operations of KUB Group's internal control system are effective.

KUB Group Risk and Audit Division assists the BAC in discharging its duties and responsibilities throughout the financial year under review. The Terms of Reference of the internal audit function is clearly spelt out in the Internal Audit Charter. Internal audit principal role is to undertake independent, regular and systematic reviews of the internal control systems, so as to provide independent and reasonable assurance on the adequacy, integrity and effectiveness of KUB Group's system of internal control, risk management and governance processes.

PRINCIPLE C

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Engagement with Stakeholders

The Board continues to recognise the importance of transparency and accountability to its shareholders and investors. The Board always ensure that the shareholders are informed on the performance and major corporate activities of KUB Group. This is achieved through timely releases of quarterly financial results, circulars, annual reports, corporate announcements and press releases. The Management attends meetings with institutional shareholders, analysts and members of the media to clarify information announced regarding KUB Group's performance and strategic direction as and when necessary and/or requested. The Corporate Communications and Investor Relations Unit of KUB is responsible to ensure proper channels of communication between KUB Group and the stakeholders.

The current Annual Report provides stakeholders with a fairly comprehensive overview of the Company's financial and non-financial information including strategic performance. Components such as Management Discussion Analysis, Corporate Governance Overview Statement, Sustainability Statement and Statement of Risk Management and Internal Control form an integral part of the non-financial information.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Annual General Meeting

The Company's General Meeting serves as an invaluable platform for shareholders to engage in a productive dialogue with the Board. The Board endeavours to provide shareholders with adequate time to consider the resolutions that will be discussed and decided upon during the Annual General Meeting and to facilitate informed decision-making by the shareholders.

KUB despatches the notice of the Annual General Meeting to shareholders at least twenty-eight (28) days before the Annual General Meeting, well in advance of the twenty-one (21)-day requirement under the Companies Act, 2016 and Listing Requirements.

The notice of the Annual General Meeting outlines the resolutions to be tabled during the meeting and is accompanied by explanatory notes and background of information where applicable.

As required under the Listing Requirements, all resolutions will be voted by way of poll. The procedure for voting by poll is in accordance with KUB's Constitution. KUB's Constitution further allows its shareholders to vote in absentia or by proxy, provided that the proxy form is deposited at least forty-eight (48) hours before the Annual General Meeting. The locations of the General Meetings have always been convened in the Klang Valley at locations which are accessible by public transport.

This Statement is made in accordance with the resolution of the Board of Directors dated 29 March 2019.

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 approved 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 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 steps as are reasonably open to them to safeguard the assets of KUB Group and KUB, to detect and prevent fraud and other irregularities.

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 thereto:

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 2018.

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 2018 are as follows:

Particulars	Group RM	Company RM
Statutory Audit Fees	428,000	130,000
Non-Audit Fees		
– Tax related services	121,300	45,200
– Others[1]	46,000	43,500

[1] *Fees incurred primarily in relation to advisory services for Transfer Pricing and review of Statement on Risk Management and Internal Control.*

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 interests of Directors, Chief Executive who is not a director or major shareholders.

d. Employee Share Option Scheme ('ESOS')

During the Extraordinary General Meeting held on 23 May 2017, the shareholders had approved for the Company to grant an ESOS options to the Directors and the eligible employees subject to the By-Laws. The enforcement of the ESOS is for a period of five (5) years effective 25 July 2017 until 24 July 2022.

However, as at the financial year ended 31 December 2018, the Company has yet to grant the ESOS options to the respective Directors and eligible employees.

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 ('the MMLR') 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 ('MCCG 2017').

The Statement outlines the 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 excludes the System at associated companies where the Group does not have control over its respective operations.

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 functioned effectively and formed as part of the corporate culture to safeguard stakeholders' interests and the Group's assets as prescribed by the MCCG 2017.

The Board discharges the stewardship with the identification of risks, implementation of appropriate internal controls and review on 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 towards the applicable laws and ensures sound corporate governance through effective interaction with the Management, internal and external auditors.

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

The Board is assisted by the BRMC to 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 a quarterly basis is being updated on the status of relevant progress of action plans in mitigating the identified risks.

The BAC reviews the risk management and internal control issues identified in reports prepared 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 oversight the independence, scope of work and resources of 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 team.

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

Management

Along with the Board, the Management on the other hand 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 within the Group's appetite to achieve its established business goals and objectives.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT

The Board acknowledges that risk management is recognised as a commitment that contributes to effective and sound management practice. It assists in establishing informed decision making process and increases the confidence level of the stakeholders on the performance of the Group. It is essential as an indispensable part of the System and 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 ('the SRMICG').

Risk Management Framework

The System is guided by the established Enterprise Risk Management Framework ('the Framework') which adopted the principles and processes outlined in the MS ISO 31000: 2010 Risk Management – Principles and Guidelines ('the Principle'). The Principle itself is broad but it is appropriately adopted in the relevant 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

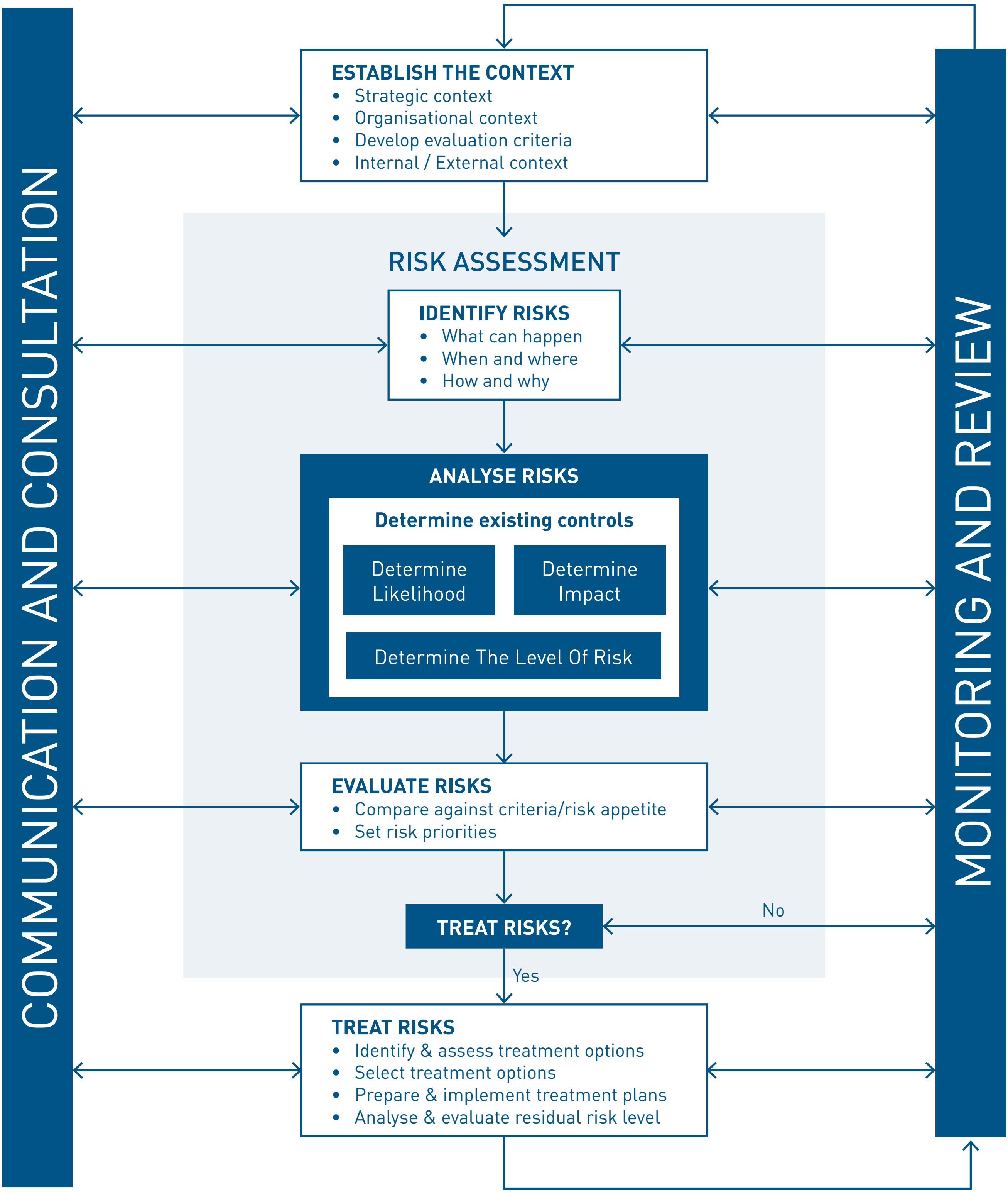
(c) to ensure that the Framework and process for risk management is integrated with all business and operational processes including governance, strategic and operational planning and decision making.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Process

The Group's risk management approach include the on-going process of identifying, evaluating, assessing, treating, monitoring and reviewing the risks. The reporting of risks through Risk Register allows the risks that need to be managed being escalated and communicated to the Management for implementation of risk mitigation actions.

Figure 1 below, depicted risk management process within the Group.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Summary of steps in the risk management process:

<table>
<tr><th colspan="2">Process Step</th><th>Description</th><th>Purpose</th></tr>
<tr><td colspan="2">Communication and Consultation</td><td>• Involving all stakeholders and information sharing throughout the risk management process, vertically and horizontally across the KUB Group.</td><td>• Staff that are involved throughout the risk management process understand the basis for decisions and actions required.
• Lesson learnt can be shared and transferred to those who can benefit within the KUB Group.</td></tr>
<tr><td colspan="2">Establish the Context</td><td>• Understanding the KUB Group's strategic and organisational objectives.
• Defining Criteria based on requirements and concerns of external and internal factors of the KUB Group.</td><td>• Understand factors influencing the ability to achieve objectives.
• Determine boundaries within which the risk management framework operates.</td></tr>
<tr><td>Identify Risks</td><td rowspan="3">Risk Assessment</td><td>• Identifying risks, its sources, causes and potential consequences.</td><td>• Generate a comprehensive list of threats and opportunities based on those events that might enhance, prevent, degrade, accelerate or delay the achievement of the objectives.
• All identified risks recorded in the Risk Register.</td></tr>
<tr><td>Analyse Risks</td><td>• Understanding the nature of the risk and determining the level of exposure – likelihood and impact.</td><td>• Provide an understanding of the inherent (level of exposure without control in place).
• Assist with identifying ineffective controls.
• Inform risk evaluation and guide risk treatment.</td></tr>
<tr><td>Evaluate Risks</td><td>• Comparing the level of exposure from risk analysis and take into account the existing control and Group's risk appetite to set risk priorities.</td><td>• Determine whether the controlled risk (level of exposure with control in place) is acceptable.
• Determine if controlled risk need further treatment.
• Identify priority order in which individual risk should be treated.</td></tr>
<tr><td colspan="2">Treat Risks</td><td>• Identify and selecting one or more treatment options.
• Prepare, execute and monitor the treatment plan.
• Reassess the level of risks with controls and treatment in place.</td><td>• Identify treatment for risks that fall outside the KUB Group's risk tolerance.
• Provide an understanding of the residual risk (level of risk with controls and treatments in place).
• Identify priority order in which individual risk should be treated, monitored and reviewed.</td></tr>
<tr><td colspan="2">Monitoring and Review</td><td>• Determining whether the risk profile has changed and whether new risks have emerged.
• Checking control effectiveness and progress of the treatment action plans.</td><td>• Provide exchange of information.
• Identify emerging risks.
• Provide feedback on control efficiency and effectiveness.
• Identify whether any further treatment is required.
• Provide basis to reassess risk priorities.
• Capture lessons learnt from event failures, near misses and success.</td></tr>
</table>

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 bottom line of 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 is established 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 neither the likelihood nor the impact.

KEY INTERNAL CONTROL AND 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 is committed to embed risk management on all aspects within the organisational structure with defined roles and responsibilities and appropriate tools to support the System. The Board sets appropriate policies to ensure the System functioned effectively in managing risks that may impede the achievement of the Group's objectives. The Board discharges the stewardship on the identification of risks, implementation of appropriate internal controls, review the adequacy and integrity of the internal control system and assess the level of compliance to applicable laws, regulations and guidelines.

Board Committees

Appointment of Board Committees i.e. the BRMC, BAC, Board Investment Committee ('BIC') and Board Nomination and Remuneration Committee ('BNRC') is to assist the Board in overseeing and examining all matters within their respective scope of responsibilities pursuant to the terms of reference and reports back to the Board with the recommendations for review or approval by the Board, where appropriate. Board Committees meet on a regular basis where the minutes of the meetings are tabled to the Board for approval. Being the focal point of the Group, the Board at all times exercises collective oversight of the Board Committees and the Management. For more details on the various Board Committees, please refer to page 09 of the Annual Report.

Organisational Structure

The Board has established 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 a personnel 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 is regularly reviewed to ascertain the effectiveness and to provide support to the changes of business requirements.

Staff Competency and Performance Management

The Group believes that 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 programmes are implemented to ensure that employees are equipped with the necessary competencies.

The implementation of the training and development programmes 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. Meanwhile, Key Performance Indicators and Scorecard are used as tools to monitor employee's performance and improve their morale and personal satisfaction as it is pertinent to the growth and success of the Group's business.

Aside from that, Competencies Factor is used as a tool to gauge knowledge, skills, abilities and attributes as a measurement of a person's job performance in order to retain and sustain good talent in supporting the Group's mission; to nurture and develop a company with performance based culture.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Core Values

The Group's corporate culture embeddded of the following core values; Integrity, Excellence, Teamwork and Trust and Mutual Respect. The values are regularly inculcated in all employees' programmes and Group's policies.

Code of Ethics and Conduct

The Group communicates the Code of Ethics and Conduct ('the Code') to all employees. The Code covers the following six (6) broad categories of ethics relating to the Group's operations and personal conduct:

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.

The Code reinforces 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 Information Exchange ('HRIX').

Policies and Procedures

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. The Limits of Authority ('LOA') specified in the KUBMaG is also aligned to be in tandem with the latest organisation structure of the Group.

Other common policies and Standard Operating Procedures ('SOP') are established to provide guidelines for proper management and operations of the Group's operating units. These policies and procedures are documented and subjected to regular review, update and enhancement to reflect the current operational requirements, to ensure relevance and effectiveness of the Group's business operations.

The KUBMaG has been recently revised and approved by the Board for implementation effective 1 June 2018. KUBMaG and other Group's Policies and SOPs are accessible online through HRIX. Amongs the main policies within the Group are:

Procurement and Strategic Sourcing ('Procurement') Policy

Included in the above mentioned policies and SOP is the Procurement Policy ('the Policy') which aims to support good and sustainable procurement practices on goods, works and services. The Policy outlines that all procurement decision within the Group will be guided with clearly defined principles, to ensure the Group and 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, Anti-Corruption and Anti-Bribery Policy and Conflict of Interest in the selection of vendor, tender and procurement process. The Group's Procurement Policy has been recently revised and approved by the Board for implementation effective 2 April 2018.

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

The scope of PMPP include 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. The PMPP was approved by the Board on 22 May 2018 and has been implemented in June 2018. It was further revised on 12 September 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Information & Communications Technology ('ICT') Policy

Operationally, ICT Policy ('the Policy') assists in monitoring, escalating and reporting any cyber threats or information security breaches to the respective stakeholders. The Policy is continuously enhanced and revised to suit current environment and user requirements.

In 2018, a Disaster Recovery Centre was established 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 information security protection and responding to cybersecurity threats, adequate ICT security tools and procedures are in place to detect, respond and mitigate the threats.

Human Resource Policies and Procedures

A comprehensive set of Human Resource Policies and Procedures are provided 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, salary administration whilst in the interim, the succession planning and talent management are in the development stage. The existence of these policies could reduce the risk of corporate liability or employee's lawsuits.

Health, Safety and Environment

The Group adopts international standards and controls for continuous improvement on the safety management system to ensure safe working environment as it is fundamental to business operations and the Group's success. As part of the initiative, the Group has maintained the OHSAS 18001: 2007 certification.

In addition, with the aim of having a structured approach of clean, organise and efficient workplace, the Group has embarked on the Quality Environment ('QE')/5S programme with KUB being accredited with QE / 5S Certification in October 2018.

For more details on the approach, please refer to the details of the Group's 2018 Sustainability Statement published in the Company's website at www.kub.com.

Business Continuity Management ('BCM')

The Group has established the BCM System ('BCMS') following the requirement of ISO 22301: 2012. The BCMS was certified by the Cybersecurity Malaysia upon completion of the certification and surveillance audits. The existing BCM Framework was revised and approved by the Board in May 2018 to further align with the ISO 22301: 2012 requirements and reflect the changes in structure, responsibilities and relevant processes in the BCM.

The System is developed and maintained to protect the Group against, reduce the likelihood of occurrence, prepare for, respond to, and recover from disruptive incident when it arises. The effectiveness of the System is tested and post-mortem is conducted to ensure the objective is met.

Integrity and Anti-Corruption

Pursuant to the signing of the Corporate Integrity Pledge ('CIP') in 2016 that was witnessed by the Malaysian Anti-Corruption Commission ('MACC'), the Group has extended the signing of the CIP to all employees as part of the initiative to strengthen the Group's ethic parameters. The KUB Integrity Framework was forwarded to all subsidiaries to further emphasise the establishment of Zero Tolerance Policy towards all forms of bribery and corruption. The KUB Integrity Framework is supported with thirteen (13) anti-bribery related policies with the latest established policies approved in December 2018. The policies include Political Contribution Policy, Management Letter of Support Policy, Money Laundering Policy and Declaration of Asset Policy. The Whistleblowing Policy was revised to incorporate the 2017 MCCG and approved by the Board in March 2018. The policy guides the employees of the Group to communicate instances of illegal and immoral conduct to the appropriate parties within the Group and at the same time being protected against victimisation or discrimination arising from such communications. It also provides proper investigation to be initiated on all allegations or reports received/submitted by parties from within or outside the Group. KUB Group is continuously improving the governance policies and practices to be aligned with the ISO 37001:2016 'Anti-Bribery Management System' to ensure the sustainability of the CIP's objective.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Insurance on Employee and Assets

In order to attract and retain the 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 seventy 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 treating inpatient and outpatient and critical illnesses, rehabilitation and death on all causes.

Besides insurance for the employees, KUB Group also purchases insurance for its physical assets. The coverage include 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, and coverage for computers and servers.

Insurance coverage is reviewed on a yearly basis to ensure comprehensive coverage to mitigate business risks in view of the 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 the BAC. The corrective actions for the findings raised in the internal audit reports will be taken by the Management based on agreed action plan.

The details of the Internal Audit activities are stated in the BAC Report on page 42 of the Annual Report.

Financial and Operational Review

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

Business Plan and Budget Review

The Group undertakes business planning and budgeting each year to establish plans and targets against which performances are compared and monitored as well as to facilitate management in focusing on areas of concerns.

The Board 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, and the budget approval process to ensure that the plan developed reflects the corporate intent of the Group and that resource allocation is strategically aligned.

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 newly established Sustainability Policy and the revised Sustainability Framework had been approved by the Board in August 2018 to provide guidelines and ensure standardisation for implementation within the Group.

Among the sustainability strategy, the Group, under its Agro sector, has committed towards sustainable palm oil production due to increasing demand on palm oil that led to unsustainable resource consumption. The Group had initiated a programme to establish and implement measures required under the Malaysian Sustainable Palm Oil Certification Scheme regulated by the Malaysian Palm Oil Board. The Certification was successfully received in February 2019.

Sustainability reporting and strategies are driven by the Sustainability Committee that reports to the BRMC. For more details, please refer to the details of the Group's 2018 Sustainability Statement in the Company's website at www.kub.com.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONCLUSION

After 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 were no material control failures or weaknesses that had resulted in material loss that had not been disclosed in the Group's financial statements. For areas requiring attention, measures had been and are being 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 President/Group Managing Director and the Group Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system adopted by the Group.

This Statement is made based on the recommendation of the BRMC to the Board of Directors as per the Board's resolution dated 29 March 2019.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required under 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 is not been prepared, in all material aspects, in accordance with the disclosures required under Paragraphs 41 and 42 of the Guidelines to be set out, nor is it factually inaccurate.

BOARD AUDIT COMMITTEE REPORT

The Board of Directors is pleased to present the report on the Board Audit Committee ('BAC') for the financial year ended 31 December 2018.

COMPOSITION

The BAC consists of the following members:

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

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

Datuk Haji Mohd Haniff bin Haji Koslan
Independent Non-Executive Director (Appointed w.e.f. 27 February 2018)

Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego
Non-Independent Non-Executive Director (Resigned 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 2017 ('MCCG 2017'). The majority of the members of the BAC are Independent Non-Executive Directors. The current BAC chairman is a member of the Malaysian Institute of Accountants ('MIA'), thereby in compliance 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 2018, 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 Hj Faisyal bin Datuk Yusof Hamdain Diego	3/5
Dato' Ab Rahim bin Abu Bakar	4/5
Datuk Haji Mohd Hanif bin Haji Koslan	4/4

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 co-sourced internal auditor for internal audit function, Cita Kapital Sdn Bhd ('Cita Kapital'), representatives of the external auditors, Deloitte PLT, as well as the President/Group Managing Director, the Chief Financial Officer, the Chief Operating Officer and Senior Management personnel also attended the meetings upon invitation.

The BAC Chairman updated the Board of Directors ('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 2018:

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;
- 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.

BOARD AUDIT COMMITTEE REPORT

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

d) Reviewed the proposed interim dividend for financial year ending 31 December 2018;

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 proposed renewal of the authority for the purchase by KUB of its own ordinary shares representing up to ten per centum (10%) of its issued and paid-up share capital prior to recommending to the Board for its recommendation for approval;

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

h) Reviewed minutes of the BAC meetings;

i) Reviewed the application of corporate governance principles and the Group's compliance with the best practices set out under the MCCG 2017 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;

j) Reviewed and subsequently recommending to the Board for approval the Term of Reference of BAC following the revision of MCCG, published in December 2017; and

k) Reviewed and subsequently recommending to the Board for approval the Whistleblowing Policy following the revision of MCCG, published in December 2017.

2. External Audit

a) Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors presented their audit strategy and plan;

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 auditors;

c) Considered and recommended to the Board for approval the audit fees payable to the external auditors as disclosed in the Financial Statements;

d) Met with the external auditors twice (2) during the year without the presence of the Management; and

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

3. Internal Audit

a) Reviewed the presented internal audit reports incorporating the results of the internal audit programme 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 the agreed corrective actions taken based on findings and recommendations 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 the internal audit function in carrying out its functions is spelt out in the Internal Audit Charter, approved by the BAC.

BOARD AUDIT COMMITTEE REPORT

SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

The BAC is assisted by GRAD together with the appointed co-sourced internal auditors, Cita Kapital 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 and the Service Level Agreement with Cita Kapital. The principal role of internal audit function is to undertake independent, regular and systematic reviews on the internal control systems and 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 programme, the budgets, the manpower resources and the key performance indicators are submitted to the BAC for review and approval.

During the financial year under review, a total of fifteen (15) audits were carried out on holistic approach in accordance with the Annual Internal Audit Plan. The audits encompassed eight (8) scheduled audits, three (3) limited reviews and four (4) follow-up audits covering sectors including Information and Communications Technology, Energy, Agro and Power.

The key assurance 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 procedures which could have significant risk impact on the Group.

The key areas covered in the audit for the financial year include governance structure, legal and compliance, financial management, strategic planning, procurement process and supply chain management, inventory management, safety and security, project management, information and technologies, HR policies and procedures and staff performance management.

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

KUB is a corporate member of the Institute of Internal Auditors of Malaysia ('IIAM') that allows the internal auditors to have access to internal audit information, networking and trainings in ensuring its commitment 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, a Chartered Accountant with the Malaysian Institute of Accountants ('MIA'), a Chartered Member of the IIAM and a member of the Malaysian Institute of Management, and supported by the co-sourced internal auditors, Cita Kapital led by its project director, Abdullah bin Hashim who is a member of the IIAM and MIA respectively. Moving forward into 2019, the Board of Directors on 29 March 2019 has approved that the internal audit function will be fully performed by the in-house internal auditors.

The total costs incurred for internal audit function of the Group as at 31 December 2018 amounted to RM746, 363.

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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 2018.

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 energy, agricultural businesses, information and communications technology, food, 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 except for the cessation of its food segment following the disposal of A&W (Malaysia) Sdn Bhd on 19 September 2018.

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	11,529	40,271
Zakat	(1,375)	–
Taxation	(5,893)	–
Profit for the year from continuing operations	4,261	40,271
Discontinued operations		
Loss for the year from discontinued operations, net of tax	(23,756)	–
(Loss)/Profit for the year	(19,495)	40,271
Profit/(Loss) attributable to:		
Owners of the parent	1,177	40,271
Non-controlling interests	(20,672)	–
	(19,495)	40,271

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 impairment of property, plant and equipment of KUB Maju Mill Sdn Bhd of RM26,095,000 as disclosed in Note 15 to the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company had paid the following dividends:

	RM'000
(a) In respect of the financial year ended 31 December 2017, a first and final single tier dividend of 1.0 sen per share was paid on 31 July 2018; and	5,565
(b) In respect of the financial year ended 31 December 2018, an interim single tier dividend of 1.0 sen per share was paid on 13 April 2018	5,565
	11,130

The Directors do not recommend any final dividend for the financial year ended 31 December 2018.

REPORT OF THE DIRECTORS

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.

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 (12) 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:

Dato' Ahmad Ibnihajar (Chairman)
Datuk Seri Johari bin Abdul Ghani (appointed on 4 March 2019)
Megat Joha bin Megat Abdul Rahman (appointed on 4 March 2019)
Dato' Ab Rahim bin Abu Bakar
Datuk Abdul Rahim bin Mohd Zin (President/Group Managing Director)
Tengku Zahaimi bin Tuan Hashim
Mohammad Farish Nizar bin Othman
Datuk Haji Mohd Haniff bin Haji Koslan
Datuk Norliza binti Abdul Rahim (appointed on 28 August 2018)
Tunku Alizan bin Raja Muhammad Alias (resigned on 4 March 2019)
Datuk Hj Faisyal bin Datuk Yusof Hamdain Diego (resigned on 26 February 2019)
Dato' Jamelah binti A. Bakar (resigned on 28 June 2018)

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 1.1.2018	**Acquired**	**Sold**	**As of 31.12.2018**
Shares in the Company, KUB Malaysia Berhad				
Direct Interest				
Datuk Abdul Rahim bin Mohd Zin	**1,050**	**–**	**–**	**1,050**
Tunku Alizan bin Raja Muhammad Alias	**10,000**	**–**	**–**	**10,000**

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 financial 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(d) 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 are RM10,000,000 and RM12,200 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 2018 are disclosed in Note 10 of the financial statements.

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

DATO' AHMAD IBNIHAJAR

DATUK ABDUL RAHIM BIN MOHD ZIN

Petaling Jaya

29 March 2019

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 at 31 December 2018 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 53 to 167.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *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*
Revenue recognition – construction contracts The Group recognises contract revenue and contract cost in the profit or loss by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date over the total estimated construction contract costs. 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 and external economic factor. The construction contracts revenue and cost of sales recognised in the profit or loss are disclosed in Note 5 and Note 6 of the financial statements respectively.	We have performed the procedures below: • Tested relevant key internal controls over revenue and cost recognition and budgeting process for projects. • Selected on a sampling basis management prepared budgets for certain construction contracts and verified contract sum against underlying documents. We tested computation of budgeted costs and checked that the budgets are regularly reviewed by management. • Selected on a sampling basis actual costs incurred during the year. Tested the appropriateness of actual costs incurred and that they are recorded in the correct accounting period. • Performed recomputation of revenue and costs based on the percentage of completion.

INDEPENDENT AUDITORS' REPORT
to the members of KUB Malaysia Berhad
(Incorporated in Malaysia)

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.

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.

INDEPENDENT AUDITORS' REPORT
to the members of KUB Malaysia Berhad
(Incorporated in Malaysia)

- 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

(a) As stated in Note 2 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, 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 ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and the financial performance and cash flows for the year then ended.

(b) 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 - 02903/11/2019 J
Chartered Accountant

29 March 2019

STATEMENTS OF PROFIT OR LOSS

for the financial year ended 31 December 2018

		Group		Company	
	Note	31.12.2018 RM'000	31.12.2017 RM'000 Restated*	31.12.2018 RM'000	31.12.2017 RM'000 Restated*
Continuing operations					
Revenue	5	**480,074**	498,104	**24,173**	17,971
Cost of sales	6	**(439,746)**	(448,702)	**–**	–
Gross profit		**40,328**	49,402	**24,173**	17,971
Other income		**15,379**	19,480	**44,598**	26,805
Distribution expenses		**(1,315)**	(1,327)	**–**	–
Administrative expenses		**(37,745)**	(35,136)	**(19,063)**	(19,522)
Other expenses		**(4,852)**	(3,762)	**(8,567)**	(6,731)
Profit from operating activities		**11,795**	28,657	**41,141**	18,523
Finance income	7	**1,971**	2,646	**917**	586
Finance costs	8	**(5,550)**	(253)	**(1,787)**	(681)
Share of results of associates		**3,313**	7,925	**–**	–
Profit before zakat and taxation	9	**11,529**	38,975	**40,271**	18,428
Zakat		**(1,375)**	(639)	**–**	–
Taxation	12	**(5,893)**	(7,576)	**–**	–
Profit for the year from continuing operations		**4,261**	30,760	**40,271**	18,428
Discontinued operations					
(Loss)/Profit for the year from discontinued operations, net of tax	13	**(23,756)**	260	**–**	–
(Loss)/Profit for the year		**(19,495)**	31,020	**40,271**	18,428
(Loss)/Profit attributable to:					
Owners of the parent					
- from continuing operations		**4,201**	30,719	**40,271**	18,428
- from discontinued operations		**(3,024)**	1,676	**–**	–
		1,177	32,395	**40,271**	18,428
Non-controlling interests		**(20,672)**	(1,375)	**–**	–
		(19,495)	31,020	**40,271**	18,428
Basic and diluted earnings/(loss) per ordinary share attributable to owners of the parent (sen)	14				
- from continuing operations		**0.75**	5.52		
- from discontinued operations		**(0.54)**	0.30		
		0.21	5.82		

* The comparative information has been restated as a result of the transitioning to the MFRS framework and the initial application of MFRS 9 and MFRS 15 as disclosed in Note 2.

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2018

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated*	31.12.2018 RM'000	31.12.2017 RM'000 Restated*
(Loss)/Profit for the year	**(19,495)**	31,020	**40,271**	18,428
Item that will not be reclassified subsequently to profit or loss:				
Fair value (loss)/gain on quoted investment at fair value through other comprehensive income (FVTOCI)	**(2,239)**	1,444	**(2,239)**	1,444
Other comprehensive (loss)/income for the year, net of tax	**(2,239)**	1,444	**(2,239)**	1,444
Total comprehensive (loss)/ income for the year	**(21,734)**	32,464	**38,032**	19,872
Total comprehensive (loss)/ income attributable to:				
Owners of the parent				
- from continuing operations	**1,962**	32,163	**38,032**	19,872
- from discontinued operations	**(3,024)**	1,676	**–**	–
	(1,062)	33,839	**38,032**	19,872
Non-controlling interests	**(20,672)**	(1,375)	**–**	–
	(21,734)	32,464	**38,032**	19,872

* The comparative information has been restated as a result of the transitioning to the MFRS framework and the initial application of MFRS 9 and MFRS 15 as disclosed in Note 2.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2018

			Group	
	Note	31.12.2018 RM'000	31.12.2017 RM'000 Restated*	1.1.2017 RM'000 Restated*
Assets				
Non-current assets				
Property, plant and equipment	15	**226,821**	228,159	212,868
Investment properties	16	**13,035**	12,520	15,629
Investments in associates	18	**42,427**	41,994	34,069
Other investments	19	**4,563**	6,776	5,186
Long term prepaid expenses	20	**805**	–	–
Intangible assets	21	**–**	2,756	902
Deferred tax assets	24	**–**	2,094	3,224
		287,651	294,299	271,878
Current assets				
Inventories	25	**6,953**	11,754	8,869
Biological assets	26	**724**	830	994
Trade and other receivables	23	**47,772**	101,500	81,749
Contract assets	23	**2,065**	16,765	2,074
Tax recoverable		**1,899**	789	365
Derivative financial assets	35	**23**	–	–
Short term investment	27	**20,193**	–	–
Cash and bank balances	28	**123,432**	119,088	133,865
		203,061	250,726	227,916
Non-current assets held for sale	13	**106,805**	3,731	3,534
Total assets		**597,517**	548,756	503,328

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2018

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000 Restated*	Group 1.1.2017 RM'000 Restated*
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital	29	**228,863**	228,863	222,586
Reserves	30	**47,006**	49,245	54,078
Retained earnings		**39,611**	49,564	22,734
		315,480	327,672	299,398
Non-controlling interest		**(11,468)**	9,204	10,579
Total equity		**304,012**	336,876	309,977
Non-current liabilities				
Borrowings	32	**115,163**	50,549	51,136
Deferred tax liabilities	24	**12,532**	12,312	12,584
Deferred income	33	**2,513**	2,620	2,673
		130,208	65,481	66,393
Current liabilities				
Trade and other payables	34	**106,499**	138,547	110,260
Contract liabilities	34	**238**	1,433	996
Borrowings	32	**55,765**	6,269	11,951
Derivative financial liabilities	35	**–**	23	7
Provision for tax		**795**	127	3,744
		163,297	146,399	126,958
Total liabilities		**293,505**	211,880	193,351
Total equity and liabilities		**597,517**	548,756	503,328

* The comparative information has been restated as a result of the transitioning to the MFRS framework and the initial application of MFRS 9 and MFRS 15 as disclosed in Note 2.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2018

	Note	Company 31.12.2018 RM'000	31.12.2017 RM'000 Restated*	1.1.2017 RM'000 Restated*
Assets				
Non-current assets				
Property, plant and equipment	15	**15,341**	24,952	26,205
Investment properties	16	**3,371**	3,444	3,517
Investments in subsidiaries	17	**270,262**	258,448	220,029
Investments in associates	18	**9,000**	9,000	9,000
Other investments	19	**4,563**	6,776	5,186
Due from subsidiaries	22	**–**	9,718	1,028
		302,537	312,338	264,965
Current assets				
Trade and other receivables	23	**666**	1,422	937
Due from subsidiaries	22	**3,182**	5,591	–
Cash and bank balances	28	**18,594**	6,111	15,277
		22,442	13,124	16,214
Non-current assets held for sale	13	**8,593**	–	–
Total assets		**333,572**	325,462	281,179
Equity and liabilities				
Equity				
Share capital	29	**228,863**	228,863	222,586
Reserves	30	**872**	3,111	7,944
Retained earnings		**73,313**	44,172	31,309
Total equity		**303,048**	276,146	261,839
Non-current liabilities				
Borrowings	32	**123**	204	1,286
Due to subsidiaries	22	**9,775**	38,055	6,395
		9,898	38,259	7,681
Current liabilities				
Trade and other payables	34	**9,257**	9,125	9,809
Borrowings	32	**1,080**	1,082	1,847
Due to subsidiaries	22	**10,289**	850	–
Provision for tax		**–**	–	3
		20,626	11,057	11,659
Total liabilities		**30,524**	49,316	19,340
Total equity and liabilities		**333,572**	325,462	281,179

* The comparative information has been restated as a result of the transitioning to the MFRS framework and the initial application of MFRS 9 and MFRS 15 as disclosed in Note 2.

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

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2018

2018 Group	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves, total RM'000	Capital reserve RM'000	Capital redemption 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
			← Attributable to owners of the parent							→		
			Non-distributable		Distributable	← Non-distributable					→	
As at 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 at 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 2018

			Attributable to owners of the parent									
			Non-distributable		Distributable	Non-distributable						
2017 Group	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves, total RM'000	Capital reserve RM'000	Capital redemption 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 at 1 January 2017	306,731	296,357	222,586	5,965	19,693	48,113	34,016	312	1,667	971	11,147	10,374
Effects of adoption of new standards (Note 42)	110	(95)	–	–	(95)	–	–	–	–	–	–	205
Deconsolidation of a subsidiary (i)	3,136	3,136	–	–	3,136	–	–	–	–	–	–	–
As at 1 January 2017 (restated)	**309,977**	**299,398**	**222,586**	**5,965**	**22,734**	**48,113**	**34,016**	**312**	**1,667**	**971**	**11,147**	**10,579**
Profit/(Loss) for the year	31,020	32,395	–	–	32,395	–	–	–	–	–	–	(1,375)
Other comprehensive income for the year	1,444	1,444	–	–	–	1,444	–	–	1,444	–	–	–
Total comprehensive income/(loss)	32,464	33,839	–	–	32,395	1,444	–	–	1,444	–	–	(1,375)
Transactions with owners												
Dividends paid (Note 31)	(5,565)	(5,565)	–	–	(5,565)	–	–	–	–	–	–	–
Transfer pursuant to S618(2) of CA 2016 (ii)	–	–	6,277	(5,965)	–	(312)	–	(312)	–	–	–	–
As at 31 December 2017	336,876	327,672	228,863	–	49,564	49,245	34,016	–	3,111	971	11,147	9,204

(i) Deconsolidation of a subsidiary, TDM Mark-Well Sdn Bhd which was wound up in prior years.

(ii) Pursuant to Section 618(2) of the Companies Act, 2016 ('CA 2016'), any outstanding share premium and capital redemption reserve accounts shall become part of share capital.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 31 December 2018

		Non-distributable		Distributable	← Non-distributable →		
2018 Company	**Equity, total RM'000**	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings RM'000**	**Other reserves, total RM'000**	**Capital redemption reserve RM'000**	**Fair value adjustment reserve RM'000**
As at 1 January 2018	**276,146**	**228,863**	**–**	**44,172**	**3,111**	**–**	**3,111**
Profit for the year	**40,271**	**–**	**–**	**40,271**	**–**	**–**	**–**
Other comprehensive loss for the year	**(2,239)**	**–**	**–**	**-**	**(2,239)**	**–**	**(2,239)**
Total comprehensive income	**38,032**	**–**	**–**	**40,271**	**(2,239)**	**–**	**(2,239)**
Dividends paid (Note 31)	**(11,130)**	**–**	**–**	**(11,130)**	**–**	**–**	**–**
As at 31 December 2018	**303,048**	**228,863**	**–**	**73,313**	**872**	**–**	**872**
2017 Company							
As at 1 January 2017	260,477	222,586	5,965	29,947	1,979	312	1,667
Effects of adoption of new standards (Note 42)	1,362	–	–	1,362	–	–	–
As at 1 January 2017 (restated)	261,839	222,586	5,965	31,309	1,979	312	1,667
Profit for the year	18,428	–	–	18,428	–	–	–
Other comprehensive income for the year	1,444	–	–	–	1,444	–	1,444
Total comprehensive income	19,872	–	–	18,428	1,444	–	1,444
Dividends paid (Note 31)	(5,565)	–	–	(5,565)	–	–	–
Transfer pursuant to S618(2) of CA 2016	–	6,277	(5,965)	–	(312)	(312)	–
As at 31 December 2017	276,146	228,863	–	44,172	3,111	–	3,111

The accompanying Notes form an integral part of the Financial Statements

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

	Group		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000 Restated***	**31.12.2018 RM'000**	**31.12.2017 RM'000 Restated***
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
(Loss)/Profit before zakat and taxation	**(33,375)**	40,390	**40,271**	18,428
- continuing operations	**11,529**	38,975	**40,271**	18,428
- discontinued operations (Note 13)	**(44,904)**	1,415	**–**	–
Adjustments for:				
Amortisation of intangible assets for discontinued operations	**211**	230	**–**	–
Depreciation of:				
- property, plant and equipment	**19,976**	15,821	**1,696**	1,504
- continuing operations	**11,610**	8,749	**1,696**	1,504
- discontinued operations	**8,366**	7,072	**–**	–
- investment properties	**353**	464	**73**	73
Amortisation of deferred income				
- discontinued operations	**(107)**	(53)	**–**	–
Finance costs	**8,493**	1,909	**1,787**	681
- continuing operations	**5,550**	253	**1,787**	681
- discontinued operations	**2,943**	1,656	**–**	–
(Gain)/Loss on fair value changes of derivative instruments	**(23)**	23	**–**	–
Gain on fair value changes in short term investment	**(838)**	–	**–**	–
Gain on fair value changes in investment in unquoted shares	**(26)**	(146)	**(26)**	(146)
(Gain)/Loss on fair value changes in biological assets	**106**	164	**–**	–
- continuing operations	**(80)**	(6)	**–**	–
- discontinued operations	**186**	170	**–**	–
Allowance for impairment on trade and other receivables	**1,753**	780	**–**	–
- continuing operations	**1,465**	531	**–**	–
- discontinued operations	**288**	249	**–**	–
Allowance for impairment on contract assets	**34**	69	**–**	–

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2018

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated*	31.12.2018 RM'000	31.12.2017 RM'000 Restated*
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (CONT'D)				
Allowance for impairment on amount due from subsidiaries (Note 22)	**–**	–	**1,261**	5
Allowance for impairment on investments in subsidiaries				
- advances to subsidiaries (Note 17)	**–**	–	**–**	5,149
- investment (Note 17)	**–**	–	**5,537**	–
Impairment losses on property, plant and equipment				
- discontinued operations	**29,060**	638	**–**	–
Property, plant and equipment written off	**192**	258	**–**	–
- continuing operations	**192**	36	**–**	–
- discontinued operations	**–**	222	**–**	–
Inventories written off	**2,344**	8	**–**	–
- continuing operations	**96**	–	**–**	–
- discontinued operations	**2,248**	8	**–**	–
Net unrealised loss/(gain) on foreign exchange	**61**	(299)	**–**	–
Gain on disposal of:				
- property, plant and equipment	**(370)**	(6,429)	**–**	(11)
- continuing operations	**(336)**	(6,429)	**–**	(11)
- discontinued operations	**(34)**	–	**–**	–
- assets held for sale	**(6,209)**	(5,956)	**–**	–
- associate	**(800)**	–	**(800)**	–
Dividend income	**(280)**	(1,295)	**(16,160)**	(11,295)
Interest/profit income	**(2,186)**	(2,964)	**(917)**	(586)
- continuing operations	**(1,971)**	(2,646)	**(917)**	(586)
- discontinued operations	**(215)**	(318)	**–**	–

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2018

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated*	31.12.2018 RM'000	31.12.2017 RM'000 Restated*
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (CONT'D)				
Forfeiture of cylinder deposits payable	**(2,067)**	–	**–**	–
Reversal of impairment on property, plant and equipment	**–**	(277)	**–**	–
Provision/(Reversal of provision) for liquidated ascertained damages	**59**	(1,291)	**–**	–
Reversal of allowance for impairment on receivables	**(94)**	(477)	**–**	–
- continuing operations	**(94)**	(401)	**–**	–
- discontinued operations	**–**	(76)	**–**	–
Reversal of allowance for impairment:				
- amount due from subsidiaries	**–**	–	**(544)**	(250)
- advances to subsidiaries	**–**	–	**(42,371)**	(2,871)
- investments in subsidiaries	**–**	–	**–**	(22,764)
Share of results of associates	**(3,313)**	(7,925)	**–**	–
Operating Profit/(Loss) Before Changes in Working Capital	**12,954**	33,642	**(10,193)**	(12,083)
Changes in working capital:				
Inventories	**2,457**	(2,893)	**–**	–
Trade and other payables	**(24,910)**	29,811	**757**	(684)
Trade and other receivables	**60,972**	(20,594)	**130**	(489)
Contract assets	**14,700**	(14,691)	**–**	–
Contract liabilities	**(1,195)**	437	**–**	–
Cash Generated From/(Used In) Operations	**64,978**	25,712	**(9,306)**	(13,256)
Zakat paid	**(668)**	(639)	**–**	–
Tax paid	**(8,302)**	(11,969)	**–**	(3)
Net Cash Generated From/ (Used In) Operating Activities	**56,008**	13,104	**(9,306)**	(13,259)

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2018

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated*	31.12.2018 RM'000	31.12.2017 RM'000 Restated*
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Acquisition of property, plant and equipment (Note 15)	**(168,269)**	(38,005)	**(678)**	(378)
Acquisition of short-term investment	**(20,000)**	–	**–**	–
Additions to intangible asset (Note 21)	**(523)**	(2,084)	**–**	–
Additions to investment properties (Note 16)	**(868)**	(232)	**–**	–
Net repayment of advances from subsidiaries	**–**	–	**17,046**	295
Dividends received	**280**	1,295	**16,160**	11,295
Interest/profit received	**2,186**	2,964	**917**	586
Realised gain on disposal of investment	**17**	–	**–**	–
Proceeds from disposal of property, plant and equipment	**482**	14,488	**–**	138
Proceeds from disposal of assets classified as held for sale	**9,940**	8,169	**–**	–
Net proceeds from disposal of a subsidiary (Note 13)	**26,240**	–	**–**	–
Repayment of amount due from subsidiaries	**–**	–	**544**	250
Proceeds from disposal of associate	**800**	–	**800**	–
Net Cash (Used In)/Generated From Investing Activities	**(149,715)**	(13,405)	**34,789**	12,186

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2018

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated*	31.12.2018 RM'000	31.12.2017 RM'000 Restated*
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
(Increase)/Decrease of deposits pledged with licensed banks	**(7,284)**	130	**–**	–
Interest/Profit paid	**(8,493)**	(1,909)	**(1,787)**	(681)
Dividend paid	**(11,130)**	(5,565)	**(11,130)**	(5,565)
Net drawdown/(repayment) of short-term borrowings	**46,941**	(3,500)	**1,000**	–
Repayment of hire purchase	**(200)**	(466)	**(83)**	(197)
Drawdown of term loans	**77,245**	–	**–**	–
Repayment of term loans	**(5,310)**	(3,376)	**(1,000)**	(1,650)
Net Cash Generated From/(Used In) Financing Activities	**91,769**	(14,686)	**(13,000)**	(8,093)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,938)**	(14,987)	**12,483**	(9,166)
Effects of exchange rate changes on the balance of cash held in foreign currency	**(101)**	(136)	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**94,873**	109,996	**6,111**	15,277
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 28)	**92,834**	94,873	**18,594**	6,111

* The comparative information has been restated as a result of the transitioning to the MFRS framework and the initial application of MFRS 9 and MFRS 15 as disclosed in Note 2.

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 energy, agricultural businesses, information and communications technology, food, 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 except for the cessation of its food segment following the disposal of A&W (Malaysia) Sdn Bhd.

The registered office and principal place of business of the Company is located at Level 8-11, 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 29 March 2019.

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) Transitioning to MFRS framework

The financial statements of the Group and of the Company for the financial year ended 31 December 2018 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 – First-time Adoption of Malaysian Financial Reporting Standards and the Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants.

The Group has consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 January 2017 and throughout all the financial years presented, as if these policies had always been in effect. Comparative information in these financial statements have been restated to give effect to these changes and the financial impact of the transition to MFRS on the Group's and the Company's reported financial position and financial performance, are as disclosed in Note 42.

(ii) Adoption of New Standards

In the current financial year, the Group and the Company adopted the following accounting standards and amendments to the MFRSs effective for annual financial periods beginning on or after 1 January 2018.

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 140	Transfer of Investment Property
Amendments to MFRSs	Annual Improvements to MFRS Standards 2014 – 2016 Cycle
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

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) Adoption of New Standards (cont'd)

The impact of the adoption of MFRS 9 and MFRS 15 is disclosed in Note 42.

Other than the adoption of the new standards above, 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.

(iii) 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 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRSs	Annual Improvements to MFRSs 2015-2017 Cycle	1 January 2019
Amendments to MFRS 9	Financial Instruments - Prepayment Features Negative Compensation	1 January 2019
Amendments to MFRS 3	Business Combination – Definition of a Business	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 119	Employee Benefits - Plan Amendment, Curtailment and Settlement	1 January 2019
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Other than MFRS 16, 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

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

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

(iii) Standards issued but not yet effective (cont'd)

MFRS 16 Leases

MFRS 16 Leases supersedes MFRS 117 Leases and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a 'right-of-use' of the underlying assets and lease liability reflecting future lease payments for most leases.

Impact on the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. MFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

Impact on Lessee Accounting

Operating lease

MFRS 16 will change how the Group accounts for leases previously classified as operating leases under MFRS 117, which were off-balance sheet.

On initial application of MFRS 16, the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statements of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statements of 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 cash flows statement.

Under MFRS 16, right-of-use assets will be tested for impairment in accordance with MFRS 136 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of twelve (12) months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by MFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RM4,910,000.

NOTES TO THE FINANCIAL STATEMENTS

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

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

(iii) Standards issued but not yet effective (cont'd)

Impact on Lessee Accounting (cont'd)

Finance lease

The main differences between MFRS 16 and MFRS 117 with respect to assets formerly held under a finance lease 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.

Impact for Lessor Accounting

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases, and account for them differently.

During the financial year, the Group has assessed the impact of applying MFRS 16 and based on the analysis, the impact would be an approximate decrease of the Group's retained earnings by RM189,000 and increase of total assets and liabilities by RM3,971,000 and RM4,160,000 respectively. The Group will present the right-of-use assets as part of property, plant and equipment and the lease liabilities as part of liabilities in the balance sheet.

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 the Group does not expect any significant impact on 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 117 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of Consolidation (cont'd)

Business combinations and goodwill (cont'd)

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) Energy segment

The revenue from sales of liquefied petroleum gas ('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 cash upon delivery and is due immediately.

(b) Agro segment

Sale of fresh fruit bunches ('FFB'), crude palm oil and kernel 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 thirty (30) days.

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') segment

The Group's revenue from ICT segment 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.

(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. Work done is measured based on external certification of project activities. 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 the required works are completed.

(d) Power segment

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 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 Employee 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.

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 twelve (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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Income taxes (cont'd)

(a) Current tax (cont'd)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Foreign currency (cont'd)

(b) Foreign currency transactions (cont'd)

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.

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 amortised over their lease terms.

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 twenty five (25) years.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Property, plant and equipment (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Intangible assets

The initial fee is incurred for right granted by the franchisor to operate A&W restaurants. The restaurants' initial franchise fees are stated at cost and are amortised on a straight line basis over 10 to 15 years. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.14 Biological assets

The biological assets of the Group comprise 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.

3.15 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statements 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 subsequently 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 subsequently 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 subsequently 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)

3.16 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 subsequently 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 – interest income' line item (Note 7).

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Financial instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

(ii) Equity instruments designated as at FVTOCI

On initial recognition, 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
- on initial recognition 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).

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 and contract assets. The amount of ECL 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 and contract assets. The ECL 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

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

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets (cont'd)

(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 and also recognises a collateralised borrowing for the proceeds received.

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 derecognition 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)

3.16 Financial instruments (cont'd)

Financial liabilities (cont'd)

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
- on initial recognition 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 derecognition of the financial liability.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Financial instruments (cont'd)

Financial liabilities (cont'd)

Financial liabilities measured subsequently 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 subsequently 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.

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.

3.17 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 biling exceeds the revenue recognised to date under the cost-to-cost method.

3.18 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of liquefied petroleum gas 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 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.

3.20 Grants

Grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all conditions attached will be met. Grants relating to assets are included in non-current liabilities as deferred income and are amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment or by deducting the grants in arriving at the carrying amount of the asset. Grants relating to costs are recognised immediately through profit or loss to match them with the costs incurred.

3.21 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.

3.22 Leases

(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)

3.23 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.

3.24 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.

3.25 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.26 Segment reporting

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

3.27 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.

3.28 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.

NOTES TO THE FINANCIAL STATEMENTS

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

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 investments in subsidiaries (Note 17) and associates (Note 18)

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.

(b) Construction contracts (Note 23)

Power and ICT segment recognises 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.

(c) Impairment for ECLs of trade receivables and contract assets (Note 23)

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

4.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment for ECLs of trade receivables and contract assets (Note 23) (cont'd)

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.

(d) Fair value of biological assets

As per MFRS 141 Agriculture, a biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. The Group determines the fair value of unharvested FFB based on the present value of the expected to be generated from the sale of FFB which requires estimation on the quantity. The value of unripe FFB was estimated to be approximately 80% of the ripe FFB, based on actual oil and kernel extraction rates from the laboratory tests and subsequently projected using average estimated yield per harvest.

5. REVENUE

Revenue for continuing operations comprise of the following:

	Group		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000 Restated**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Revenue from contract with customers	**329,532**	349,195	**8,013**	6,676
Revenue from other sources:				
– government subsidy on LPG	**147,732**	144,986	**–**	–
– rental income	**2,530**	2,628	**–**	–
Dividend income from:				
– subsidiaries	**–**	–	**13,000**	10,000
– associates	**–**	–	**2,880**	–
– others	**280**	1,295	**280**	1,295
	480,074	498,104	**24,173**	17,971

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE (CONT'D)

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 product segments. This is consistent with the revenue information that is disclosed for each reportable segment under MFRS 8 Operating Segments as per Note 41:

Group 2018	**Energy RM'000**	**Agro RM'000**	**ICT RM'000**	**Power RM'000**	**Total RM'000**
Sale of LPG	**256,913**	**–**	**–**	**–**	**256,913**
Sale of equipment	**–**	**–**	**16,987**	**–**	**16,987**
Sale of FFB	**–**	**25,288**	**–**	**–**	**25,288**
Maintenance services	**–**	**–**	**7,182**	**–**	**7,182**
Construction contract	**–**	**–**	**–**	**21,228**	**21,228**
Others	**–**	**–**	**–**	**1,934**	**1,934**
	256,913	**25,288**	**24,169**	**23,162**	**329,532**
Timing of revenue recognition:					
– at a point in time	**256,913**	**25,288**	**24,169**	**1,934**	**308,304**
– over time	**–**	**–**	**–**	**21,228**	**21,228**
	256,913	**25,288**	**24,169**	**23,162**	**329,532**

Group 2017	**Energy RM'000**	**Agro RM'000**	**ICT RM'000**	**Power RM'000**	**Total RM'000**
Sale of LPG	264,413	–	–	–	264,413
Sale of equipment	–	–	19,806	–	19,806
Sale of FFB	–	22,832	–	–	22,832
Maintenance services	–	–	10,472	–	10,472
Construction contract	–	–	1,698	27,307	29,005
Others	–	–	–	2,667	2,667
	264,413	22,832	31,976	29,974	349,195
Timing of revenue recognition:					
– at a point in time	264,413	22,832	30,278	2,667	320,190
– over time	–	–	1,698	27,307	29,005
	264,413	22,832	31,976	29,974	349,195

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.

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE (CONT'D)

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2018 are as set out below:

	31.12.2018 RM'000
Construction contracts	**2,440**

(As permitted under the transitional provisions in MFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.)

Management expects that the unsatisfied contracts above as of the year ended 2018 will be recognised as revenue during the next reporting period.

6. COST OF SALES

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Cost of inventories sold	**419,613**	418,494
Cost of construction services	**13,326**	22,748
Cost of services rendered	**6,807**	7,460
	439,746	448,702

7. FINANCE INCOME

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Finance income from:				
– subsidiaries	**–**	–	**632**	325
– banks and other financial institutions	**1,971**	2,646	**285**	261
	1,971	2,646	**917**	586

8. FINANCE COSTS

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Finance costs on:				
– bank borrowings	**5,516**	235	**109**	127
– obligations under hire purchase	**34**	18	**13**	18
– intercompany advances	**–**	–	**1,665**	536
	5,550	253	**1,787**	681

NOTES TO THE FINANCIAL STATEMENTS

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		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000 Restated**	**31.12.2018 RM'000**	**31.12.2017 RM'000 Restated**
Depreciation of:				
– property, plant and equipment	**11,610**	8,749	**1,696**	1,504
– investment properties (Note 16)	**353**	464	**73**	73
Auditors' remuneration (Note 10)	**644**	687	**304**	255
Employee benefits expense (a)	**34,212**	29,754	**12,841**	12,466
Non-executive Directors' remuneration (Note 11)	**1,626**	1,812	**972**	1,068
Allowance for impairment:				
– trade and other receivables	**1,465**	531	**–**	–
– contract assets	**34**	69	**–**	–
– advance to subsidiaries (Note 17)	**–**	–	**–**	5,149
– due from subsidiaries (Note 22)	**–**	–	**1,261**	5
– investment in subsidiaries (Note 17)	**–**	–	**5,537**	–
Provision for liquidated ascertained damages (Note 34)	**59**	–	**–**	–
Property, plant and equipment written off	**192**	36	**–**	–
Inventories written off	**96**	–	**–**	–
Loss on fair value changes of derivatives instruments	**–**	23	**–**	–
Realised loss on foreign exchange	**9**	8	**–**	–
Unrealised loss on foreign exchange	**101**	136	**–**	–

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

(a) Employee Benefits Expenses

The employee benefit expenses for continuing operations are as follows:

	Group		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Wages, bonuses and salaries	**27,435**	23,049	**10,201**	10,230
Social security contributions	**184**	156	**67**	56
Contributions to defined contribution plans	**2,656**	2,450	**1,084**	1,032
Other benefits	**3,937**	4,099	**1,489**	1,148
	34,212	29,754	**12,841**	12,466

Included in employee benefits expense of the Group and the Company is the Company's Executive Director's remuneration amounting to RM1,192,000 (2017: RM1,328,600) as disclosed in Note 11.

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	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	31.12.2018 RM'000	31.12.2017 RM'000 Restated
Gain on disposal of property, plant and equipment	**336**	6,429	**–**	11
Gain on disposal of non-current assets held for sale	**6,209**	5,956	**–**	–
Gain on disposal of associate company	**800**	–	**800**	–
Gain on fair value changes in investment unquoted share	**26**	146	**26**	146
Gain on fair value changes in biological assets	**80**	6	**–**	–
Realised gain on fair value changes in short-term investment (Note 27)	**17**	–	**–**	–
Unrealised gain on fair value changes in short-term investment (Note 27)	**838**	–	**–**	–
Forfeiture of cylinder deposits payable	**2,067**	–	**–**	–
Rental income	**370**	890	**771**	739
Reversal of provision for liquidated ascertained damages (Note 34)	**–**	1,291	**–**	–
Reversal of allowance for:				
– advances to subsidiaries (Note 17)	**–**	–	**42,371**	2,871
– investment in subsidiaries (Note 17)	**–**	–	**–**	22,764
– amount due from subsidiaries (Note 22)	**–**	–	**544**	250
Reversal of impairment on receivables	**94**	401	**–**	–
Gain on fair value changes in derivative instruments	**23**	–	**–**	–
Realised gain on foreign exchange	**3,331**	3,156	**–**	6
Unrealised gain on foreign exchange	**40**	299	**–**	–
Reversal of impairment of property, plant and equipment (Note 15)	**–**	277	**–**	–

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

NOTES TO THE FINANCIAL STATEMENTS

10. AUDITORS' REMUNERATION

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

	Group		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
Auditors' remuneration:				
Statutory audits				
– to the Company's auditors	**428**	400	**130**	120
– to other firms of auditors	**22**	18	**–**	–
Other services				
– to the Company's auditors*	**167**	378	**89**	114
– to other firms of auditors	**139**	74	**85**	21
Total auditors' remuneration	**756**	870	**304**	255
– continuing operations	**644**	687	**304**	255
– discontinued operations	**112**	183	**–**	–
Total auditors' remuneration	**756**	870	**304**	255

* Fees for other services to the Company's auditors, Deloitte PLT and its other member firm 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. Included in the previous year was fees in relation to the advisory services for the implementation of the Malaysian Financial Reporting Standards.

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	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Executive Director:				
Salaries and other emoluments	**870**	840	**870**	840
Bonus	**158**	315	**158**	315
Defined contribution plans	**164**	174	**164**	174
Total executive Director's remuneration excluding benefits-in-kind	**1,192**	1,329	**1,192**	1,329
Estimated money value of benefits-in-kind	**106**	62	**106**	62
	1,298	1,391	**1,298**	1,391
Non-executive Directors:				
Fees				
– current year	**676**	737	**470**	504
– previous year	**20**	–	**–**	–
Allowances	**930**	1,075	**502**	564
Total non-executive Directors' remuneration excluding benefits-in-kind (Note 9)	**1,626**	1,812	**972**	1,068
Estimated money value of benefits-in-kind	**167**	177	**133**	154
	1,793	1,989	**1,105**	1,222
Total Directors' remuneration excluding benefits in kind	**2,818**	3,141	**2,164**	2,397
Estimated money value of benefits-in-kind	**273**	239	**239**	216
Total Directors' remuneration	**3,091**	3,380	**2,403**	2,613

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 2018 and 31 December 2017 are as follows:

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	31.12.2018 RM'000	31.12.2017 RM'000
Continuing operations:				
Estimated income tax:				
– Current income tax	**4,871**	7,422	**–**	–
– Under/(Over) provision in prior years	**680**	(110)	**–**	–
	5,551	7,312	**–**	–
Deferred tax:				
– Origination of temporary differences	**749**	241	**–**	–
– (Over)/Under provision in prior years	**(407)**	23	**–**	–
	342	264	**–**	–
Total	**5,893**	7,576	**–**	–
Tax expense for the year				
– Continuing operations	**5,893**	7,576	**–**	–
– Discontinued operations	**2,131**	1,155	**–**	–
Tax expense for the year	**8,024**	8,731	**–**	–

Domestic income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit/(loss) for the year.

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	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	31.12.2018 RM'000	31.12.2017 RM'000 Restated
Continuing operations:				
Profit before zakat and taxation	**11,529**	38,975	**40,271**	18,428
Tax at the statutory tax rate of 24% (2017: 24%)	**2,767**	9,354	**9,665**	4,423
Income not subject to tax	**(2,025)**	(4,617)	**(14,513)**	(8,967)
Net effect of expenses not deductible for tax purposes	**3,249**	2,104	**4,848**	4,544
Effect on share of results of associate	**795**	1,902	**–**	–
Deferred tax asset not recognised during the year	**999**	5	**–**	–
Effect of utilisation of previously unrecognised tax losses and capital allowances	**(165)**	(1,085)	**–**	–
Under/(Over) provision of tax expense in prior years	**680**	(110)	**–**	–
(Over)/Under provision of deferred tax in prior years	**(407)**	23	**–**	–
Tax expense for the year	**5,893**	7,576	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

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

Discontinued Operations

(i) 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 segment.

The disposal was completed on 19 September 2018 on which date control of AWM was passed to the acquirer. Included as a post completion obligation is for Inter Mark Resources Sdn Bhd to procure and ensure the release of all securities, indemnities and guarantees issued by the Group within six (6) months of the completion date. However, as at the date of these financial statements, the release of the Group's guarantee of RM7,000,000 to AgroBank has yet to be completed.

The disposal resulting in a gain of RM23,279,000.

(ii) During the current financial year, the Group commenced active discussions with potential buyers as the Board 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 as these operations represents a separate major line of business and/or geographical area of operations are expected to be sold within twelve (12) months. The proceeds of the disposal are expected to be substantially exceeded the carrying amount of the oil palm plantation and no impairment losses has been recognised on the recognition as held for sale. An impairment loss of RM26,095,000 has been recognised for the palm oil mill on recognition as held for sale.

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

	31.12.2018 RM'000	31.12.2017 RM'000
Revenue	**89,878**	101,173
Cost of sales	**(68,155)**	(58,618)
Gross profit	**21,723**	42,555
Other income	**773**	720
Distribution expenses	**(1,333)**	(1,372)
Administrative expenses	**(29,479)**	(34,963)
Finance income	**215**	318
Finance costs	**(2,943)**	(1,656)
Other expenses	**(33,860)**	(4,187)
(Loss)/Profit before taxation from discontinued operations	**(44,904)**	1,415
Taxation	**(2,131)**	(1,155)
	(47,035)	260
Gain on sale of discontinued operation*	**23,279**	–
(Loss)/Profit for the year from discontinued operations, net of tax	**(23,756)**	260
Net (Loss)/Profit from discontinued operations attributable to the owners of the parents	**(3,024)**	1,676

** Being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net asset.*

Summary of the financial results of discontinued operations by segments above are disclosed in Note 41(b).

NOTES TO THE FINANCIAL STATEMENTS

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

The (loss)/profit before taxation from discontinued operations is stated after charging/(crediting) the following:

	31.12.2018 RM'000	31.12.2017 RM'000
Employee benefit expenses	**22,453**	24,605
Depreciation of property, plant and equipment	**8,366**	7,072
Amortisation of intangible assets	**211**	230
Impairment losses on property, plant and equipment	**29,060**	638
Property, plant and equipment written off	**–**	222
Royalties expenses	**2,444**	3,095
Advertisement and promotion expenses	**1,124**	1,224
Restoration costs	**100**	720
Rental of premises	**4,804**	5,736
Rental of equipment	**707**	800
Net allowance for impairment on receivables	**288**	173
Directors' remuneration and allowances	**115**	218
Auditor's remuneration	**112**	183
Inventories written off	**2,248**	8
Loss on fair value changes in biological assets	**186**	170
Finance costs	**2,943**	1,656
Finance income	**(215)**	(318)
Rental income	**(16)**	(8)
Amortisation of deferred income	**(107)**	(53)
Gain on disposal of property, plant and equipment	**(34)**	–
Reversal of allowance for impairment on receivables	**–**	(76)

The net cash flows (used in)/from discontinued operation:

	31.12.2018 RM'000	31.12.2017 RM'000
Net cash flows (used in)/generated from operating activities	**(1,572)**	16,453
Net cash used in from investing activities	**(10,292)**	(24,011)
Net cash (used in)/generated from financing activities	**(1,059)**	10,483
Net (decrease)/increase in cash flows for the year	**(12,923)**	2,925

NOTES TO THE FINANCIAL STATEMENTS

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

Effect of disposal of AWM to the financial position of the Group are as follows:

	19.9.2018 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 financial year are as follows:

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
As of 1 January	**3,731**	3,534	**–**	–
Transfer from property, plant and equipment (Note 15)	**106,805**	2,976	**8,593**	–
Disposals	**(3,731)**	(2,212)	**–**	–
Adjustment*	**–**	(1,322)	**–**	–
Transfer from investment properties (Note 16)	**–**	755	**–**	–
As of 31 December	**106,805**	3,731	**8,593**	–

* *Relates to an adjustment of cost of a piece of leasehold land which was disposed off in the previous financial year.*

NOTES TO THE FINANCIAL STATEMENTS

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

Non-current assets held for sale in current year

As at 31 December 2018, the non-current assets held for sale of the Group are in respect of:

(i) parcels of leasehold land with building, infrastructures and bearer plants erected thereon located 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.

(iii) a piece of leasehold land in Petaling Jaya, Selangor for a sale consideration of RM35,535,000. The carrying value of the land as at 31 December 2018 was RM8,593,000. The sale is expected to be completed in the second quarter of 2019.

Total carrying amount of RM52,002,000 in respect of item (i) and (ii) above are pledged to banks as security for borrowings as disclosed in Note 32.

Non-current assets held for sale in prior year

As at 31 December 2017, the non-current assets held for sale of the Group are in respect of:

(i) a piece of leasehold land in Georgetown, Penang for a sale consideration of RM6,000,000 with carrying value of the asset of RM2,976,000 as at 31 December 2017. The sale was completed during the financial year resulting in a net gain on disposal of RM2,727,000.

(ii) one (1) unit of 3-storey shop office in Taman Melawati, Kuala Lumpur with carrying value of RM133,000 as at 31 December 2017. The sales and purchase agreement was signed on 22 December 2017 for a sale consideration of RM2,250,000. The sale was completed during the financial year resulting in a net gain on disposal of RM1,911,000.

(iii) four (4) units of double storey shoplots in Pekan Razaki, Ipoh, Perak with carrying value of RM365,000 as at 31 December 2017. The sale was completed during the financial year resulting in a net gain on disposals of RM795,000.

(iv) three (3) units of double storey shoplots in Batu Gajah, Ipoh, Perak with carrying value of RM257,000 as at 31 December 2017. The sale was completed during the financial year resulting in a net gain on disposal of RM776,000.

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	
	31.12.2018 RM'000	**31.12.2017 RM'000 Restated**
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	**4,201**	30,719
– from discontinued operations	**(3,024)**	1,676
	1,177	32,395

	Group	
	31.12.2018 in '000	**31.12.2017 in '000**
Weighted average number of ordinary shares for basic and diluted earnings per share computation (in '000)	**556,465**	556,465

	31.12.2018 Sen	**31.12.2017 Sen Restated**
Basic and diluted earnings/(loss) per share attributable to the owners of the parent		
– from continuing operations	**0.75**	5.52
– from discontinued operations	**(0.54)**	0.30
	0.21	5.82

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

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
Disposal	–	–	–	–	(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
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 (Note 13)	–	–	–	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

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2017	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 2017, as previously stated	5,908	29,430	–	89,852	186,370	5,478	60,181	377,219
Effects of adoption on new standards (Note 42 (a) (ii))	–	–	86,693	–	–	–	–	86,693
At 1 January 2017, as restated	5,908	29,430	86,693	89,852	186,370	5,478	60,181	463,912
Additions	–	-	1,795	3,743	17,087	728	15,969	39,322
Disposals	(2,600)	(84)	–	(5,915)	(4,787)	(763)	–	(14,149)
Written off	–	–	–	(238)	(1,158)	–	–	(1,396)
Reclassifications	–	–	–	54,136	19,012	–	(73,148)	–
Transfer to non-current assets held for sale (Note 13)	(2,976)	–	–	–	–	–	–	(2,976)
Transfer from investment properties (Note 16)	–	–	–	3,664	–	–	–	3,664
As of 31 December 2017	332	29,346	88,488	145,242	216,524	5,443	3,002	488,377

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2017	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 2017, as previously stated	277	7,144	–	48,997	157,659	2,817	–	216,894
Effects of adoption of new standards (Note 42 (a) (ii))	–	–	34,150	–	–	–	–	34,150
At 1 January 2017, as restated								
Accumulated depreciation	–	7,126	34,150	34,617	149,494	2,673	–	228,060
Accumulated impairment losses	277	18	–	14,380	8,165	144	–	22,984
	277	7,144	34,150	48,997	157,659	2,817	–	251,044
Depreciation charge for the year	–	397	3,208	3,364	8,481	371	–	15,821
Impairment losses	–	–	–	607	31	–	–	638
Reversal of impairment losses	(277)	–	–	–	–	–	–	(277)
Disposals – depreciation	–	(40)	–	(2,119)	(3,296)	(511)	–	(5,966)
– impairment	–	–	–	–	–	(124)	–	(124)
Written off – depreciation	–	–	–	(47)	(1,091)	–	–	(1,138)
Transfer from investment properties (Note 16)	–	–	–	220	–	–	–	220
Accumulated depreciation and impairment								
As of 31 December 2017								
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
Net carrying amount	332	21,845	51,130	94,220	54,740	2,890	3,002	228,159

(a) The net carrying amount of bearer plants comprises of:

	Group 2018 RM'000	Group 2017 RM'000
Matured	**28,151**	49,335
Immature	**3,429**	1,795
	31,580	51,130

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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**

Company 2017	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 2017	15,742	11,265	7,035	1,223	35,265
Additions	–	–	378	–	378
Disposals	–	–	(13)	(755)	(768)
As of 31 December 2017	15,742	11,265	7,400	468	34,875
Accumulated depreciation and impairment					
As of 1 January 2017					
Accumulated depreciation	1,355	2,493	4,513	575	8,936
Accumulated impairment losses	–	–	–	124	124
	1,355	2,493	4,513	699	9,060
Depreciation charge for the year	314	93	1,003	94	1,504
Disposals – depreciation	–	–	(6)	(511)	(517)
– impairment	–	–	–	(124)	(124)
As of 31 December 2017					
Accumulated depreciation	1,669	2,586	5,510	158	9,923
Accumulated impairment losses	–	–	–	–	–
	1,669	2,586	5,510	158	9,923
Net carrying amount	14,073	8,679	1,890	310	24,952

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets under construction

Assets under construction of the Group include capitalised costs in relation to the construction of a distribution logistic facility for a LPG satellite bottling and warehouse of RM7,346,000 (2017: RM2,416,000) and a refrigerated liquid terminal of RM1,439,000 (2017: RM Nil).

Assets held under hire purchase

During the financial year ended 31 December 2018, the property, plant and equipment acquired by means of hire purchase by the Group was RM196,000 (2017: RM597,000).

The carrying amount of assets held under hire purchase of the Group and of the Company at the reporting date were RM985,000 and RM217,000 (2017: RM914,000 and RM310,000) respectively.

Assets pledged as security

As at 31 December 2018, the freehold and leasehold land, factory and buildings, and bearer plants of the Group and of the Company with a total carrying amount of RM129,475,000 and RM13,759,000 (2017: RM108,385,000 and RM14,073,000) respectively are pledged to banks as security for borrowings as disclosed in Note 32. During the current year, RM52,002,000 of assets pledged as security were transferred to non-current assets held for sale (Note 13).

Transfer to non-current assets held for sale

Transfer to non-current assets held for sale of the Group and of the Company in 2018 include:

(i) a piece of leasehold land in Petaling Jaya, Selangor with the carrying value of RM8,593,000.

(ii) an oil palm plantation and a palm oil mill in Mukah, Sarawak of KUB Sepadu Sdn Bhd and KUB Maju Mill Sdn Bhd amounting to RM52,618,000 and RM45,594,000 respectively following the Group's active discussions with the potential buyers to dispose the assets.

Impairment loss on assets

The impairment loss of the Group in 2018 mainly relates to a palm oil mill in Mukah, Sarawak amounting to RM26,095,000 after considering the potential disposal price as the recoverable amount.

Assets written off

The assets that were written off of the Group in the current year are mainly in relation to cylinders, office renovation and matured bearer plants due to replanting exercise.

Reconciliation to the cash flows

Reconciliation to the cash flows for purchase of property, plant and equipment is as follows:

	Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Additions for the financial year	**168,465**	39,322
Less:		
Purchases by means of hire purchase	**(196)**	(597)
Provision for asset retirement obligation	**–**	(720)
	168,269	38,005

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENT PROPERTIES

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 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)

Group 2017	Freehold land and buildings RM'000	Leasehold buildings RM'000	Total RM'000
Cost			
As of 1 January	32,184	1,222	33,406
Addition	232	–	232
Reclassification	(640)	640	–
Adjustment*	–	1,322	1,322
Transfer to assets classified as held for sale (Note 13)	–	(1,462)	(1,462)
Transfer to property, plant and equipment (Note 15)	(3,664)	–	(3,664)
As of 31 December	28,112	1,722	29,834
Accumulated depreciation and impairment losses			
As of 1 January			
Accumulated depreciation	9,566	785	10,351
Accumulated impairment losses	7,426	–	7,426
	16,992	785	17,777
Depreciation for the year	392	72	464
Transfer to assets classified as held for sale (Note 13)	–	(707)	(707)
Transfer to property, plant and equipment (Note 15)	(220)	–	(220)
As of 31 December			
Accumulated depreciation	9,738	150	9,888
Accumulated impairment losses	7,426	–	7,426
	17,164	150	17,314
Net carrying amount	10,948	1,572	12,520
Fair value	25,670	3,600	29,270

* *Relates to an adjustment of cost of a piece of leasehold land which was subsequently disposed off in the previous year.*

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENT PROPERTIES (CONT'D)

Company	Freehold buildings RM'000
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**
2017	
Cost	
As of 1 January/31 December	3,664
Accumulated depreciation	
As of 1 January	147
Depreciation for the year	73
As of 31 December	220
Net carrying amount	3,444
Fair value	5,770

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

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Rental income	**2,530**	2,628
Direct operating expenses	**1,758**	1,947

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENT PROPERTIES (CONT'D)

Valuation of investment properties

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Fair value measurement using significant unobservable inputs (Level 3)				
Investment properties carried at cost	**35,600**	29,270	**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 land and buildings of the Group and the Company with net carrying amount of RM4,388,000 and RM3,371,000 (2017: RM4,388,000 and RM3,444,000) respectively, are pledged as security for borrowings as disclosed in Note 32.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	31.12.2018 RM'000	31.12.2017 RM'000
Unquoted shares, at cost (a)	**256,004**	253,571
Less: Accumulated impairment losses (b)	**(46,222)**	(43,789)
	209,782	209,782
Advances to subsidiaries (c)	**251,633**	282,190
Less: Accumulated impairment losses	**(198,437)**	(240,808)
	53,196	41,382
Financial guarantees (f)	**10,397**	10,397
Less: Accumulated impairment losses	**(3,113)**	(3,113)
	7,284	7,284
	270,262	258,448

A list of the subsidiaries is shown in Note 44.

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

a) Movement of cost of unquoted shares:

	Company	
	31.12.2018 RM'000	31.12.2017 RM'000
As of 1 January	**253,571**	263,962
Additional for the year (d)(i)	**5,537**	–
Write-off of investment in subsidiaries	**(3,104)**	(10,391)
As of 31 December	**256,004**	253,571

b) Movement in impairment account for unquoted shares:

	Company	
	31.12.2018 RM'000	31.12.2017 RM'000
As of 1 January	**43,789**	76,944
Charge for the year (Note 9)	**5,537**	–
Reversal of impairment in investment in subsidiaries (Note 9)	**–**	(22,764)
Write-off of investment in subsidiaries (d)(ii)	**(3,104)**	(10,391)
As of 31 December	**46,222**	43,789

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	
	31.12.2018 RM'000	31.12.2017 RM'000
As of 1 January	**282,190**	264,256
Addition for the year	**1,121**	20,805
Transfer from amount due from subsidiaries (Note 22)	**10,693**	–
Repayment for the year	**(36,834)**	(2,871)
Capitalised during the year	**(5,537)**	–
As of 31 December	**251,633**	282,190

Movement in impairment account for advances to subsidiaries:

	Company	
	31.12.2018 RM'000	31.12.2017 RM'000
As of 1 January	**240,808**	238,530
Charge for the year (Note 9)	**–**	5,149
Reversal of impairment on advances to subsidiaries (Note 17(d)(iii))	**(42,371)**	(2,871)
As of 31 December	**198,437**	240,808

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

d) Transactions during the financial year

(i) Subscription of new shares in the subsidiaries

The Company had increased its investment in subsidiary amounting to RM5,537,000 by capitalising the advances made to the said subsidiary.

(ii) Strike off of dormant subsidiaries

During the financial year, two (2) dormant subsidiaries, namely Pelita Espipi Sdn Bhd and ITTAR-ILP (Prai) Sdn Bhd, has 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 previous years.

(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.

e) Transactions during the previous financial year

(i) Reversal of impairment in investment in subsidiaries

The Company had reversed its impairment in investments in KUB Gaz Sdn Bhd and KUB Malua Plantation Sdn Bhd amounting to RM21,300,000 and RM1,500,000 respectively during the previous financial year. These reversals totalling RM22,800,000 is included within other income in the statement of profit or loss. The reversals were made in view of the higher recoverable amount and future value of the subsidiaries.

(ii) Strike off of dormant subsidiaries

In the previous financial year, three (3) dormant subsidiaries, namely KUB Prasarana Sdn Bhd, Creative Communications & Events Sdn Bhd and Academy of Knowledge for Accounting and Leadership Sdn Bhd have been struck off from the register pursuant to Section 550 of the Companies Act, 2016 and are accordingly dissolved.

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.

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

g) Material non-controlling interests

Details of non-wholly owned subsidiaries that have material non-controlling interests:

	(Loss)/Profit allocated to non-controlling interests		Accumulated non-controlling interests	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Name of subsidiaries				
KUB Sepadu Sdn Bhd	**(7,260)**	1,900	**5,901**	13,161
KUB Maju Mill Sdn Bhd	**(13,472)**	(3,317)	**(18,008)**	(4,536)

Proportion of ownership held by non-controlling interests in KUB Sepadu Sdn Bhd: 40% (2017: 40%) and KUB Maju Mill Sdn Bhd: 34% (2017: 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.

During the financial year, the Group has classified business operations of both companies as part of discontinued operations as disclosed in Note 13.

(i) Summarised statement of financial position

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	**2,761**	**1,362**
Total assets	**56,786**	**47,027**
Non-current liabilities	**33,298**	**57,275**
Current liabilities	**8,737**	**42,731**
Total liabilities	**42,035**	**100,006**
Total equity/(capital deficiency)	**14,751**	**(52,979)**

2017	**KUB Sepadu RM'000**	**KUB Maju Mill RM'000**
Non-current assets	53,410	74,479
Current assets	18,502	7,893
Total assets	71,912	82,372
Non-current liabilities	34,021	45,822
Current liabilities	5,371	49,916
Total liabilities	39,392	95,738
Total equity/(capital deficiency)	32,520	(13,366)

NOTES TO THE FINANCIAL STATEMENTS

17. INVESTMENTS IN SUBSIDIARIES (CONT'D)

g) Material non-controlling interests (cont'd)

(ii) Summarised statements of profit or loss

2018	**KUB Sepadu RM'000**	**KUB Maju Mill RM'000**
Revenue	**19,762**	**38,867**
Loss for the year	**(18,148)**	**(39,635)**

2017	**KUB Sepadu RM'000**	**KUB Maju Mill RM'000**
Revenue	28,951	28,871
Profit/(Loss) for the year	4,750	(9,758)

(iii) Summarised statement of cash flows

2018	**KUB Sepadu RM'000**	**KUB Maju Mill RM'000**
Net cash outflows from:		
– Operating activities	**(4,040)**	**(222)**
– Investing activities	**(4,058)**	**(636)**
– Financing activities	**(691)**	**(2,203)**
Net cash outflows	**(8,789)**	**(3,061)**

2017	**KUB Sepadu RM'000**	**KUB Maju Mill RM'000**
Net cash inflows/(outflows) from:		
– Operating activities	11,775	(4,149)
– Investing activities	(916)	(14,678)
– Financing activities	(6,088)	16,557
Net cash inflows/(outflows)	4,771	(2,270)

NOTES TO THE FINANCIAL STATEMENTS

18. INVESTMENT IN ASSOCIATES

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Unquoted shares, at cost (a)	**26,833**	27,233	**25,854**	26,254
Share of post-acquisition reserves	**33,428**	32,995	**–**	–
	60,261	60,228	**25,854**	26,254
Less: Accumulated impairment losses	**(17,834)**	(18,234)	**(16,854)**	(17,254)
	42,427	41,994	**9,000**	9,000

A list of the associates is shown in Note 45.

(a) Transactions during the financial year

(i) Disposal of an associate

The Company had on 26 February 2018 entered into a Share Sale Agreement with Star Career Sdn Bhd for the disposal of 400,000 units of ordinary shares representing 20% of the issued and paid up capital in Rimba Raya Sdn Bhd ('RIMBA') for a total cash consideration of RM800,000.

The transaction was completed on the same date and following this, RIMBA ceased to be an associate company. The gain on disposal of RIMBA is RM800,000 as the cost of investment had been fully impaired in the previous years.

(ii) Strike off an associate

During the financial year, an associate namely Editry Sdn Bhd has been struck off from the register pursuant to Section 550 of the Companies Act, 2016 and are accordingly dissolved. The cost of investment is RM41 and had been fully impaired in previous years.

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

	31.12.2018 RM'000	31.12.2017 RM'000
Non-current assets	**167,937**	159,787
Current assets	**40,170**	53,523
Total assets	**208,107**	213,310
Non-current liabilities	**46,837**	45,296
Current liabilities	**55,204**	63,029
Total liabilities	**102,041**	108,325
Total equity	**106,066**	104,985

NOTES TO THE FINANCIAL STATEMENTS

18. INVESTMENT IN ASSOCIATES (CONT'D)

KUB-Berjaya Enviro Sdn Bhd (cont'd)

(ii) Summarised statements of profit or loss

	31.12.2018 RM'000	31.12.2017 RM'000
Revenue	**70,853**	85,402
Profit for the year	**8,281**	19,813
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.

	31.12.2018 RM'000	31.12.2017 RM'000
Net assets as of 1 January	**104,985**	85,172
Profit for the year	**8,281**	19,813
Less: Dividend for the year	**(7,200)**	–
Net assets as of 31 December	**106,066**	104,985
Interest in associate	**40%**	40%
Carrying value of Group's interest in associates	**42,427**	41,994

(iv) There is no financial information available for the associates that are not individually material as of 31 December 2018. These associates are dormant companies and the Group and Company have fully impaired the carrying amount for these associates in the financial statements.

19. OTHER INVESTMENTS

	Group / Company		
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
Investments in equity instruments designated as FVTOCI			
– quoted shares in Malaysia	**2,889**	5,128	3,684
Investments in equity instruments designated as FVTPL			
– unquoted shares	**1,674**	1,648	1,502
Total other investments	**4,563**	6,776	5,186

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.

NOTES TO THE FINANCIAL STATEMENTS

20. LONG TERM PREPAID EXPENSES

	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000
Total prepaid expenses	**865**	–
Less: Amount due within the next twelve (12) months	**(60)**	–
	805	–

The above represents amount prepaid for lease of land for period of fifteen (15) years. The non-current portion of the long term prepaid expenses is expected to be utilised as follows:

	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000
Between 1 and 5 years	**300**	–
More than 5 years	**505**	–
	805	–

21. INTANGIBLE ASSETS

	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000
Initial fees		
Cost		
As of 1 January	**6,210**	4,126
Additions	**523**	2,084
Disposal of subsidiary	**(6,733)**	–
As of 31 December	**–**	6,210
Accumulated amortisation and impairment losses		
As of 1 January		
Accumulated amortisation	**2,647**	2,417
Accumulated impairment losses	**807**	807
	3,454	3,224
Amortisation for the year recognised in other expenses	**211**	230
Disposal of subsidiary – amortisation	**(2,858)**	–
– impairment	**(807)**	–
As of 31 December		
Accumulated amortisation	**–**	2,647
Accumulated impairment losses	**–**	807
	–	3,454
Net carrying amount	**–**	2,756

Intangible assets represent the restaurants' initial franchise fees payable to the franchisor for the right to open the restaurants for durations of ten (10) to fifteen (15) years from the grant date of the rights. Following the disposal of A&W (Malaysia) Sdn Bhd, there is no longer any intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

22. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	31.12.2018	31.12.2017
	RM'000	RM'000
Non-current		
Due from subsidiaries	**24,601**	24,170
Less: Allowance for impairment losses (a)	**(13,908)**	(14,452)
Transfer to investment in subsidiary	**(10,693)**	–
	–	9,718
Due to subsidiaries	**9,775**	38,055
Current		
Due from subsidiaries	**4,443**	5,591
Less: Allowance for impairment losses (a)	**(1,261)**	–
	3,182	5,591
Due to subsidiaries	**10,289**	850

The amount due from/(to) subsidiaries are unsecured and bears interest at the market Base Lending Rate ('BLR') of 6.9% (2017: 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.

(a) Movement in allowance for impairment accounts:

	Company	
	31.12.2018	31.12.2017
	RM'000	RM'000
As of 1 January	**14,452**	14,697
Charged for the year (Note 9)	**1,261**	5
Reversal for the year (Note 9)	**(544)**	(250)
As of 31 December	**15,169**	14,452

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	Group			Company	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated	31.12.2018 RM'000	31.12.2017 RM'000
Trade					
Trade receivables (a)	**23,699**	27,702	53,786	**–**	–
Less: Allowance for impairment losses					
Lifetime ECL-Non credit-impaired	**(582)**	(543)	(770)	**–**	–
Lifetime ECL-Credit-impaired	**(2,770)**	(5,811)	(14,292)	**–**	–
	(3,352)	(6,354)	(15,062)	**–**	–
	20,347	21,348	38,724	**–**	–
Non-trade					
Government subsidy receivable	**9,294**	27,958	20,627	**–**	–
Deposits	**7,212**	38,177	8,053	**253**	258
Goods and Services Tax receivables	**6,938**	8,799	3,467	**–**	–
Prepayments	**1,541**	2,745	2,045	**39**	830
Other receivables (b)	**3,666**	3,100	10,807	**374**	334
Less: Allowance for impairment losses	**(1,226)**	(627)	(1,974)	**–**	–
	2,440	2,473	8,833	**374**	334
	27,425	80,152	43,025	**666**	1,422
	47,772	101,500	81,749	**666**	1,422
Gross retention sum on contract included within trade receivables	**4,636**	4,051	2,296	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (CONT'D)

(a) Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2017: 30 to 120 days) terms.

The allowance for impairment losses for trade receivables are measured based on the simplified approach within MFRS 9 using the lifetime 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% on individually credit-impaired trade receivables over 1 year past due with no realistic prospect of recoverable as historical experience has indicated that these receivables are generally not recoverable.

The ageing analysis of the Group's trade receivables is as follows:

	Group					
	31.12.2018		31.12.2017 Restated		1.1.2017 Restated	
	Gross carrying amount RM'000	Lifetime ECL RM'000	Gross carrying amount RM'000	Lifetime ECL RM'000	Gross carrying amount RM'000	Lifetime ECL RM'000
Days past due:						
Not past due	**17,249**	**337**	19,187	353	35,452	465
< 30 days	**1,956**	**84**	2,054	64	343	14
31 - 60 days	**983**	**54**	70	3	25	2
61 - 90 days	**226**	**20**	528	71	2,954	242
91 - 180 days	**515**	**87**	–	–	–	–
> 1 year	**2,770**	**2,770**	5,863	5,863	15,012	14,339
Total	**23,699**	**3,352**	27,702	6,354	53,786	15,062

Movement in allowance for impairment that has been recognised for trade receivables:

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
As of 1 January	**6,354**	15,062	21,660
Charged for the year	**527**	475	1,947
Written off during the year	**(3,435)**	(8,706)	(718)
Reversal during the year	**(94)**	(477)	(2,201)
Disposal of subsidiaries	**–**	–	(5,626)
As of 1 January/31 December	**3,352**	6,354	15,062

NOTES TO THE FINANCIAL STATEMENTS

23. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (CONT'D)

(b) Other receivables

Movement in allowance for impairment that has been recognised for other receivables:

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated
As of 1 January	**627**	1,974
Charged for the year	**1,226**	305
Written off during the year	**–**	(1,652)
Disposal of subsidiary	**(627)**	–
As of 31 December	**1,226**	627

(c) Contract assets

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
Construction costs incurred todate	**84,385**	249,655	279,667
Attributable profits less recognised losses	**8,495**	28,774	33,913
	92,880	278,429	313,580
Allowance for impairment	**(103)**	(69)	–
Provision for foreseeable losses	**(1,180)**	(7,536)	(11,726)
Progress billing to date	**(89,770)**	(255,492)	(300,776)
Contract assets, net	**1,827**	15,332	1,078
Analysed as:			
Contract assets	**2,065**	16,765	2,074
Contract liabilities	**(238)**	(1,433)	(996)

Construction contracts revenue and costs are disclosed in Notes 5 and 6 respectively.

NOTES TO THE FINANCIAL STATEMENTS

24. DEFERRED TAX ASSETS AND LIABILITIES

		Group	
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
As of 1 January	**10,218**	9,360	9,122
Recognised in profit or loss	**2,314**	858	238
As of 31 December	**12,532**	10,218	9,360
Deferred tax expense for the year			
– continuing operations	**342**	264	76
– discontinued operations	**1,972**	594	162
Deferred tax expense for the year	**2,314**	858	238

Presented after appropriate offsetting as follows:

Deferred tax assets	**–**	(2,094)	(3,224)
Deferred tax liabilities	**12,532**	12,312	12,584
	12,532	10,218	9,360

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 Restated
As of 1 January 2017	12,584
Recognised in profit or loss	(272)
As of 31 December 2017/1 January 2018	12,312
Recognised in profit or loss	220
As of 31 December 2018	**12,532**

NOTES TO THE FINANCIAL STATEMENTS

24. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

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 2017	(2,903)	(2,123)	1,802	(3,224)
Recognised in profit or loss	1,223	14	(107)	1,130
As of 31 December 2017/1 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	–	–	–	–

Deferred tax assets have not been recognised in respect of the following items due to the uncertainty of their recoverability:

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Unutilised business losses	**73,308**	61,338	**8**	8
Unabsorbed capital allowances	**38,815**	36,985	**3,204**	3,204
Other deductible temporary differences	**1,390**	1,390	**–**	–
	113,513	99,713	**3,212**	3,212
Effect of disposal of a subsidiary on unutilised business losses and unabsorbed capital allowances	**(14,780)**	–	**–**	–
	98,733	99,713	**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 the Group, 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

25. INVENTORIES

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
Raw materials	**4,976**	7,448
Finished goods	**1,634**	3,489
Parts and components	**164**	644
Consumables	**179**	173
	6,953	11,754

Cost of inventories recognised as an expense during the year in respect of continuing operations are RM419,613,000 (2017 : RM418,494,000).

26. BIOLOGICAL ASSETS

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
As at 1 January	**830**	994	1,163
Loss from changes in fair value	**(106)**	(164)	(169)
As at 31 December	**724**	830	994

The Group's biological assets consist of fresh fruit bunches ('FFB'). Each FFB takes approximately six (6) months from pollination to reach maximum oil content to be ready for harvesting. During the year ended 31 December 2018, the Group harvested approximately 110,668 tonnes of FFB (2017: 91,149 tonnes). The quantity of unharvested FFB of the Group as at 31 December 2018 included in the fair valuation of FFB was 3,825 tonnes (2017: 2,464 tonnes).

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 fifteen (15) days to harvest is negligible. Therefore, quantity of unripe FFB on bearer plant of up to fifteen (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.

NOTES TO THE FINANCIAL STATEMENTS

27. SHORT TERM INVESTMENT

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
At cost:		
Investment in unit trust fund	**20,000**	–
Less: Redemption	**(645)**	–
	19,355	–
At market value:		
Investment in unit trust fund	**20,193**	–
Gain on investments at FVTPL comprise:		
Realised gain on redemption (Note 9)	**17**	–
Unrealised gain on changes in fair values (Note 9)	**838**	–
	855	–

The short term investment is measured as FVTPL which is readily convertible to cash.

28. CASH AND BANK BALANCES

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Cash on hand and at banks	**75,691**	87,151	**1,888**	205
Deposits with licensed banks	**47,741**	31,937	**16,706**	5,906
	123,432	119,088	**18,594**	6,111

Included in cash at banks of the Group is an amount of RM6,645 (2017: RM6,518) 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 RM1,395,000 (2017: RM2,262,000) 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 RM30,598,000 (2017: RM23,314,000) 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	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Cash on hand and at banks	**123,432**	119,088	**18,594**	6,111
Less: Deposits pledged with licensed banks	**(30,598)**	(23,314)	**–**	–
Bank overdrafts (Note 32)	**–**	(901)	**–**	–
	92,834	94,873	**18,594**	6,111

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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
WAEIR (%)	**3.3**	3.2	**3.5**	3.3
Maturity period (days)	**30**	32	**29**	33

The currency profile of cash and bank balances is as follows:

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Malaysia Ringgit	**122,037**	116,826	**18,594**	6,111
Bangladeshi (Taka)	**1,395**	2,262	**–**	–
	123,432	119,088	**18,594**	6,111

NOTES TO THE FINANCIAL STATEMENTS

29. SHARE CAPITAL

	Number of ordinary shares		Amount	
	31.12.2018 '000	31.12.2017 '000	31.12.2018 RM'000	31.12.2017 RM'000
Issued and fully paid:				
As of 1 January	**556,465**	556,465	**228,863**	222,586
Transfer pursuant to S618(2) of CA 2016	**–**	–	**–**	6,277
As of 31 December	**556,465**	556,465	**228,863**	228,863

Pursuant to the Companies Act, 2016 ('Act') which came into effect on 31 January 2017, the concept of authorised capital has been abolished and all shares issued before or upon the commencement of the Act shall have no par or nominal value. Consequently, the amount standing to the credit of the Company's share premium and capital redemption reserve accounts becomes part of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result thereof.

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.

30. RESERVES

		Group		Company	
	Note	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Share Premium	(a)	**–**	–	**–**	–
Other reserves					
Capital reserve	(b)	**34,016**	34,016	**–**	–
Capital redemption reserve	(c)	**–**	–	**–**	–
Fair value adjustment reserve	(d)	**872**	3,111	**872**	3,111
Merger reserve	(e)	**11,147**	11,147	**–**	–
Discount paid on acquisition of non-controlling interest	(f)	**971**	971	**–**	–
Total		**47,006**	49,245	**872**	3,111

NOTES TO THE FINANCIAL STATEMENTS

30. RESERVES (CONT'D)

(a) Share Premium

	Group/Company	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
As of 1 January	**–**	5,965
Transfer pursuant to S618(2) of CA 2016	**–**	(5,965)
As of 31 December	**–**	–

Effective 31 January 2017, the share premium was transferred to share capital pursuant to Section 618(2) of Companies Act, 2016.

(b) Capital reserve arose from the capitalisation of bonus shares issued by certain subsidiaries in prior years.

(c) The capital redemption reserve arose from the redemption of the Redeemable Convertible Preference Shares by the Company in prior years.

	Group/Company	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
As of 1 January	**–**	312
Transfer pursuant to S618(2) of CA 2016	**–**	(312)
As of 31 December	**–**	–

Effective 31 January 2017, the capital redemption reserve account was transferred to share capital pursuant to Section 618(2) of Companies Act, 2016.

(d) Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of financial asset fair value through other comprehensive income.

	Group/Company	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
As of 1 January	**3,111**	1,667
(Loss)/Gain on fair value	**(2,239)**	1,444
As of 31 December	**872**	3,111

(e) Merger reserve amounting to approximately RM11,147,000 arose from the acquisition of KUB Ekuiti Sdn Bhd in 1997.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS

31. DIVIDENDS

The dividends paid and declared during the financial year to the date of signing of this report is as follows:

			Company Net Dividend per share	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 Sen	31.12.2017 Sen
First and final single tier dividend paid in respect of financial year ended 31 December 2016	**–**	5,565	**–**	1.0
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	5,565	**2.0**	1.0

The Directors do not recommend any final dividend for the financial year ended 31 December 2018.

32. BORROWINGS

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Long-term borrowings				
Secured				
Term loans (a)	**114,554**	49,904	**–**	–
Hire purchase payables (b)	**609**	645	**123**	204
	115,163	50,549	**123**	204
Short-term borrowings				
Secured				
Term loans (a)	**8,602**	5,178	**–**	1,000
Revolving credits	**16,941**	–	**1,000**	–
Bankers acceptances	**30,000**	–	**–**	–
Hire purchase payables (b)	**222**	190	**80**	82
Bank overdrafts	**–**	901	**–**	–
	55,765	6,269	**1,080**	1,082
Total borrowings				
Term loans (a)	**123,156**	55,082	**–**	1,000
Revolving credits	**16,941**	–	**1,000**	–
Bankers acceptances	**30,000**	–	**–**	–
Hire purchase payables (b)	**831**	835	**203**	286
Bank overdrafts (Note 28)	**–**	901	**–**	–
	170,928	56,818	**1,203**	1,286

NOTES TO THE FINANCIAL STATEMENTS

32. BORROWINGS (CONT'D)

The range of weighted average effective of interest rates ('WAEIR') (% per annum) of the borrowings at the reporting date are as follows:

	Group		Company	
	31.12.2018 WAEIR %	31.12.2017 WAEIR %	31.12.2018 WAEIR %	31.12.2017 WAEIR %
Term loans	**4.82 – 5.50**	4.85 - 7.50	**–**	7.00
Revolving credits	**5.40 - 6.30**	–	**6.30**	–
Bankers acceptances	**4.42 – 4.80**	–	**–**	–
Hire purchase payables	**4.77 – 6.97**	4.77 – 6.97	**5.41**	5.41
Bank overdrafts	**–**	8.60	**–**	–

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.

(a) Term loans

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
The maturity profile of the Group's term loans are as follows:				
Less than 1 year	**8,602**	5,178	**–**	1,000
Between 1 year and 5 years	**36,500**	22,964	**–**	–
More than 5 years	**78,054**	26,940	**–**	–
	123,156	55,082	**–**	1,000

(b) Hire purchase payables

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Future minimum hire purchase payables				
Less than 1 year	**228**	196	**81**	84
Between 1 year and 5 years	**651**	649	**130**	217
More than 5 years	**–**	51	**–**	–
Total future minimum lease payments	**879**	896	**211**	301
Less: Future finance charges	**(48)**	(61)	**(8)**	(15)
	831	835	**203**	286
Analysis of present value of hire purchase payables				
Less than 1 year	**222**	190	**80**	82
Between 1 year and 5 years	**609**	600	**123**	204
More than 5 years	**–**	45	**–**	–
	831	835	**203**	286
Less: Due within 12 months	**(222)**	(190)	**(80)**	(82)
Due after 12 months	**609**	645	**123**	204

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	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**
As at 1 January:				
Term loans	**55,082**	58,458	**1,000**	2,650
Hire purchase payables	**835**	704	**286**	483
Short term borrowings	**–**	3,500	**–**	–
	55,917	62,662	**1,286**	3,133
Drawdown during the year:				
Term loans	**77,245**	–	**–**	–
Short term borrowings	**46,941**	–	**1,000**	–
	124,186	–	**1,000**	–
Repayment during the year:				
Term loans	**(5,310)**	(3,376)	**(1,000)**	(1,650)
Hire purchase payables	**(200)**	(466)	**(83)**	(197)
Short term borrowings	**–**	(3,500)	**–**	–
	(5,510)	(7,342)	**(1,083)**	(1,847)
Disposal of a subsidiary				
– Term loan	**(3,861)**	–	**–**	–
Non-cash changes				
– New hire purchase	**196**	597	**–**	–
As at 31 December:				
Term loans	**123,156**	55,082	**–**	1,000
Hire purchase payables	**831**	835	**203**	286
Short term borrowings	**46,941**	–	**1,000**	–
Total	**170,928**	55,917	**1,203**	1,286

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 twenty five (25) years from the commencement of mill operations.

	Group	
	31.12.2018 RM'000	31.12.2017 RM'000
As of 1 January	**2,620**	2,673
Amortisation for the year	**(107)**	(53)
As of 31 December	**2,513**	2,620

34. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Trade payables:				
Trade payables (a)	**47,771**	61,068	**–**	–
Non-trade payables:				
Other payables	**16,607**	38,315	**8,015**	9,052
Refundable deposits	**41,805**	38,907	**1,242**	73
Provisions (c)	**316**	257	**–**	–
	58,728	77,479	**9,257**	9,125
	106,499	138,547	**9,257**	9,125

(a) Trade payables

These amounts are non-interest bearing and normally settled between 60 to 90 days (2017: 60 to 90 days) terms.

(b) Contract liabilities

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
Construction contracts	238	1,433	996

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

NOTES TO THE FINANCIAL STATEMENTS

34. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONT'D)

(c) Provisions

Movement of provision for liquidated ascertained damages during the year is as follows:

	Group Provision for liquidated ascertained damages RM'000
As of 1 January 2017	1,548
Reversal of provision (Note 9)	(1,291)
As of 31 December 2017/1 January 2018	257
Additional provision (Note 9)	59
As of 31 December 2018	**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.

35. DERIVATIVES

	31.12.2018		31.12.2017	
Group	**Contract/ notional amount RM'000**	**Fair value of derivative assets RM'000**	**Contract/ notional amount RM'000**	**Fair value of derivative liabilities RM'000**
Current				
Forward currency contracts	**22,047**	**23**	34,783	(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 gain of RM22,751 (2017: loss RM22,752) 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.

NOTES TO THE FINANCIAL STATEMENTS

36. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Capital Commitments

Authorised capital expenditure not provided for in the financial statements:

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Property, plant and equipment				
– Contracted	**2,132**	77,144	**–**	969
– Not contracted	**19,148**	52,838	**248**	854
	21,280	129,982	**248**	1,823

(b) Lease Commitments

(i) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its properties. These leases have an average tenure of between one (1) and three (3) years.

Minimum lease income recognised in profit or loss of the Group for the financial year ended 31 December 2018 amounting to RM2,530,000 (2017: RM2,628,000).

Future minimum lease receivable under non-cancellable operating leases at the reporting date are as follows:

	Group		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Less than 1 year	**2,028**	1,231	**–**	–
Between 1 year and 5 years	**1,778**	1,826	**–**	–
	3,806	3,057	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

36. CONTINGENT LIABILITIES AND COMMITMENTS (CONT'D)

(b) Lease Commitments (cont'd)

(ii) Operating lease commitments – as lessee

The Group has entered into commercial property leases on premises used for the operations of the subsidiaries. These non-cancellable leases have remaining lease terms of more than five (5) years.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Less than 1 year	**779**	5,931
Between 1 year and 5 years	**3,656**	10,820
More than 5 years	**475**	479
	4,910	17,230

(c) Contingent Liabilities

On 19 November 2018, 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 subsequent to an early termination of their services to complete an automatic fare collection system.

KUBTel 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 claim.

NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTY DISCLOSURES

(a) The Company had the following transactions with related parties during the financial year:

	Company	
	31.12.2018	**31.12.2017**
	RM'000	**RM'000**
Management fees from subsidiaries	**8,013**	6,676
Rental income from subsidiaries	**631**	739
IT services rendered by a subsidiary	**(108)**	(199)
Interest income from subsidiaries	**632**	325
Interest expense charged by subsidiaries	**(1,665)**	(536)
Advances from subsidiaries	**–**	34,296
Advances to subsidiaries	**(2,050)**	(29,765)

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)

(b) 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 2018 and 31 December 2017 are disclosed in Notes 17 and 22.

(c) Remuneration of key management personnel other than Directors:

	Group		Company	
	31.12.2018	**31.12.2017**	**31.12.2018**	**31.12.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other key management personnel				
– salaries, allowances and bonuses	**5,122**	5,028	**3,438**	3,716
– defined contribution plan	**607**	555	**405**	446
– social security contributions	**12**	12	**7**	8
	5,741	5,595	**3,850**	4,170

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.

(d) Transactions between the Group and the Company with a company/firm in which certain Director is a common Director or a partner:

	Transactions amount for year ended 31 December 2018 RM'000	Transactions amount for year ended 31 December 2017 RM'000
Group		
Zul Rafique & Partners*		
Provision of legal services	**245**	160
Company		
Zul Rafique & Partners*		
Provision of legal services	**112**	71

** a firm in which a former Director of the Company, Tunku Alizan Raja Muhammad Alias is a partner.*

These amounts were fully paid as at 31 December 2018 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 2018					
Financial assets:					
Fair value through other comprehensive income	19	**2,889**	**–**	**–**	**2,889**
Fair value through profit or loss	19	**–**	**–**	**1,674**	**1,674**
Derivatives – Forward currency contracts	35	**–**	**23**	**–**	**23**

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group					
As of 31 December 2017 (Restated)					
Financial assets:					
Fair value through other comprehensive income	19	5,128	–	–	5,128
Fair value through profit or loss	19	–	–	1,648	1,648
Financial liability:					
Derivatives - Forward currency contracts	35	–	23	–	23

NOTES TO THE FINANCIAL STATEMENTS

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value of financial instruments that are carried at fair value (cont'd)

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 2018 and 2017.

Categories of financial instrument:

	Note	Group 31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
Financial assets				
At amortised costs:				
Trade and other receivables	23	**46,231**	98,755	79,704
Cash and bank balances	28	**123,432**	119,088	133,865
At FVTOCI:				
Other investment (quoted)	19	**2,889**	5,128	3,684
At FVTPL:				
Other investment (unquoted)	19	**1,674**	1,648	1,502
Short term investment	27	**20,193**	–	–
Derivative financial assets	35	**23**	–	–
Financial liabilities				
At amortised costs:				
Trade and other payables	34	**106,499**	138,547	110,260
Borrowings	32	**170,928**	56,818	63,087
At FVTPL:				
Derivative financial liabilities	35	**–**	23	7

NOTES TO THE FINANCIAL STATEMENTS

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Fair value of financial instruments that are carried at fair value (cont'd)

Categories of financial instrument: (cont'd)

	Note	Company 31.12.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
Financial assets				
At amortised costs:				
Trade and other receivables	23	**627**	592	747
Due from subsidiaries	22	**3,182**	15,309	1,028
Cash and bank balances	28	**18,594**	6,111	15,277
At FVTOCI:				
Other investment (quoted)	19	**2,889**	5,128	3,684
At FVTPL:				
Other investment (unquoted)	19	**1,674**	1,648	1,502
Financial liabilities				
At amortised costs:				
Trade and other payables	34	**9,257**	9,125	9,809
Borrowings	32	**1,203**	1,286	3,133
Due to subsidiaries	22	**20,064**	38,905	6,395

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 financial 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

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 statement 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 RM9,359,000 and RM7,788,000 (2017: RM27,978,000 and RM22,893,000) representing 20% and 16% (2017: 28% and 23%) 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 stand by 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)

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 2018				
Financial liabilities:				
Trade and other payables	**106,499**	**–**	**–**	**106,499**
Borrowings*	**62,422**	**61,093**	**92,685**	**216,200**
Total undiscounted financial liabilities	**168,921**	**61,093**	**92,685**	**322,699**
As of 31 December 2017 (Restated)				
Financial liabilities:				
Trade and other payables	138,547	–	–	138,547
Borrowings*	5,879	23,632	30,105	59,616
Total undiscounted financial liabilities	144,426	23,632	30,105	198,163

	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 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**
As of 31 December 2017				
Financial liabilities:				
Trade and other payables	9,125	–	–	9,125
Due to subsidiaries*	881	40,857	–	41,738
Borrowings*	1,164	216	–	1,380
Total undiscounted financial liabilities	11,170	41,073	–	52,243

** The amount inclusive both principal and interest throughout the loan tenure.*

At the reporting date, the counterparty to the financial guarantees does not have a right to demand cash as the default has not occurred. Accordingly, financial guarantees under the scope of MFRS 9 are not included in the above maturity profile analysis.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 twenty five (25) basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM211,000 (2017: RM91,000) 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	
	31.12.2018 RM'000	**31.12.2017 RM'000**
Trade payables hedged using forward currency contracts	**22,047**	34,783
Unhedged trade payables	**74**	-
	22,121	34,783

NOTES TO THE FINANCIAL STATEMENTS

40. CAPITAL MANAGEMENT

The primary objective 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, ie. 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 2018 and 31 December 2017.

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 2018 are as follows:

		Group		Company	
	Note	31.12.2018 RM'000	31.12.2017 RM'000 Restated	31.12.2018 RM'000	31.12.2017 RM'000 Restated
Borrowings - long-term	32	**115,163**	50,549	**123**	204
Borrowings - short-term	32	**55,765**	6,269	**1,080**	1,082
Total borrowings		**170,928**	56,818	**1,203**	1,286
Total shareholders' fund		**315,480**	327,672	**303,048**	276,146
Gearing ratio		**54%**	17%	**0.4%**	0.5%

41. SEGMENT INFORMATION

The Group has seven reportable segments, 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 seven reportable segments are as follows:

i) Energy
- Importation, bottling and trading of Liquefied Petroleum Gas ('LPG')

ii) Agricultural businesses ('Agro')
- Oil palm plantations and estate management and palm oil mill

iii) Information and communications technology ('ICT')
- Supply of ICT products and services, equipments and maintanence

iv) Power
- Engineering and civil works in the power sectors

v) Property
- Management of commercial properties

vi) Others
- Investment holding and provision of management services

vii) Food related ('Food')
- Quick service restaurants

Segment 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 financial year, the Group has ceased the Food business segment following the disposal of A&W (Malaysia) Sdn Bhd and is disclosed as discontinued operations.

The financial results of discontinued operations from Agro business segment relates to KUB Sepadu Sdn Bhd and KUB Maju Mill Sdn Bhd following the Group's decision to dispose the assets of these subsidiaries in the foreseeable future.

41. SEGMENT INFORMATION (CONT'D)

(a) Business segments – continuing operations

2018	Energy RM'000	Agro RM'000	ICT RM'000	Power RM'000	Property RM'000	Others RM'000	Eliminations RM'000	Note	Total RM'000
Revenue									
External sales	404,645	25,288	24,170	23,162	2,529	280	-		480,074
Inter-segment sales	-	-	261	-	-	29,893	(30,154)	A	-
Total revenue	404,645	25,288	24,431	23,162	2,529	30,173	(30,154)		480,074
Results									
Profit/(Loss) from operations	20,893	4,721	(4,450)	5,714	3,930	(19,013)	-		11,795
Finance income	1,095	76	392	7	4	397	-		1,971
Finance costs	(1,157)	(4,250)	(16)	(5)	-	(122)	-		(5,550)
Share of results of associates	-	-	-	-	-	3,313	-		3,313
Profit/(Loss) before zakat and taxation	20,831	547	(4,074)	5,716	3,934	(15,425)	-		11,529
Zakat	(1,210)	(165)	-	-	-	-	-		(1,375)
Taxation	(3,858)	(475)	(342)	(993)	(138)	(87)	-		(5,893)
Segment profit/(loss)	15,763	(93)	(4,416)	4,723	3,796	(15,512)	-		4,261
Other information									
Depreciation		(5,483)	(3,744)	(218)	(64)	(672)	(1,782)	B	(11,963)
Allowance for impairment on trade and other receivables		-	-	(226)	(1,238)	(1)	-		(1,465)
Allowance for impairment on contract assets		-	-	-	(34)	-	-		(34)
Property, plant and equipment written off		-	-	(192)	-	-	-		(192)
Inventories written off		-	-	(96)	-	-	-		(96)
Gain on disposal of property, plant and equipment		301	31	4	-	-	-		336
Gain on disposal of non-current assets held for sale		2,727	-	-	-	3,482	-		6,209
Reversal of allowance for impairment on receivables		-	-	-	-	86	8		94

NOTES TO THE FINANCIAL STATEMENTS

41. SEGMENT INFORMATION (CONT'D)

(a) Business segments – continuing operations (cont'd)

2018	Energy RM'000	Agro RM'000	ICT RM'000	Power RM'000	Property RM'000	Others RM'000	Total RM'000
Assets*							
Segment assets	187,517	135,221	41,887	13,512	13,883	56,265	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	13,883	107,285	597,517
Liabilities*							
Segment liabilities	112,838	155,161	6,759	7,426	954	10,367	293,505
Additions to non-current assets:							
– Property, plant and equipment	49,046	113,114	277	63	146	744	163,390
– Investment properties	–	–	–	–	868	–	868

* *No segment assets and liabilities for the Food segment following the disposal of A&W (Malaysia) Sdn Bhd during the year.*

NOTES TO THE FINANCIAL STATEMENTS

41. SEGMENT INFORMATION (CONT'D)

(a) Business segments – continuing operations (cont'd)

2017 (Restated)	Energy RM'000	Agro RM'000	ICT RM'000	Power RM'000	Property RM'000	Others RM'000	Eliminations RM'000	Note	Total RM'000
Revenue									
External sales	409,399	22,832	31,976	29,974	2,628	1,295	–		498,104
Inter-segment sales	–	–	209	–	–	16,676	(16,885)	A	–
Total revenue	409,399	22,832	32,185	29,974	2,628	17,971	(16,885)		498,104
Results									
Profit/(Loss) from operations	22,245	10,934	7,156	5,539	1,414	(18,631)	–		28,657
Finance income	1,662	173	350	29	64	368	–		2,646
Finance costs	–	(100)	(4)	(3)	–	(146)	–		(253)
Share of results of associates	–	–	–	–	–	7,925	–		7,925
Profit/(Loss) before zakat and taxation	23,907	11,007	7,502	5,565	1,478	(10,484)	–		38,975
Zakat	(495)	(144)	–	–	–	–	–		(639)
Taxation	(3,890)	(2,650)	(823)	–	(138)	(75)	–		(7,576)
Segment profit/(loss)	19,522	8,213	6,679	5,565	1,340	(10,559)	–		30,760
Other information									
Depreciation		(4,816)	(1,516)	(509)	(111)	(674)	(1,587)	B	(9,213)
Allowance for impairment on trade and other receivables		(105)	(27)	(244)	(31)	(124)	–		(531)
Allowance for impairment on contract assets		–	–	–	(69)	–	–		(69)
Property, plant and equipment written off		–	–	–	(36)	–	–		(36)
Reversal of impairment on property, plant and equipment		277	–	–	–	–	–		277
Gain on disposal of property, plant and equipment		–	–	5,965	–	453	11		6,429
Gain on disposal of non-current assets held for sale		3,891	–	–	–	2,065	–		5,956
Reversal of allowance for impairment on receivables		–	–	–	376	–	25		401

NOTES TO THE FINANCIAL STATEMENTS

41. SEGMENT INFORMATION (CONT'D)

(a) Business segments

	Continuing operations							Discontinued operations	
2017 (Restated)	**Energy RM'000**	**Agro RM'000**	**ICT RM'000**	**Power RM'000**	**Property RM'000**	**Others RM'000**	**Total RM'000**	**Food RM'000**	**Total RM'000**
Assets									
Segment assets	126,107	203,182	53,505	27,093	11,671	52,029	473,587	27,350	500,937
Deferred tax assets	–	–	–	–	–	–	–	2,094	2,094
Non-current assets held for sale	2,976	–	–	–	755	–	3,731	–	3,731
Investment in associates	–	–	–	–	–	41,994	41,994	–	41,994
Total assets	129,083	203,182	53,505	27,093	12,426	94,023	519,312	29,444	548,756
Liabilities									
Segment liabilities	82,183	82,749	7,979	24,212	754	(1,692)	196,185	15,695	211,880
Additions to non-current assets:									
– Property, plant and equipment	14,334	14,010	598	177	2	378	29,499	9,823	39,322
– Investment properties	–	–	–	–	232	–	232	–	232

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	Agro RM'000	Total RM'000
Revenue			
External sales	**47,136**	**42,742**	**89,878**
Results			
Loss from operations*	**(3,046)**	**(39,130)**	**(42,176)**
Finance income	**59**	**156**	**215**
Finance cost	**(219)**	**(2,724)**	**(2,943)**
Loss before taxation	**(3,206)**	**(41,698)**	**(44,904)**
Taxation	**(2,129)**	**(2)**	**(2,131)**
	(5,335)	**(41,700)**	**(47,035)**
Gain on sale of discontinued operation	**23,279**	**–**	**23,279**
Segment profit/(loss) for the period	**17,944**	**(41,700)**	**(23,756)**

** Loss from operations for both segments include the impairment losses of property, plant and equipment of RM29,060,000.*

2017	Food RM'000	Agro RM'000	Total RM'000
Revenue			
External sales	62,917	38,256	101,173
Results			
Profit/(Loss) from operations	3,587	(834)	2,753
Finance income	16	302	318
Finance cost	(230)	(1,426)	(1,656)
Profit/(Loss) before taxation	3,373	(1,958)	1,415
Taxation	683	(1,838)	(1,155)
Segment profit/(loss) for the period	4,056	(3,796)	260

A Inter-segment revenues are eliminated on consolidation.

B Depreciation relate to property, plant and equipment and investment properties.

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 RM187,012,000 (2017: RM197,377,000).

NOTES TO THE FINANCIAL STATEMENTS

42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

a) Transition from Financial Reporting Standards Framework to MFRS

As disclosed in Note 2.1, these are the first financial statements of the Group and Company prepared in accordance with MFRSs. In the previous financial years, the financial statements of the Group were prepared in accordance with Financial Reporting Standards (FRSs) in Malaysia. The date of transition to MFRS Framework is on 1 January 2017.

The accounting policies set out in Note 3 to the financial statements have been applied in the opening MFRS statements of financial position as at 1 January 2017 and throughout all the periods presented in the financial statements.

The effect of the Group's transition to MFRSs are as follows:

i. Effects of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs have always been applied. The Group did not elect any exemptions and the basis adopted previously are consistent with MFRS.

ii. Effects of Amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture: Bearer Plants

On 2 September 2014, the amendments to MFRS 116 Property, Plant and Equipment and MFRS 141 Agriculture: Bearer Plants ('Amendments') introduce a new category of biological assets i.e. bearer plants. A bearer plant is a living plant that is used in the production and supply of agricultural produce which is expected to bear produce for more than one period, and has remote likelihood of being sold as agriculture produce. Bearer plants are accounted for under MFRS 116 as an item of property, plant and equipment. Agricultural produce growing on bearer plants continue to be measured at fair value less costs to sell under MFRS 141, with fair value changes recognised in profit or loss as the produce grows.

Property, plant and equipment – Bearer plants

The Group's bearer plants consist of oil palm trees which cost includes development expenditure and the plantation infrastructure until such time as the bearer plants reach maturity. Prior to the adoption of the Amendments, all the new planting expenditure and replanting expenditure incurred were capitalised under plantation development expenditure accounts and were amortised based on estimated annual yield over twenty five (25) years upon maturity. Upon adoption of the Amendments, the net carrying amount of the plantation development expenditure are now reclassified to bearer plants as part of the Group's property, plant and equipment and depreciated based on estimated annual yield over twenty five (25) years upon maturity.

Biological assets

Prior to the adoption of the Amendments, agricultural produce growing on bearer plants were not recognised. Produce growing on bearer plants of the Group comprise of fresh fruit bunches ('FFB') prior to harvest. Following the adoption of the Amendments, these biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets were recognised in profit or loss. The valuation adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB. To arrive at the fair value of FFB, the management has considered the quantity of the unripe FFB on bearer plant up to 15 days prior to harvest when there is significant formation of oil content and the quantity will be based on yield per harvest per metric tonne. This was estimated at 80% of the ripe FFB, based on average actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Cost to sell includes the harvesting cost and transportation cost.

NOTES TO THE FINANCIAL STATEMENTS

42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

b) Adoption of MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 superseded the previous revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related Interpretations when it becomes effective. The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Depending on the substance of a contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

In applying MFRS 15 retrospectively, in accordance with the transition provisions of MFRS 1 as a first time adopter, the Group applied the following practical expedients:

i) for completed contracts, contracts that begin and end within the same annual reporting period were not restated;

ii) for its completed contracts that have variable consideration ('VC'), the transaction price at the date the contract was completed was used rather than estimating the VC amounts in the comparative reporting periods. These are applicable on the VCs arising from liquidated ascertained damages ('LAD'), variation orders and extension of contract period which are applicable to Group's ICT and Power segments.

Other than reclassification of balances due from/to customers under construction contracts which were previously categorised under trade and other receivables to contract assets and contract liabilities in the statements of financial position, the adoption of MFRS 15 has no other impact to the financial statements of the Group.

c) Adoption of MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 and introduces new requirements for classification and measurement of financial assets and liabilities, impairment and hedge accounting. Retrospective application is required, but comparative information is not compulsory.

Additionally, the Group adopted consequential amendments to MFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

MFRS 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied MFRS 9 in accordance with the transition provisions set out in MFRS 1.

NOTES TO THE FINANCIAL STATEMENTS

42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

c) Adoption of MFRS 9 Financial Instruments (cont'd)

The Group has elected to restate comparatives in respect of the classification and measurement of financial instruments. The impact of MFRS 9 to the Group's consolidated financial statements are as follows:

(i) Classification and measurement

The date of transition to MFRSs (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of MFRS 1) is 1 January 2017. Accordingly, the Group has applied the requirements of MFRS 9 to instruments that continue to be recognised as at 1 January 2017 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2017. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2017 have been restated where appropriate.

All recognised financial assets that are within the scope of MFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Directors reviewed and assessed the Group's existing financial assets as at 1 January 2017 based on the facts and circumstances that existed at that date and concluded that the initial application of MFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- The quoted investments that are previously classified as available-for-sale investments carried at fair value as disclosed in Note 19 are now classified and measured as financial assets designated at fair value through other comprehensive income ('FVTOCI'). The Group elected to classify irrevocably its quoted investments under this category as it intends to hold these investments for the foreseeable future. The change in fair value on these equity instruments continues to be accumulated in the fair value adjustment reserve and will no longer be subsequently reclassified to profit or loss under MFRS 9 when it is disposed, which is different from previous treatment.

- The equity investments in non-listed companies previously measured at costs are now measured at fair value and designated as at fair value through profit or loss ('FVTPL') which may arise in gain or loss to be recognised in the statement of profit or loss.

- Financial assets classified as held-to-maturity and loans and receivables under FRS 139 that were measured at amortised cost continue to be measured at amortised cost under MFRS 9 as they held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Note 42(d) and (e) below tabulates the changes in classification of the Group's financial assets upon application of MFRS 9.

None of the other reclassifications of financial assets have had any impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

NOTES TO THE FINANCIAL STATEMENTS

42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

c) Adoption of MFRS 9 Financial Instruments (cont'd)

(i) Classification and measurement (cont'd)

Financial liabilities

A significant change introduced by MFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, MFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented 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. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under FRS 139, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

No changes to the Group's accounting for financial liabilities as there has not been any significant change in the requirements for financial liabilities under MFRS 9 that is applicable to the Group.

(ii) Impairment

MFRS 9 requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than an incurred credit loss model under FRS 139. The ECL model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Financial assets measured at amortised cost and contracts assets will be subject to the impairment provisions of MFRS 9.

Specifically, MFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at FVTOCI;
- Lease receivables;
- Trade receivables and contract assets; and
- Financial guarantee contracts to which the impairment requirements of MFRS 9 apply.

In particular, MFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to twelve (12) months ECL. MFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Group applies the simplified approach and recognises lifetime ECL for its trade receivables and contract assets. The Group assessment on the calculation of ECL rates were segmented according to potential exposures based on common credit risk characteristics such as nature of business, type of projects undertaking and selection of similar type of customers.

NOTES TO THE FINANCIAL STATEMENTS

42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

c) Adoption of MFRS 9 Financial Instruments (cont'd)

(ii) Impairment (cont'd)

For the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of transition to MFRSs (i.e. 1 January 2017), the Directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017.

The financial impact on the impairment of receivables are disclosed in Note 42(d) and (e).

(iii) Hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

There is no financial impact to the Group as the Group does not apply hedge accounting.

d) Reconciliation of Statements of Profit or Loss on the adoption of MFRS Framework and MFRS 9

Group **31 December 2017**	**As previously stated*** **RM'000**	**Effects of transition to MFRS** **RM'000**	**Effects of MFRS 9** **RM'000**	**As restated** **RM'000**
Continuing operations				
Revenue	498,104	–	–	498,104
Cost of sales	(448,702)	–	–	(448,702)
Gross profit	**49,402**	**–**	**–**	**49,402**
Other income	19,227	6	247	19,480
Distribution expenses	(1,327)	–	–	(1,327)
Administrative expenses	(35,136)	–	–	(35,136)
Other expenses	(3,762)	–	–	(3,762)
Profit from operating activities	**28,404**	**6**	**247**	**28,657**
Finance income	2,646	–	–	2,646
Finance costs	(253)	–	–	(253)
Share of results of associates	7,925	–	–	7,925
Profit before zakat and taxation	**38,722**	**6**	**247**	**38,975**
Zakat	(639)	–	–	(639)
Taxation	(7,615)	39	–	(7,576)
Profit for the year from continuing operations	30,468	45	247	30,760
Discontinued operations				
Profit/(Loss) for the year from discontinued operations, net of tax	374	(170)	56	260
Profit/(Loss) for the year	**30,842**	**(125)**	**303**	**31,020**

* *Statements of profit or loss of the Group for the year ended 31 December 2017 has been restated to account for the discontinued operations following the disposal of A&W (Malaysia) Sdn Bhd and the decision to sell the assets of KUB Sepadu Sdn Bhd and KUB Maju Mill Sdn Bhd.*

NOTES TO THE FINANCIAL STATEMENTS

42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

d) Reconciliation of Statements of Profit or Loss on the adoption of MFRS Framework and MFRS 9 (cont'd)

Notes:

(i) The effects of transition to MFRS adjustments represent the recognition of fair value changes of biological assets of RM164,000 (of which fair value gain from continuing operations amounts to RM6,000 and fair value loss from discontinued operations amounts to RM170,000), and the related tax effects of RM39,000.

(ii) The MFRS 9 adjustments were mainly due to:

- Fair value changes of investment in unquoted share of RM146,000.
- Reversal of trade receivables' ECL of RM157,000.

(iii) No adjustments to Statements of Profit or Loss upon adoption of MFRS 15.

e) Reconciliation of Statements of Financial Position on the adoption of MFRS Framework, MFRS 15 and MFRS 9

Group As at 1 January 2017	As previously stated RM'000	Effects of transition to MFRS RM'000	Effects of MFRS 15 RM'000	Effects of MFRS 9 RM'000	As restated RM'000
Assets					
Non-current assets					
Property, plant and equipment	160,325	52,543	–	–	212,868
Plantation development expenditure	52,543	(52,543)	–	–	–
Investment properties	15,629	–	–	–	15,629
Investments in associates	34,069	–	–	–	34,069
Other investments	3,824	–	–	1,362	5,186
Intangible assets	902	–	–	–	902
Deferred tax assets	3,224	–	–	–	3,224
	270,516	–	–	1,362	271,878
Current assets					
Inventories	8,869	–	–	–	8,869
Biological assets	–	994	–	–	994
Trade and other receivables	84,835	–	(1,517)	(1,569)	81,749
Contract assets	–	–	2,513	(439)	2,074
Tax recoverable	365	–	–	–	365
Cash and bank balances	133,865	–	–	–	133,865
	227,934	994	996	(2,008)	227,916
Non-current assets held for sale	3,534	–	–	–	3,534
Total assets	**501,984**	**994**	**996**	**(646)**	**503,328**

NOTES TO THE FINANCIAL STATEMENTS

42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

e) Reconciliation of Statements of Financial Position on the adoption of MFRS Framework, MFRS 15 and MFRS 9 (cont'd)

Group As at 1 January 2017	As previously stated RM'000	Effects of transition to MFRS RM'000	Effects of MFRS 15 RM'000	Effects of MFRS 9 RM'000	As restated RM'000
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	222,586	-	-	-	222,586
Reserves	54,078	-	-	-	54,078
Retained earnings	22,829*	551	-	(646)	22,734
	299,493	551	-	(646)	299,398
Non-controlling interest	10,374	205	-	-	10,579
Total equity	**309,867**	**756**	**-**	**(646)**	**309,977**
Non-current liabilities					
Borrowings	51,136	-	-	-	51,136
Deferred tax liabilities	12,346	238	-	-	12,584
Deferred income	2,673	-	-	-	2,673
	66,155	238	-	-	66,393
Current liabilities					
Trade and other payables	110,260	-	-	-	110,260
Contract liabilities	-	-	996	-	996
Borrowings	11,951	-	-	-	11,951
Derivative financial liabilities	7	-	-	-	7
Provision for tax	3,744	-	-	-	3,744
	125,962	-	996	-	126,958
Total liabilities	**192,117**	**238**	**996**	**-**	**193,351**
Total equity and liabilities	**501,984**	**994**	**996**	**(646)**	**503,328**

* *include prior year's adjustment on deconsolidation of a subsidiary amounting to RM3,136,000.*

Notes:

(i) The effects of transition to MFRS adjustments comprise:

- the reclassification of plantation development expenditure to bearer plant in property, plant and equipment
- the recognition of fair value of biological assets of RM994,000 and the related tax effects of RM238,000

(ii) The MFRS 15 adjustments are mainly due to:

- the reclassification of the excess of revenue earned over the billings on construction contracts from trade receivables to contract assets of RM2,513,000; and
- the reclassification of excess of billings over revenue earned on construction contracts from trade receivables to contract liabilities of RM996,000

(iii) The MFRS 9 adjustments are mainly due to fair value changes measured at fair value through profit or loss (FVTPL) for investment in unquoted share of RM1,362,000 and recognition of allowance for impairment of RM2,008,000.

NOTES TO THE FINANCIAL STATEMENTS

42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

e) Reconciliation of Statements of Financial Position on the adoption of MFRS Framework, MFRS 15 and MFRS 9 (cont'd)

Group As at 31 December 2017	As previously stated RM'000	Effects of transition to MFRS RM'000	Effects of MFRS 15 RM'000	Effects of MFRS 9 RM'000	As restated RM'000
Assets					
Non-current assets					
Property, plant and equipment	177,029	51,130	–	–	228,159
Plantation development expenditure	51,130	(51,130)	–	–	–
Investment properties	12,520	–	–	–	12,520
Investments in associates	41,994	–	–	–	41,994
Other investments	5,268	–	–	1,508	6,776
Intangible assets	2,756	–	–	–	2,756
Deferred tax assets	2,094	–	–	–	2,094
	292,791	–	–	1,508	294,299
Current assets					
Inventories	11,754	–	–	–	11,754
Biological assets	–	830	–	–	830
Trade and other receivables	118,684	–	(15,840)	(1,344)	101,500
Contract assets	–	–	17,273	(508)	16,765
Tax recoverable	789	–	–	–	789
Cash and bank balances	119,088	–	–	–	119,088
	250,315	830	1,433	(1,852)	250,726
Non-current assets held for sale	3,731	–	–	–	3,731
Total assets	**546,837**	**830**	**1,433**	**(344)**	**548,756**

NOTES TO THE FINANCIAL STATEMENTS

42. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONT'D)

e) Reconciliation of Statements of Financial Position on the adoption of MFRS Framework, MFRS 15 and MFRS 9 (cont'd)

Group As at 31 December 2017	As previously stated RM'000	Effects of transition to MFRS RM'000	Effects of MFRS 15 RM'000	Effects of MFRS 9 RM'000	As restated RM'000
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	228,863	–	–	–	228,863
Reserves	49,245	–	–	–	49,245
Retained earnings	49,430	478	–	(344)	49,564
	327,538	478	–	(344)	327,672
Non-controlling interest	9,051	153	–	–	9,204
Total equity	**336,589**	**631**	**–**	**(344)**	**336,876**
Non-current liabilities					
Borrowings	50,549	–	–	–	50,549
Deferred tax liabilities	12,113	199	–	–	12,312
Deferred income	2,620	–	–	–	2,620
	65,282	199	–	–	65,481
Current liabilities					
Trade and other payables	138,547	–	–	–	138,547
Contract liabilities	–	–	1,433	–	1,433
Borrowings	6,269	–	–	–	6,269
Derivative financial liabilities	23	–	–	–	23
Provision for tax	127	–	–	–	127
	144,966	–	1,433	–	146,399
Total liabilities	**210,248**	**199**	**1,433**	**–**	**211,880**
Total equity and liabilities	**546,837**	**830**	**1,433**	**(344)**	**548,756**

Notes:

(i) The effects of transition to MFRS adjustments comprise:

- the reclassification of plantation development expenditure to bearer plant in property, plant and equipment
- the recognition of fair value of biological assets of RM830,000 and the related tax effects of RM199,000

(ii) The MFRS 15 adjustments are mainly due to:

- the reclassification of the excess of revenue earned over the billings on construction contracts from trade receivables to contract assets of RM17,273,000; and
- the reclassification of excess of billings over revenue earned on construction contracts from trade receivables to contract liabilities of RM1,433,000.

(iii) The MFRS 9 adjustments are mainly due to fair value changes measured at FVTPL for investment in unquoted share of RM1,508,000 and recognition of allowance for impairment of RM1,852,000.

NOTES TO THE FINANCIAL STATEMENTS

43. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 19 April 2017, KUB Malua Plantation Sdn Bhd a wholly-owned subsidiary of the Company had entered into a conditional sale and purchase agreement with Kwantas Plantation Sdn Bhd to acquire a parcel of oil palm plantation land in the District of Kinabatangan, Sabah measuring approximately 1,534 hectares for a cash consideration of RM100,449,000.

The acquisition was completed on 3 January 2018. However, as at the date of these financial statements, the process of transferring the land title is ongoing.

(b) On 6 July 2018, Restoran Kualiti Sdn Bhd ('RKSB'), a wholly owned subsidiary of the Company, entered into a Sale and Purchase Agreement ('Agreement') with Inter Mark Resources Sdn Bhd ('IMRB') and KUB as the Guarantor for the sale and transfer of the entire 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 (Equity Portion); and

(b) RM4,000,000 for reimbursement of intercompany balances.

Under this Agreement, RKSB agreed to dispose its 61,406,092 issued shares representing a 100% equity interest in AWM to IMRB.

The disposal was completed on 19 September 2018 with a gain on disposal of RM23,279,000 as per disclosed in Note 13. Following this, AWM ceased to be a subsidiary of RKSB.

(c) On 25 September 2018, KUB Gas Terminal Sdn Bhd, a wholly-owned subsidiary of KUB Gaz Sdn Bhd, which in turn is a subsidiary of the Company, had entered into a Sale and Purchase Agreement with Universal Lubricants Factory Zinol (M) Sdn Bhd for the acquisition of a piece of leasehold land held under H.S. (D) 67801, PT 64539, Mukim Klang, Daerah Klang, Negeri Selangor, measuring approximately 31,014 square meters for a total purchase consideration of RM25,000,000. The acquisition of the said land was completed on 6 December 2018.

(d) 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 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 Kasmuncak Holdings Sdn Bhd ('KHSB') 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 KHSB for a total consideration of RM1,465,000.

(the above is collectively referred to as the 'Proposed Disposals')

Upon the completion of the Proposed Disposals, KUBT shall cease to be a subsidiary of KUBE and KHSB will own the Land via the acquisition of KUBE's 100% equity interest in KUBT.

The Proposed Disposals are expected to be completed in the second quarter of financial year 2019.

NOTES TO THE FINANCIAL STATEMENTS

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** 2018 %	2017 %	% of ownership interest and voting power held non-controlling** 2018 %	2017 %	Principal activities
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
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**	51	**49**	49	Dormant
Pelita Espipi Sdn. Bhd.##	Malaysia	**–**	100	**–**	–	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

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
		2018	2017	2018	2017	
		%	%	%	%	
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
Affluent Vision Sdn. Bhd.##	Malaysia	**–**	100	**–**	–	Dormant
KUB Gas Sdn. Bhd.*	Malaysia	**100**	100	**–**	–	Dormant
KUB Microelectronics Sdn. Bhd.*	Malaysia	**79**	79	**22**	22	Dormant
Perumahan KUB Sdn. Bhd.*	Malaysia	**100**	100	**–**	–	Dormant
KUB Tower Sdn. Bhd.*	Malaysia	**100**	100	**–**	–	Property development and project management
KUB Expertise A&I Sdn. Bhd.##	Malaysia	**–**	100	**–**	–	Dormant
Held through Empirical Systems (M) Sdn. Bhd.:						
Credensoft Solutions Sdn. Bhd.*	Malaysia	**70**	70	**30**	30	Dormant
Held through KUB Gaz Sdn. Bhd.:						
KUB Gas Terminal Sdn. Bhd.*	Malaysia	**100**	–	**–**	–	Liquefied petroleum gas storage

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** 2018 %	2017 %	% of ownership interest and voting power held non-controlling** 2018 %	2017 %	Principal activities
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
Held through KUB Telekomunikasi Sdn. Bhd.:						
Cybertrek (Malaysia) Sdn. Bhd.*	Malaysia	**100**	100	**–**	–	Dormant
KFT International (Malaysia) Sdn. Bhd.	Malaysia	**100**	100	**–**	–	Assembly and installation of telecommunication equipment
KUB Research Sdn. Bhd.#	Malaysia	**100**	100	**–**	–	Dormant
Held through ITTAR Sdn. Bhd.:						
ITTAR-IPP (PJ) Sdn. Bhd.*	Malaysia	**100**	100	**–**	–	Dormant
ITTAR-ILP (Prai) Sdn. Bhd.##	Malaysia	**–**	100	**–**	–	Dormant
Held through KUB Realty Sdn. Bhd.:						
KUB Realty (PJ) 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** 2018 %	2017 %	% of ownership interest and voting power held non-controlling** 2018 %	2017 %	Principal activities
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
Held through Restoran Kualiti Sdn. Bhd.:						
A&W (Malaysia) Sdn. Bhd.	Malaysia	**–**	100	**–**	–	Operating a chain of restaurants
Held through A&W (Malaysia) Sdn. Bhd.:						
A&W Properties Sdn. Bhd.##	Malaysia	**–**	100	**–**	–	Dormant
Prosperous Avenue Sdn. Bhd.##	Malaysia	**–**	100	**–**	–	Dormant
Dysec (M) Sdn. Bhd.##	Malaysia	**–**	60	**–**	40	Dormant
Pleasant Harmony Sdn. Bhd.##	Malaysia	**–**	60	**–**	40	Dormant

** *Equals to the proportion of voting rights held.*

* *Audited by firms other than Deloitte PLT.*

\# *The subsidiaries have commenced the striking off process under Section 550 of the Companies Act, 2016.*

\## *The companies have been struck off the register pursuant to Section 550 of the Companies Act, 2016 in the current financial 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 2018 %	2017 %	Principal activities
Held by the Company:				
KUB-Berjaya Enviro Sdn Bhd	Malaysia	**40**	40	Sanitary waste management
Rimba Raya Sdn Bhd	Malaysia	**–**	20	Dormant
Progas Holding Limited	Pakistan	**38**	38	Investment holding
Held through KUB Telekomunikasi Sdn Bhd:				
Sphairon (Malaysia) Sdn Bhd	Malaysia	**49**	49	Dormant
Held through KUB Ekuiti Sdn Bhd:				
Editry Sdn Bhd##	Malaysia	**–**	41	Dormant

The company have been struck off the register pursuant to Section 550 of the Companies Act, 2016 in the current financial year.

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 2018 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,

DATO' AHMAD IBNIHAJAR

DATUK ABDUL RAHIM BIN MOHD ZIN

29 March 2019

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 29th day of March, 2019.

Before me,

COMMISSIONER FOR OATHS

LIST OF PROPERTIES
AS AT 31 DECEMBER 2018

Location/Address	Description	Usage	Area	Tenure	Net Book Value as at 31/12/18 (RM'000)	Age of Building (Years)	Date of Acquisition/ (Revaluation)
KUB MALAYSIA BERHAD							
HS (D) 316917, PT 9 Seksyen 26 Town of Petaling Jaya District of Petaling	Retail Lot	Commercial	4,238 sq. meters	Leasehold (99 years expiring 2110)	8,593	14	10 Jan 2005
Unit No. C301, C3A01, C801, C901, C1001 and 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	17,130	8	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)	3,304	5	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)	5,721	–	17 Mac 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	1,700.00 hectares, 147.54 hectares, and 60.69 hectares respectively	Leasehold (99 years expiring 2093)	7,756	–	14 Nov 1994

LIST OF PROPERTIES

Location/Address	Description	Usage	Area	Tenure	Net Book Value as at 31/12/18 (RM'000)	Age of Building (Years)	Date of Acquisition/ (Revaluation)
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)	14,138	–	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)	34,079	–	10 May 1999
KUB DEVELOPMENT BERHAD							
PT 515, PT 518, PT 524, PT 520 – PT 523, PT 528 – PT 543 and PT 546 – PT 555 Bukit Mawat Mukim of Ulu Melaka District of Langkawi Kedah	Vacant Agricultural Land	Agricultural	46.81 hectares	Freehold	4,388	–	01 Dec 2004
Lot 12701 Mukim of Serting Ulu District of Jempol Negeri Sembilan	Vacant Development Land	Industrial	8.04 hectares	Leasehold (99 years expiring 2086)	690	–	1999
KUB MAJU MILL SDN BHD							
Lot 642, Block No. 363 Oya Dalat Land District Sarawak	Building	Palm Oil Complex	88,745 sq. meters	Leasehold (37 years expiring 2050)	45,484	2	N/A

LIST OF PROPERTIES

Location/Address	Description	Usage	Area	Tenure	Net Book Value as at 31/12/18 (RM'000)	Age of Building (Years)	Date of Acquisition/ (Revaluation)
KUB MALUA PLANTATION SDN BHD							
Kg Kuamut Sungai Kinabatangan Sabah	Oil Palm Plantation	Agricultural	1,534 hectares	Leasehold (999 years expiring 2887)	99,142	–	03 Jan 2018
PERAHARTA SDN BHD							
Lot 4180N Bangunan Seri Kinta Jalan Sultan Idris Shah Ipoh Perak	4-Storey Podium Block and 9-Storey Tower Block	Commercial	56,894 sq. feet	Strata Title	5,877	35	1983 (4 Aug 2006)
Lot No. 373, Seksyen 16 District of Kota Bharu Kelantan	Shoplot Malay Reserve	Commercial	915 sq. meters	Leasehold (66 years expiring 2061)	1,317	28	04 Dec 2012
KUB GAZ SDN BHD							
PTD 40053 Mukim of Tebrau District of Johor Bahru Johor	Land, Office and Plant	Industrial	143,609 sq. feet	Freehold	1,009	31	01 Jul 1988
Lot 55710 Lorong Kenanga B Liquid Bulk Terminal Pulau Indah, Port Klang Selangor	Office and Plant	Industrial	n/a	n/a	5,697	20	01 May 1999
KUB GAS TERMINAL SDN BHD							
HS (D) 67801, PT 64539 Mukim Klang Klang Selangor	Vacant Land	Industrial	31,014.6 sq. meters	Leasehold (99 years expiring 2097)	25,951	–	25 Sep 2018

ANALYSIS OF SHAREHOLDINGS
as at 29 March 2019

Issued Shares	:	RM222,585,876.00 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	7,706	14.15	319,792	0.06
100 – 1,000	26,109	47.92	16,656,758	2.99
1,001 – 10,000	17,664	32.42	51,522,811	9.26
10,001 – 100,000	2,685	4.93	86,747,330	15.59
100,001 to less than 5%	318	0.58	110,846,240	19.92
5% and above	2	0.00	290,371,759	52.18
Total	**54,484**	**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.	Dato' Ahmad Ibnihajar	-	-	-
2.	Datuk Seri Johari bin Abdul Ghani	-	178,068,700*	32.00
3.	Megat Joha bin Megat Abdul Rahman	-	-	-
4.	Dato' Ab Rahim bin Abu Bakar	-	-	-
5.	Datuk Abdul Rahim bin Mohd Zin	1,050	-	0.00
6.	Tengku Zahaimi bin Tuan Hashim	-	-	-
7.	Mohammad Farish Nizar bin Othman	-	-	-
8.	Datuk Haji Mohd Haniff bin Haji Koslan	-	-	-
9.	Datuk Norliza binti Abdul Rahim	-	-	-

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

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			-	-
	<u>Shares held in the name of:</u>				
	Cimsec Nominees (Tempatan) Sdn Bhd	178,068,700	32.00		
	Datuk Seri Johari bin Abdul Ghani*	-	-	178,068,700	32.00
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
as at 29 March 2019

TOP THIRTY (30) LARGEST SHAREHOLDERS

No.	Names	No. of Shares Held	% of Issued Capital
1.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for JAG Capital Holdings Sdn Bhd	178,068,700	32.00
2.	Anchorscape Sdn Bhd	112,303,059	20.18
3.	Leong Kong Min	6,866,700	1.23
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Lian Seng	5,900,000	1.06
5.	Lim Gaik Bway @ Lim Chiew Ah	3,626,200	0.65
6.	Ong Kar Ho	2,660,200	0.48
7.	Tan Kar Meng	2,557,200	0.46
8.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Paramjit Singh Gill	2,200,000	0.40
9.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Bhd for Perbadanan Kemajuan Negeri Perak	2,000,000	0.36
10.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Cheong Poon	2,000,000	0.36
11.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Erwin Selvarajah A/L Peter Selvarajah	1,605,000	0.29
12.	Yap Heng Sang	1,295,000	0.23
13.	Goh Boon Soo @ Goh Yang Eng	1,080,000	0.19
14.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chea Jian Kai	1,016,000	0.18
15.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loy Ming Yong	1,000,000	0.18
16.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Shafei bin Abdullah	1,000,000	0.18
17.	Thong Chee Leng	1,000,000	0.18
18.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Han Keong	900,000	0.16

ANALYSIS OF SHAREHOLDINGS
as at 29 March 2019

TOP THIRTY (30) LARGEST SHAREHOLDERS (continued)

No.	Names	No. of Shares Held	% of Issued Capital
19.	Yeo Hock Kim	835,000	0.15
20.	Chee Sok Mee	833,900	0.15
21.	Chor Chee Heung	800,000	0.14
22.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teah Bee Fong	800,000	0.14
23.	Teng Eng Seah	707,400	0.13
24.	Ng Kuan Hua	700,000	0.13
25.	Yoong Wan Tack	700,000	0.13
26.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Yok Son @ Tan Siew Tuan	680,700	0.12
27.	Yang Kien Seng	650,000	0.12
28.	Tan Lian See	610,000	0.11
29.	Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Hamzah bin Zainudin	600,000	0.11
30.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Su Ming Yaw	600,000	0.11

NOTICE OF 54TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifty-Fourth ('54th') Annual General Meeting ('AGM') of KUB Malaysia Berhad ('KUB' or 'the Company') will be held at Ballroom 1 & 2, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 21 May 2019 at 10.00 a.m. for the purpose of transacting the following businesses:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. **Please refer to Note 2**

2. To re-elect the following directors who retire in accordance with Clause 100 of the Company's Constitution, and being eligible have offered themselves for re-election:

   (i) Datuk Seri Johari bin Abdul Ghani **Resolution 1**

   (ii) Megat Joha bin Megat Abdul Rahman **Resolution 2**

   (iii) Datuk Norliza binti Abdul Rahim **Resolution 3**
   Please refer to Note 3

3. To re-elect the following Directors who retire by rotation in accordance with Clause 94 of the Company's Constitution, and being eligible have offered themselves for re-election:

   (i) Dato' Ahmad Ibnihajar **Resolution 4**

   (ii) Datuk Abdul Rahim bin Mohd Zin **Resolution 5**
   Please refer to Note 4

4. To approve the payment of the following Directors' Remuneration:

   (i) Directors' Fees of RM500,000 for the Non-Executive Directors for the financial year ending 31 December 2019; and **Resolution 6**

   (ii) Benefits payable of up to an amount of RM200,000 to the Non-Executive Directors (excluding the Directors' Fees) for the period from 22 May 2019 until the next AGM in 2020. **Resolution 7**
   Please refer to Note 5

5. To re-appoint Deloitte PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 8**
   Please refer to Note 6

AS SPECIAL BUSINESS

TO CONSIDER AND IF THOUGHT FIT to pass with or without any modifications, the following Ordinary Resolution:

6. Authority for the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016 ('CA 2016').

   'THAT subject to Sections 75 and 76 of the CA 2016 and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised to issue and allot shares in the Company, at any time upon passing of this resolution until the conclusion of the next AGM and upon such terms and conditions, for such purposes and to such person or persons whomsoever the Directors may, in their absolute discretion deem fit provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being, AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad ('Bursa Malaysia').' **Resolution 9**

NOTICE OF 54TH ANNUAL GENERAL MEETING

7. To transact any other business for which due notice shall have been given.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 54th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 67 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 14 May 2019. Only a depositor whose name appears on the Record of Depositors as at 14 May 2019 shall be entitled to attend the said Meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

By Order of the Board
SHARINA BINTI SAIDON (LS 0006127)
MOHD AFENDY BIN MD YAZIM (MAICSA 7056481)

Company Secretaries
Petaling Jaya
22 April 2019

NOTES:

1. Appointment of Proxy

(i) A member of the Company entitled to attend, speak and vote at the above-mentioned Meeting may appoint a maximum of two (2) proxies, to attend and vote in his/her stead. Where a member appoints two (2) proxies, the member shall specify the proportion of the member's shareholding to be represented by each proxy, failing which the appointment shall be invalid. A proxy may but need not be a member of the Company.

(ii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ('omnibus account') as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised or if the appointer is a corporation, either under its common seal or signed under the hand of its attorney or by an officer given the authority on behalf of the corporation. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.

(iv) The Proxy Forms must be deposited at the office of the Company's Share Registrar, **Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan by hand or fax to +(603) 78418151** not less than **forty-eight (48) hours** before the time for holding the Meeting or any adjournment thereof.

(v) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia, all resolutions set out in the Notice of the 54th AGM will be put to vote on a Poll.

2. Audited Financial Statements for the Financial Year Ended 31 December 2018

This Agenda is meant for discussion only. The approval from shareholders is not required pursuant to the provisions of Section 251 and Section 340(1)(a) of the CA 2016. Hence, this Agenda will not be put for voting.

3. Re-election of Directors who retire in accordance with Clause 100 of the Company's Constitution

Clause 100 of the Company's Constitution states that any Director so appointed shall hold office only until the next following annual general meeting when he/she shall retire but shall then be eligible for re-election. The said Director shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

The following directors who have been appointed as Director of the Company being eligible, have offered themselves for re-election at the 54th AGM:

(i) Datuk Seri Johari bin Abdul Ghani, Non-Independent Non-Executive Director – appointed effective 4 March 2019;

(ii) Megat Joha bin Megat Abdul Rahman, Non-Independent Non-Executive Director – appointed effective 4 March 2019; and

(iii) Datuk Norliza binti Abdul Rahim, Independent Non-Executive Director – appointed effective 28 August 2018.

NOTICE OF 54TH ANNUAL GENERAL MEETING

4. **Re-election of Directors who retire in accordance with Clause 94 of the Company's Constitution**

   Clause 94 of the Company's Constitution states that at the AGM, one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office. All Directors shall retire from office once at least in each three (3) years. A retiring director shall be eligible for re-election and shall retain office until the conclusion of the AGM at which he retires.

   With the current Board size of nine (9) (excluding three (3) directors appointed under Clause 100 of the Company's Constitution), two (2) Directors are to retire in accordance with Clause 94 of the Company's Constitution.

   Dato' Ahmad Ibnihajar and Datuk Abdul Rahim bin Mohd Zin being eligible, have offered themselves for re-election at the 54th AGM.

   The Board Nomination and Remuneration Committee ('BNRC') has assessed each of the retiring Directors' performance and contributions for the financial year ended 31 December 2018.

   Being satisfied with the assessment results, the Board had approved the BNRC's recommendation that the Directors who retire in accordance with Clause 94 of the Company's Constitution to stand for re-election.

   All Directors standing for re-election have abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board Meeting.

5. **Directors' Remuneration**

   Pursuant to Section 230(1) of the CA 2016, the 'fees' of the directors and 'any benefits' payable to the directors of a public listed company and its subsidiaries shall be approved at a general meeting.

   Therefore, the Board agreed that the shareholders' approval shall be sought at the 54th AGM on the Directors' Remuneration in two (2) separate resolutions as follows:

   (i) **Resolution 6** – Payment of Directors' Fees for the financial year ending 31 December 2019; and

   The Board had, on 29 March 2019, agreed to seek the shareholders' approval for the Company to pay the Directors' Fees for the financial year ending 31 December 2019.

   In the event of a new appointment or resignation of the Directors, the Directors' Fees will be pro-rated accordingly.

   The Proposed Resolution 6, if passed, will authorise the payment of the Directors' Fees to the Directors on a quarterly basis effective 1 January 2019 until 31 December 2019.

   (ii) **Resolution 7 –** Benefits payable to the Non-Executive Directors ('NEDs') (excluding the Directors' Fees) for the period from 22 May 2019 until the next AGM of the Company in 2020 ('the Relevant Period').

   The Proposed Resolution 7, if passed, will authorise the payment of the Directors' Benefits of up to RM200,000 ('the Proposed Amount') to the NEDs by the Company for the Relevant Period.

   The estimated amount payable is based on the assumption that the Company maintain its existing Board composition. The payment of the Directors' Benefits will be made by the Company as and when incurred if the Proposed Ordinary Resolution 7 has been passed by the Shareholders.

   In the event the Proposed Amount is insufficient, approval will be sought at the next AGM for additional benefits to meet the shortfall.

6. **Re-appointment of Deloitte PLT as Auditors of the Company**

   The Board had, on 29 March 2019, approved the recommendation by the Audit Committee on the re-appointment of Deloitte PLT as Auditors of the Company. The Board and the Audit Committee have collectively agreed that Deloitte PLT had met the relevant criteria prescribed by Paragraph 15.12 of the Main Market Listing Requirements of Bursa Malaysia.

7. **Statement Accompanying Notice of Annual General Meeting of the Company**

   Additional information required under Appendix 8A of the Main Market Listing Requirements as set out in the Statement Accompanying Notice of Annual General Meeting of the Company.

EXPLANATORY NOTE TO THE SPECIAL BUSINESS:

1. **Resolution 9 – Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016**

   This Proposed Resolution 9 is for the purpose of granting a renewal General Mandate ('General Mandate'), if passed, will empower the Directors to issue and allot new shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued shares of the Company for such purposes and to such person or persons whomsoever as the Directors consider would be in the interest of the Company. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

   The General Mandate will provide flexibility to the Company for any possible fund raising activities including but not limited to further placement of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the 53rd AGM held on 28 June 2018 and which will lapse at the conclusion of the 54th AGM.

STATEMENT ACCOMPANYING NOTICE OF 54TH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of Bursa Malaysia Main Market Listing Requirements.

The Directors who are due for retirement and seeking for re-election pursuant to the Company's Constitution are as set out in the Notice of 54th AGM and their profiles are as set out in the Profile of Directors in the Annual Report 2018.

The details of the Directors' securities holdings in the Company are as set out in the Analysis of Shareholdings of the Annual Report 2018.

ADMINISTRATIVE NOTES

Day/Date	:	Tuesday, 21 May 2019
Time	:	10.00 a.m.
Place	:	Ballroom 1 & 2, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur

REGISTRATION

(i) Registration will commence at 7.30 a.m. at the registration area of Ballroom 3. The Annual General Meeting ('AGM') will commence punctually at 10.00 a.m. We strongly encourage you to come early to facilitate registration.

(ii) The Registration Counters will remain open until the conclusion of the AGM or such time as may be determined by the Chairman of the AGM.

(iii) Please read the signage to ascertain where you should register yourself for the AGM and join the queue accordingly.

(iv) Please produce your original Identification Card ('IC') or valid National Passport ('Passport') at the registration counter for verification purposes. Kindly ensure you collect your IC and Passport upon completion.

(v) No person will be allowed to register on behalf of another person even with the original identification of that other person.

(vi) Upon verification of your IC/Passport, you will be given an identification wristband to enter the meeting hall.

(vii) No person will be allowed to enter into the meeting hall without wearing the identification wristband.

(viii) The registration counter will only handle verification of identities and registration.

CORPORATE REPRESENTATIVES

Any corporate member who wishes to appoint a representative instead of a proxy to attend the AGM should submit the original Certificate of Appointment under the seal of the corporation to the office of the Share Registrar at any time before the time appointed for holding the AGM or to the registration staff on the AGM day for the Company's record.

HELP DESK

The Help Desk will handle the revocation of proxy's appointment and/or any clarification or queries.

VOTING PROCEDURE

(i) The voting at the 54th AGM will be conducted on a POLL in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

(ii) KUB have appointed Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) ('the Registrar') as Poll Administrator to conduct the poll by way of electronic voting (e-polling) and a scrutineer shall be appointed to verify the poll results.

(iii) E-polling for each of the resolutions as set out in the Notice of the 54th AGM will take place upon conclusion of the deliberation of all businesses transacted at the 54th AGM. The registration for attendance will be closed to facilitate commencement of the poll.

MOBILE DEVICES

Please ensure that all mobile devices i.e. phones/other sound emitting devices are switched off or put on silent mode during the AGM to ensure smooth and uninterrupted proceedings. Any recording of the AGM proceedings, either vocal or audiovisual, is strictly prohibited.

ADMINISTRATIVE NOTES

PARKING

Parking Lots are available at the Public Car Park Area of Sime Darby Convention Centre, on a first come first serve basis.

ANNUAL REPORT

The Annual Report 2018 is available on Bursa Malaysia Securities Berhad's website at **http://www.bursamalaysia.com** and also at KUB Malaysia Berhad's website at **http://www.kub.com**.

ENQUIRY

If you have any general enquiries prior to the AGM, kindly contact the following during office hour between 8.30 a.m. to 5.30 p.m., Monday to Friday:

(i) Group Secretarial Division, KUB Malaysia Berhad

Telephone : +(603) 7680 9600
Facsimile : +(603) 7680 9793

Norita binti Misra / Amirah Najwa binti Mohd Nor Rashid

(ii) Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd)

Telephone : +(603) 7849 0777
Facsimile : +(603) 7841 8151
E-mail : BSR.Helpdesk@boardroomlimited.com

Rozleen binti Monzali / Zulkernaen bin Abdul Samad

LOCATION MAP TO THE AGM'S VENUE

KUB MALAYSIA

(Company No. 6022-D)

PROXY FORM

CDS Account No.	
No. of Shares Held	

I/We ______________________________ (Block Letters) NRIC/Passport No. ______________

of ______________________________ (Full Address)

____

being a member/members of KUB Malaysia Berhad ('Company'), hereby appoint Chairman of the Meeting* or

______________________________ (Block Letters) NRIC/Passport No. ______________

of ______________________________ (Full Address)

and/or failing him ______________________________ (Block Letters) NRIC/Passport No. ______________

of ______________________________ (Full Address)

as my/our proxy(ies) to vote for me/us on my/our behalf at the 54th Annual General Meeting of the Company to be held at Ballroom 1 & 2, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 21 May 2019 at 10.00 a.m. or at any adjournment thereof.

**If you wish to appoint other person(s) as your proxy/proxies, kindly delete the phrase 'Chairman of the Meeting' and insert name(s) of the desired person(s).*

My/our proxy(ies) is/are to vote as indicated by an 'X' in the appropriate spaces below:

RESOLUTIONS		FIRST PROXY		SECOND PROXY	
		FOR	AGAINST	FOR	AGAINST
ORDINARY RESOLUTIONS					
1.	Re-election of Datuk Seri Johari bin Abdul Ghani				
2.	Re-election of Megat Joha bin Megat Abdul Rahman				
3.	Re-election of Datuk Norliza binti Abdul Rahim				
4.	Re-election of Dato' Ahmad Ibnihajar				
5.	Re-election of Datuk Abdul Rahim bin Mohd Zin				
6.	Approval of the Directors' Fees for the financial year ending 31 December 2019				
7.	Approval of the Non-Executive Directors' Benefits for the period from 22 May 2019 until the next AGM in 2020				
8.	Re-Appointment of Deloitte PLT as Auditors				
SPECIAL BUSINESS					
9.	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016				

The proportion of my/our holding to be represented by my/our proxy/proxies is as follows:

Dated this ______________ day of ______________ of 2019.

First Proxy	%
Second Proxy	%
Total	**100%**

____

Signature of Member/Common Seal/Attorney/Authorised Officer

*** Strike out whichever is not desired. (Unless otherwise instructed, the Proxy/(ies) may vote as he/she thinks fit)*

NOTES:

(i) A member of the Company entitled to attend, speak and vote at the above-mentioned Meeting may appoint a maximum of two (2) proxies, to attend and vote in his/her stead. Where a member appoints two (2) proxies, the member shall specify the proportion of the member's shareholding to be represented by each proxy, failing which the appointment shall be invalid. A proxy may but need not be a member of the Company.

(ii) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ('omnibus account') as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised or if the appointer is a corporation, either under its common seal or signed under the hand of its attorney or by an officer given the authority on behalf of the corporation. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.

(iv) The Proxy Forms must be deposited at the office of the Company's Share Registrar, **Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan** by hand or fax to **+(603) 7841 8151** not less than **forty-eight (48) hours** before the time for holding the Meeting or any adjournment thereof.

Fold here

AFFIX STAMP

KUB MALAYSIA BERHAD (6022-D)
c/o THE REGISTRAR

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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GROUP DIRECTORY

ENERGY SECTOR

- KUB Gaz Sdn Bhd
- KUB Gas Terminal 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

INFORMATION AND COMMUNICATIONS TECHNOLOGY SECTOR

- KUB Telekomunikasi Sdn Bhd
- KFT International (Malaysia) Sdn Bhd
- Empirical Systems (M) Sdn Bhd

Corporate Office
Unit G30, Level G-Unit 430
Level 4, Block 4
Laman Seri Business Park
Persiaran Sukan, Seksyen 13
40100 Shah Alam
Selangor Darul Ehsan
Tel : +(603) 5514 3800
Fax : +(603) 5510 0242

AGRO SECTOR

- KUB Agro Holdings Sdn Bhd
- KUB Sepadu Sdn Bhd
- KUB Maju Mill Sdn Bhd
- KUB Malua Plantation 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 9490
Fax : +(603) 7610 9496

Operations Office
(Mukah Branch)
SL76, L 1182
Jalan Orang Kaya Setia Raja
Mukah New Township
P.O Box 153
96400 Mukah
Sarawak
Tel : +(6084) 873 258
Fax : +(6084) 875 606

POWER SECTOR

- KUB Power 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 0018
Fax : +(603) 7610 0017

PROPERTY SECTOR

- Peraharta Sdn Bhd
- KUB Tower Sdn Bhd

Corporate Office
Level 8-11, 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 9610

Note: Registered Office of all Companies located at:

KUB Malaysia Berhad (6022-D)
Level 8-11, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya, Selangor Darul Ehsan
Tel : +(603) 7680 9600 (General) **Fax :** +(603) 7680 9610 (General) / +(603) 7680 9793 (Group Secretarial Division)
Website : www.kub.com

www.kub.com

KUB MALAYSIA BERHAD (6022-D)
Level 8-11, Unit 1, Capital 3
Oasis Square, Ara Damansara
Jalan PJU 1A/7A, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : +603 7680 9600 (General)
Fax : +603 7680 9793 (Group Secretarial Division)
+603 7680 9610 (General)