



 **Stronger Together**

**ANNUAL REPORT**  
**2013**

**BUILDING  
SUCCESS  
TOGETHER**



# COVER RATIONALE



## BUILDING SUCCESS TOGETHER

KUB Malaysia Berhad, with a diversified business portfolio of Information, Communications & Technology, Property, Engineering & Construction (PEC), Agro business, Food-Related and Oil & Gas/Energy Industries is committed to building success together through our values of integrity, teamwork, trust and mutual respect and excellence.

We believe our strong foundation will steer the Group towards enhancing and delivering greater value to stakeholder, community and our environment.

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# NOTICE OF 49TH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty-Ninth (49th) Annual General Meeting of KUB Malaysia Berhad (“KUB” or “the Company”) will be held at Dewan Tun Hussein Onn, Putra World Trade Centre, Jalan Tun Ismail, 50480 Kuala Lumpur on Wednesday, 25 June 2014 at 10.00 a.m. for the transaction of the following businesses:

## AGENDA

### ORDINARY BUSINESSES

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire in accordance with Article 95(i) of the Company’s Articles of Association and being eligible have offered themselves for re-election:
  - (i) Datuk Badly Shah Ariff Shah
  - (ii) Datuk Mohd Hafarizam Harun
3. To consider and if thought fit to pass the following resolution:  
 “**THAT** Datuk Seri Hj Abd. Halim Hj Abd. Samad, a Director over the age of seventy (70) years who retires in accordance with Section 129(6) of the Companies Act, 1965 be re-appointed as a Director of the Company to hold office until the next Annual General Meeting.”
4. To re-elect the following Directors who retire in accordance with Article 101 of the Company’s Articles of Association and being eligible have offered themselves for re-election:
  - (i) Dato’ Ab Rahim Abu Bakar
  - (ii) Dato’ Jamelah A. Bakar
  - (iii) Dato’ Sohaimi Shahadan
5. To approve the payment of Directors’ fees for the financial year ended 31 December 2013.
6. To appoint Messrs Deloitte as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked as ‘Annexure A’ has been received by the Company for the nomination of Messrs Deloitte for appointment as Auditors of the Company in place of the retiring Auditors, Messrs Ernst & Young.

### SPECIAL BUSINESSES

To consider and if thought fit to pass with or without any modifications, the following Resolutions:

7. **Authority for the Directors to Allot Shares Pursuant to Section 132D of the Companies Act, 1965.**  
 “**THAT** pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue the shares in the Company from time to time and upon such terms and conditions and for such purpose as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing and quotation of the additional shares so issued on the Bursa Malaysia Securities Berhad (“Bursa Securities”) and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

Please refer to Note 2

Ordinary Resolution 1  
Ordinary Resolution 2

Ordinary Resolution 3

Ordinary Resolution 4  
Ordinary Resolution 5  
Ordinary Resolution 6  
Ordinary Resolution 7

Ordinary Resolution 8

Ordinary Resolution 9

## **NOTICE OF**

# **49TH ANNUAL GENERAL MEETING**

8. 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 ("Proposed Share Buy-Back").

"**THAT** subject always to compliances with the Companies Act, 1965, the Articles of Association of the Company, the Main Market Listing Requirements ("Listing Requirements") of Bursa Securities or the rules and regulations of any other regulatory authorities and all other applicable rules, regulations, guidelines or approval for the time being in force or as may be amended from time to time, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.40 each in the Company's issued and paid-up ordinary share capital ("Shares") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:

- (i) the aggregate number of Shares which may be purchased and/or held by the Company as treasury shares shall not exceed ten per centum (10%) of the issued and paid-up ordinary share capital of the Company at any point in time of the said purchase(s);
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing its Shares shall not exceed the total retained earnings and/or share premium of the Company at the time of the said purchase(s); and
- (iii) the authority conferred by this Resolution shall commence immediately upon the passing of this Ordinary Resolution and shall continue to be in force until:
  - (a) the conclusion of the next Annual General Meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
  - (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held in accordance with the provisions of the Companies Act, 1965; or
  - (c) revoked or varied by ordinary resolution passed by the Shareholders of the Company in a general meeting,whichever is earlier;

**AND THAT** upon completion of the purchase by the Company of its own Shares, the Directors of the Company be and are hereby authorised to deal with the Shares so purchased in their absolute discretion in the following manner:

- (i) cancel all the Shares so purchased; and/or
- (ii) retain the Shares so purchased in treasury for distribution as dividend to the shareholders or re-sell on the market of Bursa Securities; and/or
- (iii) retain part thereof as treasury shares and cancel the remainder; and
- (iv) in any other manner as prescribed by the Companies Act, 1965 and the Listing Requirements and rules and regulations of any other relevant authorities for the time being in force;

**AND FURTHER THAT** authority be and is hereby given to the Directors of the Company and/or any one (1) of them to complete and do all such acts, deeds and things as they may consider necessary or expedient in the best interest of the Company, including but not limited to execution of all such documents as may be required or necessary and with full powers to assent to any modifications, variations and/or amendments as the Directors of the Company in their discretion deem fit and expedient to implement and give full effect to the Proposed Share Buy-Back contemplated and/or authorised by this Ordinary Resolution."

# NOTICE OF 49TH ANNUAL GENERAL MEETING

9. **Proposed Amendments to the Articles of Association of the Company.**

“**THAT** the proposed amendments to the Articles of Association of the Company as set out under ‘Annexure B’ herein be and are hereby approved and adopted (“Proposed Amendments”).

**AND THAT** the Board of Directors be and is hereby authorised to do all such acts, deeds and things as they consider necessary and/or expedient in order to give full effect to the Proposed Amendments with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities.”

Special Resolution 1

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

**FURTHER NOTICE IS HEREBY GIVEN** for the purpose of determining a Member who shall be entitled to attend this Forty-Ninth (49th) Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 68(iii) of the Company’s Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 18 June 2014. Only a depositor whose name appears on the Record of Depositors as at 18 June 2014 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 SAIDON (LS 006127)**

**NOORHASIKIN MD YATIM (LS 0008951)**

Secretaries

Petaling Jaya

2 June 2014

**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.
- (iv) The Proxy Forms must be deposited at the office of the Company’s Share Registrar, **Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia** by hand or fax to **603-7841 8152** not less than forty-eight (48) hours before the time for the holding of the Meeting or any adjournment thereof.

**2. Audited Financial Statements for the Financial Year Ended 31 December 2013**

This Agenda is meant for discussion only as an approval from shareholders is not required pursuant to the provision of Section 169(1) of the Companies Act, 1965. Hence, this Agenda is not put forward for voting by the Shareholders of the Company.

**3. Statement Accompanying Notice of Annual General Meeting of the Company**

Additional information required under Appendix 8A of the Listing Requirements are set out in the Statement Accompanying the Notice of the Forty-Ninth (49th) Annual General Meeting of the Company.

# **NOTICE OF** **49TH ANNUAL GENERAL MEETING**

## **Explanatory Notes to the Special Businesses:**

### **1. Ordinary Resolution 9 – Authority for the Directors to Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

This Proposed Ordinary 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 share capital of the Company for such purposes 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 48th Annual General Meeting held on 20 June 2013 and which will lapse at the conclusion of the 49th Annual General Meeting.

### **2. Ordinary Resolution 10 – Proposed Share Buy-Back**

Full details of the Ordinary Resolution 10 are disclosed in the Circular to Shareholders dated 2 June 2014 which is enclosed together with the Annual Report.

### **3. Special Resolution 1 – Proposed Amendments to the Articles of Association of the Company**

The Proposed Special Resolution 1, if passed, will result in the Company’s Articles of Association being updated in line with the amendments to the Listing Requirements of Bursa Securities. The details of the Proposed Amendments are set out in ‘Annexure B’ herein.

# **NOTICE OF** **49TH ANNUAL GENERAL MEETING**

ANNEXURE A

## **GAYA EDISI SDN BHD**

(Company No. 689266-X)

C-12-4, Level 12, Block C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Date: 14 May 2014

### **THE BOARD OF DIRECTORS**

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

Dear Sirs,


### **NOTICE OF NOMINATION OF AUDITORS**

Pursuant to Section 172(11) of the Companies Act, 1965, we, Gaya Edisi Sdn Bhd, being the registered shareholder of KUB Malaysia Berhad ('KUBM'), hereby give notice of our intention to nominate Messrs. Deloitte (AF:0080), for appointment as Auditors of KUBM in place of the retiring Auditors, Messrs. Ernst & Young, and to proposed that the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of KUBM:

'THAT Messrs. Deloitte (AF:0080) be and are hereby appointed as Auditors of the Company for the financial year ending 31 December 2014 in place of the retiring Auditors, Messrs. Ernst & Young, to hold office until conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.'

Thank You.

Your faithfully  
For and on behalf of  
**GAYA EDISI SDN BHD**

  
.....  
**TUNKU ALIZAN BIN RM ALIAS**  
Director

{20600969 / : Unit C-12-4, Level 12, Block C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur.  
01055520}Registered address : Tel: 03-27110080 Fax: 03-27110069  
Business address : c/o Messrs Zul Rafique & Partners, D3-3-8 Solaris Dutamas, No. 1 Jalan Dutamas 1, 50480 Kuala Lumpur.  
Tel: 03-6209 8227 Fax: 03-6209 8331

# NOTICE OF 49TH ANNUAL GENERAL MEETING

## ANNEXURE B

Article No.	Existing Provision	New Provision	Notes
	To insert new definition under Article 2	-	<b>Exempt Authorised Nominee - an authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991</b>
70	In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him and that a proxy need not be a member of the Company. Where a member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. Where a member is an authorised nominee as defined in the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with Shares of the Company standing to the credit of the said Securities Account.	In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one (1) or more proxies to attend and vote instead of him and that a proxy need not be a member of the Company. Where a member appoints two (2) proxies, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. Where a member is an authorised nominee as defined in the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with Shares of the Company standing to the credit of the said Securities Account. <b>Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.</b>	Pursuant to Paragraph 7.21(1) and (2) of the amended Main Market Listing Requirements ("MMLR") dated 22 September 2011
86	Except where Article 87 applies, a holder may not appoint more than two (2) proxies to attend the same meeting. Where the holder appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy. A proxy shall be entitled to vote both on a show of hands and on a poll, on any question, at any general meeting.	Except where Article 87 applies, a holder may not appoint more than two (2) proxies to attend the same meeting. Where the holder appoints two (2) proxies to attend and vote at the same meeting, such appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy. A proxy shall be entitled to vote both on a show of hands and on a poll, on any question, at any general meeting <b>and shall have the same rights as the member to speak at the meeting.</b>	Pursuant to Paragraph 7.21A(2) of the amended MMLR dated 22 September 2011
87	Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.	(a) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with shares of the Company standing to the credit of the said Securities Account.  (b) <b>Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.</b>	Pursuant to Paragraph 7.21(1) and (2) of the amended MMLR dated 22 September 2011

# NOTICE OF 49TH ANNUAL GENERAL MEETING

Article No.	Existing Provision	New Provision	Notes
157	Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder who is named on the register of members or the Record of Depositors (as the case may be) or to such person and to such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.	<p>(a) Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder who is named on the register of members or the Record of Depositors (as the case may be) or to such person and to such address as the holder may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent, and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.</p> <p>(b) <b>Subject to the provisions of the Act, the Central Depositories Act, the Rules, the Listing Requirements and/or regulatory authorities, payment of dividend and all cash distributions (as defined by the Listing Requirements) may be made by electronic means directly to the selected bank account provided by the shareholder whose name appears in the Record of Depositors or if more than one (1) person is entitled thereto in consequence of the death or bankruptcy of the holder, payment in such manner to the bank account of any one (1) or such persons or the bank account of such person as such persons may by writing direct. The payment of any dividend by such electronic means shall constitute a good and full discharge to the Company of the dividend to which it relates regardless of any discrepancy given by the Member in the details of bank account(s).</b></p>	Pursuant to Paragraph 8.26A of the amended MMLR dated 15 April 2010 and 3 September 2012

# **STATEMENT ACCOMPANYING NOTICE OF** **49TH ANNUAL GENERAL MEETING**

1. The Directors who are standing for re-election pursuant to Article 95(i) of the Articles of Association at the Forty-Ninth (49th) Annual General Meeting of the Company are as follows:
  - (i) Datuk Badly Shah Ariff Shah; and
  - (ii) Datuk Mohd Hafarizam Harun.
  
2. The Director who is standing for re-appointment pursuant to Section 129(2) of the Companies Act, 1965 at the Forty-Ninth (49th) Annual General Meeting of the Company is as follows:
  - (i) Datuk Seri Hj Abd. Halim Hj Abd. Samad.
  
3. The Directors who are standing for re-election pursuant to Article 101 of the Articles of Association at the Forty-Ninth (49th) Annual General Meeting of the Company are as follows:
  - (i) Dato' Ab Rahim Abu Bakar;
  - (ii) Dato' Jamelah A.Bakar; and
  - (iii) Dato' Sohaimi Shahadan.

Further details of the above Directors are set out in the Profile of the Board of Directors which appear from page 12 to 17 of the Annual Report.

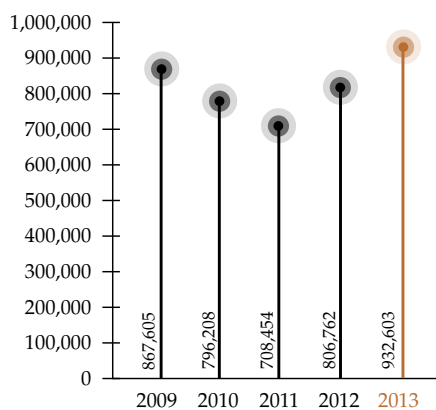
The details of the Directors' securities holdings in the Company are set out in the List of Directors' Shareholdings which appear on page 141 of the Annual Report.

## 5-YEAR GROUP FINANCIAL HIGHLIGHTS

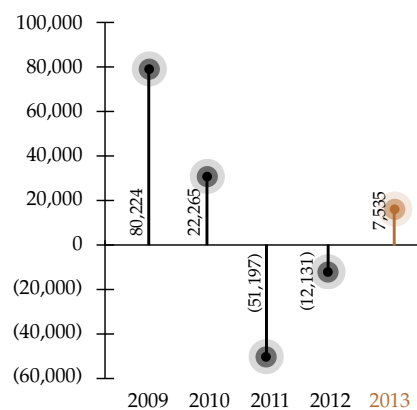
in RM'000	2009	2010	2011	2012	2013
Revenue	867,605	796,208	708,454	806,762*	932,603*
Profit/(Loss) before taxation	80,224	22,265	(51,197)	(12,131)*	7,535*
Profit/(Loss) for the year	70,291	17,018	(58,823)	(16,555)	4,942
Profit/(Loss) attributable to owners of the parent	47,156	11,482	(60,401)	(16,714)	4,846
Shareholders' Fund	355,753	351,380	282,661	265,440	273,331
Basic earnings/(loss) per share (sen)	8.47	2.06	(10.85)	(3.00)	0.87
Net assets per share (RM)	0.64	0.63	0.51	0.48	0.49
Dividend per share (sen)	2.4	2.4	-	-	-
Return on equity	13%	3%	(21%)	(6%)	2%
Return on assets	6%	2%	(9%)	(3%)	1%
Gearing ratio	0.38	0.37	0.43	0.46	0.32

\* Note: Continuing operations

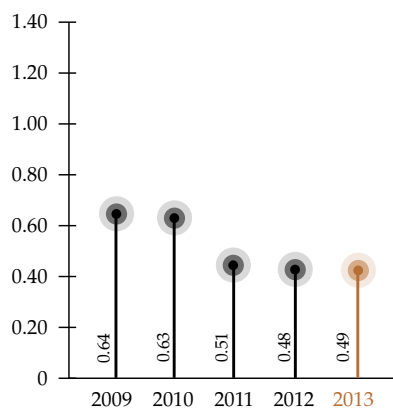
Revenue (RM'000)



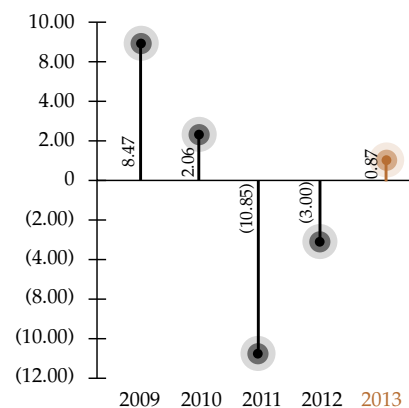
Profit/(Loss) Before Taxation (RM'000)



Net Assets Per Share (RM)



Basic earnings/(Loss) Per Share (Sen)



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Datuk Seri Hj Abd. Halim Hj Abd. Samad**  
*Non-Independent Non-Executive Chairman*

**Dato' W. Mohd Nor W. Ahmad**  
*Group Managing Director*

**Dato' Gumuri Hussain**  
*Senior Independent Non-Executive Director*

**Datuk Hj Faisyal Datuk Yusof Hamdain Diego**  
*Independent Non-Executive Director*

**Datuk Badly Shah Ariff Shah**  
*Independent Non-Executive Director*

**Datuk Mohd Hafarizam Harun**  
*Independent Non-Executive Director*

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

**Dato' Jamelah A. Bakar**  
*Independent Non-Executive Director*

**Dato' Sohaimi Shahadan**  
*Independent Non-Executive Director*

## SECRETARIES

Sharina Saidon (LS 006127)  
Noorhasikin Md Yatim (LS 0008951)

## REGISTERED OFFICE

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  
Fax : 603-7680 9669 (General)  
603-7680 9793 (Secretarial)  
<http://www.kub.com>

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (378993-D)  
Level 6, Symphony House, Block D13  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
Tel : 603-7841 8000  
Fax : 603-7841 8151/52

## AUDITORS

Messrs Ernst & Young (AF 0039)  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Malaysia  
Tel : 603-7495 8000  
Fax : 603-7495 9076

## PRINCIPAL BANKERS

Malayan Banking Berhad  
Affin Bank Berhad

## STOCK EXCHANGE LISTING

Main Market  
Bursa Malaysia Securities Berhad

## STOCK CODE

KUB 6874

# CORPORATE STRUCTURE

## OPERATING SUBSIDIARIES/ASSOCIATE COMPANIES



### AGRO BUSINESS

KUB Agro Holdings Sdn Bhd	100%
KUB Sepadu Sdn Bhd	60%
KUB Maju Mill Sdn Bhd	66%



### OIL & GAS/ENERGY

Summit Petroleum (Malaysia) Sdn Bhd	100%
KUB Oil & Gas Sdn Bhd	100%



### INFORMATION, COMMUNICATIONS & TECHNOLOGY (ICT)

KUB Telekomunikasi Sdn Bhd	100%
KFT International (Malaysia) Sdn Bhd	100%
Empirical Systems (M) Sdn Bhd	70%



### FOOD RELATED

A&W (Malaysia) Sdn Bhd	100%
A&W Restaurants (Thailand) Co. Ltd.	100%



### PROPERTY, ENGINEERING & CONSTRUCTION (PEC)

KUB Builders Sdn Bhd	100%
Precast Products Sdn Bhd	85%
KUB Power Sdn Bhd	100%
Peraharta Sdn Bhd	100%



### OTHERS

KUB-Berjaya Enviro Sdn Bhd	40%
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## PROFILE OF THE BOARD OF DIRECTORS

### **DATUK SERI HJ ABD. HALIM HJ ABD. SAMAD**

NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

Datuk Seri Hj Abd. Halim Hj Abd. Samad, aged 74, a Malaysian, was appointed to the Board of KUB Malaysia Berhad ("KUB") on 19 November 2009, and assumed the position of Chairman on 10 December 2009. He is also the Chairman of the Board Investment and Board Employee Share Scheme Committees of KUB.

Datuk Seri Hj Abd. Halim sits on the Board of Pinehill Pacific Berhad and several subsidiary companies of KUB.

Datuk Seri Hj Abd. Halim graduated from the Teachers' College Kota Bharu, Kelantan in December 1960. He has more than twenty (20) years of experience as the Senior Private Secretary to YAB Datuk Seri Mohd Najib Tun Haji Abdul Razak. He had also served various ministries namely Ministry of Education, Ministry of Youth and Sports, Ministry of Defence, Ministry of Culture and the Department of Prime Minister. His various involvements in politics include having held the positions of the First Chief of Wilayah Persekutuan United Malays National Organisation ("UMNO") Youth and as the Deputy UMNO Division Head for Setiawangsa.

Datuk Seri Hj Abd. Halim is also actively involved in community and non-governmental associations. He is the former Chairman of Persatuan Belia 4B Setapak and the former Deputy Chairman of Persatuan Belia 4B Wilayah Persekutuan.

He attended all the eight (8) Board Meetings of KUB held during the financial year ended 31 December 2013.

Other than as disclosed, he does not have any family relationship with any Directors and/or major shareholders of KUB. He has no personal interest in any business arrangements involving KUB. He has had no convictions for any offences within the past ten (10) years.

### **DATO' W. MOHD NOR W. AHMAD**

GROUP MANAGING DIRECTOR

Dato' W. Mohd Nor W. Ahmad, aged 60, a Malaysian, was appointed to the Board of KUB on 19 December 2011. He is a Member of the Board Investment and Board Employee Share Scheme Committees. Within the KUB Group, Dato' W. Mohd Nor sits on the Board of several subsidiary companies.

Prior to taking the helm of KUB as the Group Managing Director, he was the Chief Executive Officer of Summit Petroleum (Malaysia) Sdn Bhd, a wholly-owned subsidiary of KUB from September 2001 to

October 2011. He was later appointed as the Acting Chief Executive Officer of KUB from 17 October 2011 to 18 December 2011. He holds a Bachelor of Economics (Honours) from University of Malaya, Master in Business Administration from University of South Florida, United States of America and Master in Port Management and Harbour Administration from University of Antwerp, Belgium. He also attended the Look East Policy Programme with Central Officers' Training Institute of Seoul, South Korea.

Dato' W. Mohd Nor began his working career with the Terengganu State Economic Development Corporation ("SEDC"), a state-owned corporation. During his tenure with SEDC, he has had extensive exposures in the businesses of manufacturing, timber, oil & gas, infrastructure and port operations. He later served a Malaysian automotive conglomerate, DRB-Hicom Berhad before joining one (1) of the country's largest banking group, Hong Leong Bank Berhad as its General Manager.

He attended all the eight (8) Board Meetings of KUB held during the financial year ended 31 December 2013.

Other than as disclosed, he does not have any family relationship with any Directors and/or major shareholders of KUB. He has no conflict of interest in any business arrangements involving KUB. He has had no convictions for any offences within the past ten (10) years.

### **DATO' GUMURI HUSSAIN**

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Gumuri Hussain, aged 68, a Malaysian, was appointed to the Board of KUB on 10 February 2010. He is the Chairman of the Board Nomination and Board Remuneration Committees, and a Member of the Board Investment and Board Employee Share Scheme Committees of KUB.

Dato' Gumuri sits on the Board of Media Prima Berhad and Metrod Holdings Berhad. He is also a Member of the Securities Commission and Audit Oversight Board. Within the KUB Group, he sits on the Board of several subsidiary companies.

Dato' Gumuri is the former Managing Director and Chief Executive Officer of Penerbangan Malaysia Berhad from August 2002 to August 2004. Prior to this, he was a Senior Partner and Deputy Chairman of the Governance Board of PricewaterhouseCoopers Malaysia. He has also served as the Chairman of the SME Bank Berhad, a Non-Executive Director of Bank Industri & Teknologi Malaysia Berhad, Malaysian Airlines System Berhad, Sabah Bank Berhad, Kurnia Setia Berhad and Rangkaian Hotel Seri Malaysia Berhad.

## PROFILE OF THE BOARD OF DIRECTORS

### **DATO' GUMURI HUSSAIN** (cont' d)

Dato' Gumuri is a Fellow of the Institute of Chartered Accountants in England and Wales, a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He attended six (6) out of the total eight (8) Board Meetings of KUB held during the financial year ended 31 December 2013.

Other than as disclosed, he does not have any family relationship with any Directors and/or major shareholders of KUB. He has no conflict of interest in any business arrangements involving KUB. He has had no convictions for any offences within the past ten (10) years.



**Dato' W. Mohd Nor W. Ahmad**  
*Group Managing Director*



**Datuk Seri Hj Abd. Halim Hj Abd. Samad**  
*Non-Independent Non-Executive Chairman*



**Dato' Gumuri Hussain**  
*Senior Independent Non-Executive Director*

## PROFILE OF THE BOARD OF DIRECTORS

### **DATUK HJ FAISYAL DATUK YUSOF HAMDAIN DIEGO**

INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Hj Faisyal Datuk Yusof Hamdain Diego, aged 51, was appointed to the Board of KUB on 18 August 2005. He is the Chairman of the Board Risk Management Committee and a Member of the Board Audit and Board Remuneration Committees.

Datuk Hj Faisyal is currently the Chairman of Suria Capital Holdings Berhad Group. He also sits on the Board of several subsidiary companies of KUB.

Datuk Hj Faisyal was a Board Member of Bursa Malaysia Berhad ('Bursa') from May 2004 until June 2010. During his tenure with Bursa, he was the Chairman in the Market Participation, Listing and Compensation Committee and a Member of the Risk Management, Investment & Advisory Committee. He has been the Executive Chairman of Arus Sutera Sdn Bhd since 1997 and a Director

of Perkasa Trading Sdn Bhd (a subsidiary of Sabah Economic Development Corporation) since 1996. His curriculum vitae also include his positions as the Treasurer of Dewan Perniagaan Melayu Malaysia (Sabah) from 1997 until 2007 and as the Chairman of Yayasan Bumiputra Sabah (wholly-owned by the State Government of Sabah) from September 2010 until September 2012.

Datuk Hj Faisyal holds a Degree in Economics from York University, Toronto, Ontario, Canada and a Diploma in Accountancy from the Toronto School of Business, Toronto, Ontario, Canada.

He attended seven (7) out of the total eight (8) Board Meetings of KUB held during the financial year ended 31 December 2013.

Other than as disclosed, he does not have any family relationship with any Directors and/or major shareholders of KUB. He has no conflict of interest in any business arrangements involving KUB. He has had no convictions for any offences within the past ten (10) years.



**Datuk Hj Faisyal Datuk Yusof Hamdain Diego**  
*Independent Non-Executive Director*

**Datuk Badly Shah Ariff Shah**  
*Independent Non-Executive Director*

**Datuk Mohd Hafarizam Harun**  
*Independent Non-Executive Director*

## PROFILE OF THE BOARD OF DIRECTORS

### **DATUK BADLY SHAH ARIFF SHAH** INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Badly Shah Ariff Shah, aged 59, a Malaysian, was appointed to the Board of KUB on 19 December 2011. He is the Chairman of the Board Audit Committee and a Member of the Board Risk Management and Board Investment Committees.

Datuk Badly Shah is an Accountant by profession and is an Associate of the Chartered Institute of Management Accountants, United Kingdom and a Member of the Malaysian Institute of Accountants.

His extensive experiences included: Plant Accountant in Multitone Electronics Sdn Bhd (a wholly-owned subsidiary of a United Kingdom-based company); Assistant General Manager, Services in Pernec Corporation Berhad; General Manager, Finance in Annah Tours and Travel (M) Sdn Bhd; Finance Director in DMC Telecom (M) Sdn Bhd (a joint-venture subsidiary of a local conglomerate, namely Technology Resources Industries Berhad and a United States-based company); Assistant General Manager and Head of Islamic Banking Department of Kewangan Bersatu Berhad; Director of KBB Nominees (M) Sdn Bhd and KBB Properties (M) Sdn Bhd; Controller of Finance and later as the Vice President of Corporate Affairs and Chief Financial Officer at Malaysia University of Science and Technology. He also currently sits on the Board of UPM Holdings Sdn Bhd, a wholly-owned subsidiary of Universiti Putra Malaysia.

He attended all the eight (8) Board Meetings of KUB held during the financial year ended 31 December 2013.

Other than as disclosed, he does not have any family relationship with any Directors and/or major shareholders of KUB. He has no conflict of interest in any business arrangements involving KUB. He has had no convictions for any offences within the past ten (10) years.

### **DATUK MOHD HAFARIZAM HARUN** INDEPENDENT NON-EXECUTIVE DIRECTOR

Datuk Mohd Hafarizam Harun, aged 42, a Malaysian, was appointed to the Board of KUB on 19 December 2011. He is a Member of the Board Audit, Board Nomination and Board Risk Management Committees.

He sits on the Board of Felda Holdings Berhad and Felda Global Ventures Sugar Sdn Bhd, a wholly-owned subsidiary of Felda Global Ventures Holdings Berhad. He also sits on the Board of several subsidiary companies of KUB.

Datuk Mohd Hafarizam is a lawyer by profession. He holds an LL.M in Law in Development from University of Warwick, United Kingdom and LLB (Honours) from International Islamic University of Malaysia. He was admitted as an Advocate & Solicitor of the High Court of Malaya in 1997, and was appointed as an Investigating Tribunal Panel Member of the Advocates & Solicitors Disciplinary Board in 2005.

Datuk Mohd Hafarizam began his career as a Legal Assistant at Messrs Rashid & Lee in 1993 and moved to Senior Associate at Messrs Shahrizat Rashid & Lee in 2004. He is currently the Managing Partner at Messrs Hafarizam Wan & Aisha Mubarak.

He attended six (6) out of the total eight (8) Board Meetings of KUB held during the financial year ended 31 December 2013.

Other than as disclosed, he does not have any family relationship with any Directors and/or major shareholders of KUB. He has no conflict of interest in any business arrangements involving KUB. He has had no convictions for any offences within the past ten (10) years.

## PROFILE OF THE BOARD OF DIRECTORS

### **DATO' AB RAHIM ABU BAKAR** INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Ab Rahim Abu Bakar, aged 62, a Malaysian, was appointed to the Board of KUB on 5 August 2013. He is a Member of the Board Audit and Board Investment Committees. He also sits on the Board of several subsidiary companies of KUB.

Dato' Ab Rahim's extensive exposures cover his seventeen (17) years of working experience in EPE Power Corporation Berhad, where his last position was the General Manager of the Marketing and Project Division. He has also served several companies in power and oil & gas industries namely Schneider Electric Industries (M) Sdn Bhd and Arab Malaysian SGB. He is also active in serving various business and Non-Governmental Associations. He was appointed the President of Persatuan Usahawan Tenaga Malaysia, President of Bumiputra Manufacturers and Services Industry Association of Malaysia and the Vice President of National Malay Chamber of Commerce. He is currently the Chief Executive Officer/Chairman of VEI Power Distribution (M) Sdn Bhd.

He holds a Degree in Bachelor of Electrical Engineering.

As Dato' Ab Rahim was only appointed in August 2013, he attended one (1) out of one (1) Board Meeting of KUB held during the period from his date of appointment until end of the financial year ended 31 December 2013.

Other than as disclosed, he does not have any family relationship with any Directors and/or major shareholders of KUB. He has no conflict of interest in any business arrangements involving KUB. He has had no convictions for any offences within the past ten (10) years.

### **DATO' JAMELAH A.BAKAR** INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Jamelah A.Bakar, aged 61, a Malaysian, was appointed to the Board of KUB on 5 August 2013. She is a Member of the Board Nomination, Board Remuneration and Board Employee Share Scheme Committees. She also sits on the Board of several subsidiary companies of KUB.

Dato' Jamelah holds an Associate Degree in Printing and Advertising, United States of America and Diploma in Journalism from the International Institute of Journalism, Berlin, Germany.

Dato' Jamelah served as a journalist at two (2) renowned local media houses from 1971 to 1984. Currently an accomplished entrepreneur, she was appointed the Advisor of the Association of Women Entrepreneurs of Malaysia. Dato' Jamelah is also actively involved in politics where she has been re-elected as the EXCO Member of the 2014 UMNO's Women Wing and as the Supreme Council Member of the Overseas UMNO Club. Her various involvements in the Non-Governmental Organisations include her position as the President of Women and Family Bureau of Persatuan Mencegah Dadah Kebangsaan (PEMADAM).

As Dato' Jamelah was only appointed in August 2013, she attended one (1) out of one (1) Board Meeting of KUB held during the period from her date of appointment until end of the financial year ended 31 December 2013.

Other than as disclosed, she does not have any family relationship with any Directors and/or major shareholders of KUB. She has no conflict of interest in any business arrangements involving KUB. She has had no convictions for any offences within the past ten (10) years.

## PROFILE OF THE BOARD OF DIRECTORS

### **DATO' SOHAIMI SHAHADAN** INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Sohaimi Shahadan, aged 45, a Malaysian, was appointed to the Board of KUB on 5 August 2013. He is a Member of the Board Audit and Board Risk Management Committees.

As an accomplished entrepreneur, Dato' Sohaimi served as Special Officer to the Minister of Entrepreneurs and Co-operative Malaysia from 2008 to 2009 and as a Director of the Institute of Bumiputra Entrepreneurs from 2008 to 2010. He was later appointed as the Chairman of Kolej Poly-Tech MARA from 2010 to 2013 and a Director of FINAS in 2011.

He is a Board Member of MardiTech Corporation Sdn Bhd since 2009, the Chairman of Pelaburan MARA Berhad since 2013 and the Chairman of Perbadanan Kemajuan Kraftangan Malaysia since 2011. He is an Independent Non-Executive Director of KBB Resources Berhad since 2013 and the Vice President IV of

Malay Businessmen and Industrialist Association of Malaysia (PERDASAMA). He also sits on the Board of several subsidiary companies of KUB.

Dato' Sohaimi holds Master Degrees in Corporate Communication from Universiti Putra Malaysia and in Business Administration from West Coast Institute Technology and Management, Perth, Australia. His Bachelor Degree is in Business Administration from National University of Malaysia.

As Dato' Sohaimi was only appointed in August 2013, he attended one (1) out of one (1) Board Meeting of KUB held during the period from his date of appointment until end of the financial year ended 31 December 2013.

Other than as disclosed, he does not have any family relationship with any Directors and/or major shareholders of KUB. He has no conflict of interest in any business arrangements involving KUB. He has had no convictions for any offences within the past ten (10) years.



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



**Dato' Jamelah A. Bakar**  
Independent Non-Executive Director



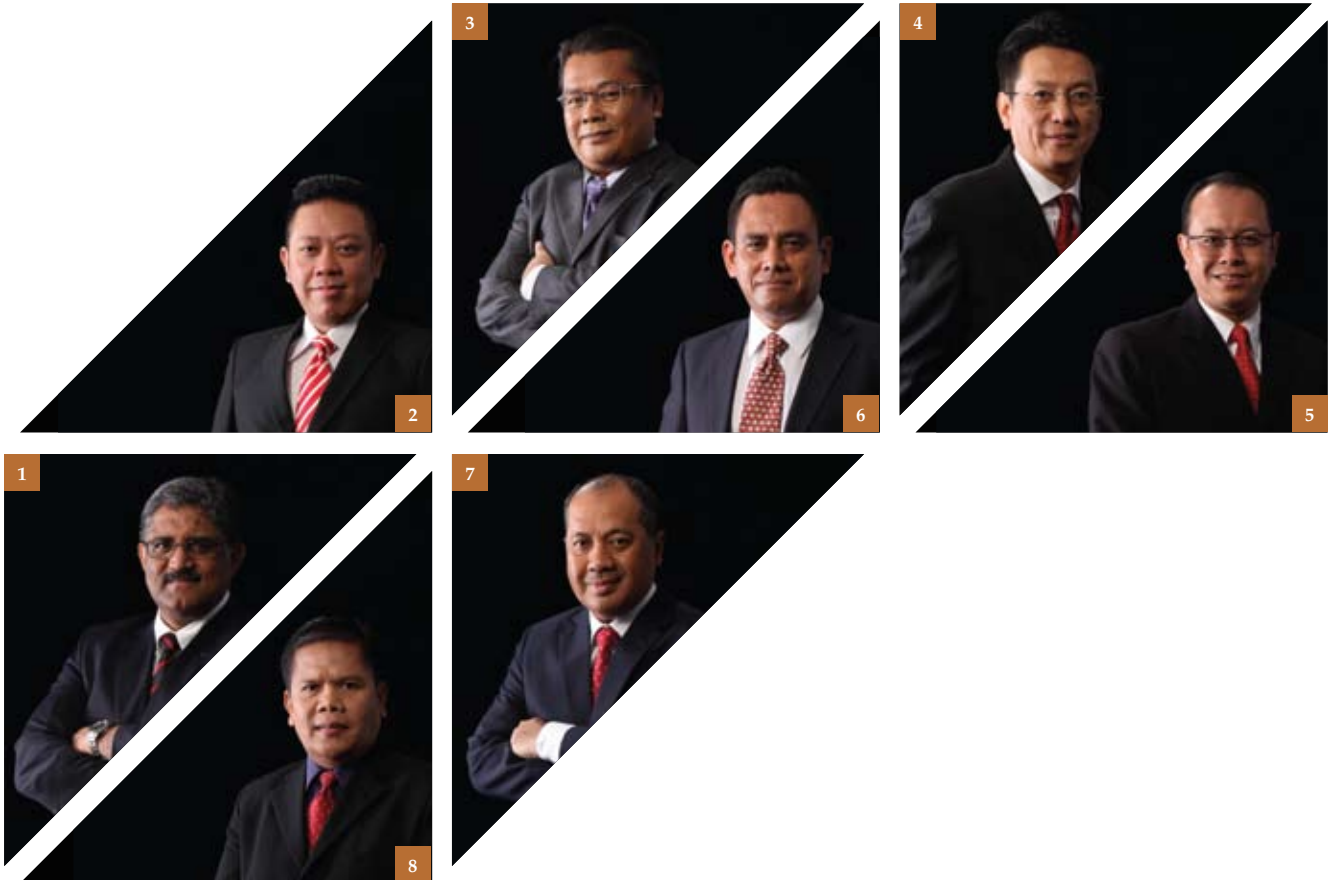
**Dato' Sohaimi Shahadan**  
Independent Non-Executive Director

## HEAD OF DIVISIONS



1. **Aziah Mustapa**  
General Manager  
Group Finance & Strategic Management
2. **Mohamat Yusof Abu Bakar**  
General Manager  
Special Projects & Legal
3. **Sharina Saidon**  
Head  
Secretarial & Corporate Affairs
4. **Nor Fadzilla Jaafar Sidek**  
Head  
Group Human Capital & Corporate Services
5. **Jamal Nasir Abdul Rahman** (Resigned w.e.f. 10 May 2014)  
Head  
Group Internal Audit

## HEAD OF COMPANIES



1. **Mohd Yunus Mohamed Shamsudin**  
Chief Executive Officer  
Summit Petroleum (Malaysia) Sdn Bhd

2. **Dr Zainal Abidin Salleh**  
Executive Director &  
Chief Executive Officer  
KUB Agro Holdings Sdn Bhd  
KUB Sepadu Sdn Bhd  
KUB Maju Mill Sdn Bhd

3. **Dato' Othman Jaki**  
Chief Executive Officer  
Precast Products Sdn Bhd

4. **Mohd Shahrin Mohammad**  
Chief Executive Officer  
KUB Telekomunikasi Sdn Bhd  
KFT International (Malaysia) Sdn Bhd  
Empirical Systems (M) Sdn Bhd

5. **Samad Mohd Shariff**  
Chief Executive Officer  
A&W (Malaysia) Sdn Bhd

6. **Azhar Abdullah**  
Head  
KUB Power Sdn Bhd

7. **Mohammad Nadzri Hasan**  
Acting General Manager  
KUB Oil & Gas Sdn Bhd

8. **Mior Azhar Mior  
Mohamed Junid**  
Head  
Peraharta Sdn Bhd



Datuk Seri Hj Abd. Halim Hj Abd. Samad  
Chairman

# MESSAGE FROM THE CHAIRMAN

## Review of Financial Year 2013 (“FY2013”)

On behalf of the Board of KUB Malaysia Berhad (“KUB”), it is my great pleasure to report that the organisation made a successful return to profitability for the financial year ended 31 December 2013.

This turnaround was anchored by an effective corporate strategy combined with resilience in our core businesses despite challenging conditions, and a dramatic turnaround to be in the black by A&W (Malaysia) Sdn Bhd (“A&W Malaysia”). In hindsight, I am delighted that KUB reversed its earlier decision to sell its stake in A&W Malaysia as proposed in FY2013. Looking back, this was an excellent decision as the Group has proven that it was able to restore A&W Malaysia to profitability for FY2013 by re-strategising business strategy and operations in our core business in the Food Related Sector.

A&W Malaysia celebrated its 50th anniversary in November 2013 and marked its history as Malaysia’s oldest fast food chain. Looking ahead, the Group has allocated RM3 million for future expansion and plans to open another five (5) outlets to grow from twenty (20) outlets currently. KUB is keen to build on the A&W legacy and the brand’s appeal and fundamentals to power the core business in the Food Related Sector to greater heights in future.

### **Enhancing Corporate Governance**

The Board of KUB is committed to providing independent oversight and guidance to Management and the organisation as a whole in order to minimise risks, maximise opportunities, comply with corporate governance regulations and best practices, and enhance the Group’s business and operating environment.

Board diversity is key to achieving an independent and credible outlook on corporate governance and business strategy. During FY2013, the Board was pleased to welcome three (3) new Independent Non-Executive Directors from diverse backgrounds. I am confident that their cumulative wealth of experience and expertise especially in entrepreneurship will vastly enrich the Board’s capabilities and enable the organisation to chart new paths for sustainable growth. Experienced entrepreneurs, Dato’ Ab Rahim Abu Bakar, aged 62 and Dato’ Sohaimi Shahadan, aged 45, were appointed to the Board of KUB on 5 August 2013.

Meanwhile, KUB aspires to be a strategic partner in nation-building. Compared with other developed nations, women’s talents are largely untapped and the government has identified harnessing women talent as a strategy to spearhead economic transformation. In line with the recommended government quotas to increase the number of women directors in the medium-term, KUB is proud to welcome Dato’ Jamelah A. Bakar as an Independent Non-Executive Director on 5 August 2013. Dato’ Jamelah, aged 61, is an experienced and media-savvy entrepreneur who will certainly offer innovative business insights from a different perspective.

# MESSAGE FROM THE CHAIRMAN

## Corporate Responsibility

KUB believes strongly that corporate responsibility (“CR”) can help to create positive futures for recipients through initiatives to support surrounding communities and society. Apart from advocating philanthropy, our economic activities are designed to bring sustainable long-term prosperity to the communities in which we operate by improving modern infrastructure and creating value-added jobs.

Paying business zakat to help uplift the country’s society and economy is an integral part of KUB’s values and commitment to be a responsible corporate citizen. Our high-performance subsidiary, KUB Agro Holdings Sdn Bhd, paid out RM275,243 in business zakat to Majlis Agama Islam Johor in September 2013, and the money will be channelled to benefit deserving recipients. KUB is delighted to be able to make a difference through paying zakat, and we hope to increase our zakat payments in future and to set an example for other Muslim-majority business entities.

KUB also believes that philanthropy targeted to selective groups can be of great benefit to society and needy communities. In line with our objectives, we provided support to 875 flood victims in Hulu Terengganu in December 2013. We are also committed to give sponsorship to disadvantaged orphans to assuage the burden of this less fortunate segment of society and assure them of our care and help when necessary.

Part of our mandate is to build sustainable societies and communities by accelerating economic development and providing meaningful job opportunities. This is aligned with our mission to fulfill our social responsibilities in our community. While KUB focuses on adding value to our stakeholders across all our economic activities, I strongly believe that our efforts to expand our agro activities will have a positive impact on development and the well being of communities in Sabah and Sarawak. We intend to build supporting infrastructure and facilities, which will create significant job opportunities for locals.

According to our CR mandate, our people are a key stakeholder group. We recognise the contributions of our people and talents in developing a culture of high performance at KUB. KUB discharges its responsibility to its employees by focusing on relevant training and professional development, charting clear career paths and competitive remuneration packages, and providing a challenging

yet nurturing environment where our people can thrive to emerge as business leaders and professionals. Through agencies such as Talent Corporation, talent initiatives have been identified as a crucial tool for national transformation and nation-building. KUB is proud to be a strategic partner in nation-building by helping to develop the capabilities and capacity of homegrown Malaysian talent in all our core business sectors.

## Acknowledgements

Without further ado, I wish to extend my deepest gratitude and appreciation to my fellow directors for their commitment and wisdom in restructurising the Group’s business operations to achieve a profitable turnaround. Furthermore, I would also like to commend the Management of KUB for their excellent stewardship and teamwork in turning around the organisation. Heartiest congratulations are also due to all the valued employees of KUB for performing beyond expectations to support the organisation’s goals in an extremely challenging landscape.

I would also like to thank the government of Malaysia for crafting and executing a national transformation programme that creates a conducive and open climate for business. I would also like to thank our regulators and partners for their continuing collaboration and support for KUB as we endeavour to create a sustainable business and tap market opportunities while complying with the requisite legislation and best practices.

I am confident that KUB’s improved fundamentals will put it in good stead to achieve further upside to the Group’s topline and bottomline results going forward. We will continue to focus on our core competencies to maintain our performance and sustain growth while conserving resources. Furthermore, we intend to forge collaborative partnerships with allies which will enable us to expand our markets and leverage and maximise synergies among our businesses.

In line with our long-term objective of developing a high-performance culture, we will strive harder and work smarter to nurture an innovative and efficient business enterprise which will deliver sustainable profits while generating premium returns to shareholders.

Thank you.



Dato' W. Mohd Nor W. Ahmad  
Group Managing Director

# MESSAGE FROM THE GROUP MANAGING DIRECTOR

## Review of Financial Year 2013 (“FY2013”) Performance

On behalf of KUB Malaysia Berhad (“KUB”), I am pleased to report that the Group has successfully made a turnaround in terms of its financial performance for the year ended 31 December 2013. The Group has accomplished its mission to rebound from a loss-making position and adopt a sustainable profit-oriented mindset, by enhancing its core strengths and divesting the non-performing activities.

For the financial year ended 31 December 2013, KUB achieved a profit before tax of RM7.54 million on the back of RM932.60 million revenue. This is a significant improvement over its results in the preceding year, where the Group recorded pre-tax losses of RM12.13 million against the revenue of RM806.76 million.

The **Agro Business** Sector continued to be the main contributor to the Group’s profitability, although the sector’s profit before tax declined by 10% for the year under review due to lower average fresh fruit bunch prices despite increased harvests.

The **Oil & Gas/Energy** Sector has continuously garnered as the top contributor to the Group’s revenue, registering RM498.91 million or 53% of the Group’s turnover. The increase in the consumer demand for liquefied petroleum gas (“LPG”) drove revenue marginally higher by 2% for the year under review. Profit before tax also improved to RM10.11 million due to lower LPG costs and higher gains in the foreign exchange hedging.

The **Food Related** Sector registered an impressive recovery when A&W (Malaysia) Sdn Bhd (“A&W Malaysia”) recorded its maiden profit of RM1.89 million in FY2013; which was the result of several strategies undertaken by the Group to improve the A&W Malaysia fast food chain. The Group’s strategies for improvement have successfully turned around A&W Malaysia, which had been incurring losses since being part of the Group in 2001. The strategies embarked upon by the Group included the closure of the non-performing outlets in FY2012 and effective management of resources.

Nevertheless, the overall profit posted by the **Food Related** Sector was affected by a one-off payment of RM1.33 million for retrenchment benefits to the staff of KUB Singgahsana (PJ) Sdn Bhd, following the Group’s exit from the hotel business.

# MESSAGE FROM THE GROUP MANAGING DIRECTOR

The performance of Information, Communications & Technology (“ICT”) Sector has also improved from loss before tax of RM1.11 million to profit before tax of RM4.03 million as a result of lower cost of sales for several projects; despite decline in revenue.

Notwithstanding a higher revenue of RM307.74 million recorded, the Property, Engineering & Construction (“PEC”) Sector posted a loss before tax of RM14.51 million due to high costs incurred from the projects undertaken by the sector. KUB Builders Sdn Bhd undertook two (2) key projects during FY2013. These included continuing the works for KLIA2 Airport Project valued at RM268.79 million, which was duly awarded in FY2011 and scheduled for completion on 16 January 2014, and the construction of students’ accommodation for Universiti Malaysia Pahang valued at RM39.17 million.

## FY2014 Prospects

Moving forward, KUB strives to crisis-proof its businesses to achieve healthy growth and deliver sustainable returns to all the stakeholders. Given the strong domestic demand and solid business fundamentals, the Group anticipates to post improved results in the coming years.

Apart from strengthening its continuing businesses, KUB will focus on developing win-win collaborations with its existing and potential partners in its endeavour to expand the existing markets and to penetrate new market segments. The Group will strengthen its effort to secure high value-added projects that would leverage on the Group’s strengths and capabilities, particularly in the PEC, Energy and ICT Sectors.

In the PEC Sector, the Group remains optimistic in its capacity to garner for long-term mega projects and private finance initiatives by capitalising the Group’s expertise in the precast building systems which are capable in providing stable and sustainable cashflows. The Group strongly believes that based on the technology’s efficiencies and benefits, precast construction is the way forward in the Malaysian property development and construction sector.

As for the Energy and ICT Sectors, the Group aims to strengthen its existing businesses, exit underperforming activities, and seek opportunities to expand into related blue ocean areas with high margins and minimal competition.

Specifically in ICT Sector, KUB Telekomunikasi Sdn Bhd is seeking out strategic alliances and partnerships with leading ICT players such as Australia’s Datacom Systems (Asia) Sdn Bhd to offer a wider range of ICT infrastructure and management services to the Malaysian market. The Group is working to transform the ICT business model and explore new business opportunities to ensure continuous income streams.

In the Oil & Gas/Energy Sector, the Group will continue to explore the possibilities of entering into Oil & Gas industry. Summit, on the other hand, will increase its storage capacity and increase another line of production at its plant at West Port.

The Group intends to further expand its Agro Business Sector significantly. In FY2014, the Group is in the midst of constructing a palm oil mill in Mukah, Sarawak and it is expected to commence operation by mid 2015. The mill which will have the processing capacity of 45 metric tonne per hour will lead to the growth of its income and profit margins. Aligned with this expansion, the sector also aims to increase its plantation land by acquiring an additional land up to 10,000 hectares upon the completion of the oil palm mill. Currently, the sector owns 7,337 hectares of oil palm plantation land in Johor and Sarawak.

Following the divestment of the non-performing outlets and businesses which had been pulling down the business, the Food Related Sector is expected to outperform in the FY2014 given the healthy domestic consumer demand. The core business in the Food Related Sector, A&W Malaysia, intends to grow its market share by opening another five (5) outlets by the FY2014, which will bring a total number of outlets in Malaysia from twenty (20) in FY2013 to twenty-five (25).

# MESSAGE FROM THE GROUP MANAGING DIRECTOR

In overall, KUB is fully committed towards leaner operations and improve efficiency in delivering added value to our stakeholders.

People are a key support for lean and innovative operations. KUB focuses intensively on talent development, which in turn helps drive Malaysia's vision to transform human capital and the economy to achieve developed nation status and a high income economy by 2020. KUB's strategy is to provide a challenging and supportive environment for talent development. The Group hires the best available talent at competitive packages, and provides challenging career development paths to nurture homegrown talents, especially the Bumiputras to fill the country's future talent needs.

KUB continues to best manage its operational and administrative costs by running a lean operation. The decision to relocate its headquarters from Kelana Jaya to the new business enclave of Ara Damansara will result in savings of more than RM600,000 per year.

The Group views compliance with regulations as a means to improve performance, add business value and enhance its reputation. To the best of its knowledge, the Group is compliant with the different requirements and regulations as mandated under the Malaysian legislation.

## Acknowledgements

The Group owes its successful turnaround to the loyal support of its many diverse stakeholders.

On behalf of KUB, I wish to extend my deepest gratitude and appreciation to our valued shareholders for their continuing trust and support. Thank you to all our partners, especially our customers and business associates, for supporting us and helping us grow despite a challenging business environment. I am also deeply thankful to the Government and regulators for fostering a transformative and conducive business and investing climate that supports the Group's development.

Many thanks are also due to the Board for its prudent stewardship which has enabled KUB to recover and chart a new and sustainable path in future. I also wish to extend my most sincere thanks to the Management team and employees for their commitments, discipline and professionalism without which the Group could not have accomplished its mission.

As of FY2013, the Group's return to the black augurs well for the future. Building on its robust foundation, the Group hopes to improve its profit margins and build sustainable revenue to deliver even better results to our stakeholders and supporters in the future.

Thank you.

## CALENDAR OF EVENTS 2013

The Signing of the Memorandum of Understanding between KUB Malaysia Berhad & Datacom Systems (Asia) Sdn Bhd, witnessed by YB Datuk Jailani Johari, Deputy Minister of Communications and Multimedia

30 May 2013



KUB Malaysia Berhad's 48th Annual General Meeting (AGM)

20 June 2013



The Corporate Responsibility Programme with the Children of Rumah Amal Kasih Bestari

23 July 2013



KUB Malaysia Berhad's Raya Open House 2013

20 August 2013



KUB Malaysia Berhad's Raya Open House 2013

20 August 2013



The Tithes Contribution Ceremony to Majlis Agama Islam Negeri Johor (MAIJ) with YAB Datuk Seri Mohamed Khaled Nordin, Chief Minister of Johor

12 September 2013



The Trial Landing Ceremony on Runway 3, KLIA2

07 October 2013



YBhg Datuk Seri Hj Abd. Halim Hj Abd. Samad presented a souvenir to YB Dato' Seri Hishammuddin Tun Hussein, Minister of Defence and Acting Minister of Transport and his Deputy, YB Datuk Abdul Aziz Kaprawi



A&W (Malaysia) Sdn Bhd's 50th Anniversary celebration with the attendance of Mr Dale Mulder, Chairman of A&W Restaurant Inc. and Mr Kevin Bazner, President & CEO of

A&W Restaurant Inc.

16 November 2013



The School Aid Presentation for Flood Victims of Parliament Hulu Terengganu with YB Datuk Jailani Johari, Deputy Minister of Communications and Multimedia who is also the Member of Parliament of Hulu Terengganu

31 December 2013



The flood victims of A&W (Malaysia) Sdn Bhd's employees were presented with contributions from both YB Datuk Jailani Johari and YBhg Datuk Seri Hj Abd. Halim Hj Abd. Samad

31 December 2013



## KUB IN THE NEWS

Kosmo (9 Dec 2013) **Transformasi**

**A&W untuk capai perolehan RM60j** • Utusan

Malaysia (5 Dec 2013) **Pelan pemulihan 5 tahun A&W** •

Utusan Malaysia (14 Nov 2013) **A&W unjur perolehan**

**RM60 juta tahun 2014** • Malaysian Reserve (14 Nov 2013)

**KUB decides not to sell 40% stake in A&W Malaysia** •

New Straits Times (9 Oct 2013) **KUB to submit RM40m**

**VOs to MAHB next year** • The Edge Financial Daily (8

Oct 2013) **KLIA2 on track for May opening** • Borneo Post

(KK) (8 Oct 2013) **KUB marks milestone achievement**

**with KLIA2 third runway** • Borneo Post (Kuching) (8

Oct 2013) **KUB marks milestone achievement with KLIA2**

**third runway** • The Star (13 Sep 2013) **KUB Agro to expand oil palm**

**business** • Malaysian Reserve (21 Jun 2013) **KUB on 'right track'**

**to improve profits** • Kosmo (21 Jun 2013) **A&W untung**

**kali pertama** • The Star (31 May 2013) **KUB eyes**

**15% revenue rise** • Malaysian Reserve (11 Apr

2013) **A&W returns to the black, more outlets**

**to open in 2014** • Borneo Post (Kuching) (1 Mar 2013)

**KUB posts pre-tax loss of RM16.39 million** • Berita Harian

(8 Feb 2013) **KUB Agro sasar pendapatan tambahan RM60 juta** •

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) of KUB Malaysia Berhad (“KUB”) remains committed to ensure that good corporate governance is practised throughout the Group in enhancing Shareholders’ value and the financial performance of the Group. The Board acknowledges its responsibility for compliance with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad’s (“Bursa Securities”), the Malaysian Code on Corporate Governance 2012 (“the Code”) and all other statutory requirements.

The Board is pleased to report as follows on the extent to which the principles and recommendations of the Code and the Listing Requirements were applied throughout the financial year ended 31 December 2013.

## **1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES**

The Board is responsible for ensuring that Shareholders’ value and interests are protected and enhanced. The Board has since the Forty-Eighth (48th) Annual General Meeting continuously reviewed and adopted various guidelines and processes to enhance the standards of the corporate governance practised within the Group. This includes but not limited to reviewing the Board Charter and Terms of Reference of its Sub-Committees, the Management Guidelines and undertaking the Board’s Evaluation Assessment Exercise.

### **1.1 Clear Functions of the Board and Management**

There is a clear separation of functions between the Board and Management.

The Board’s power and functions are specified in the Board Charter. Based on the Charter, the Board assisted by its Sub-Committees is ultimately responsible for the Group’s corporate governance, strategic direction, establishing the Group’s business and investment policies, overseeing the conduct of the Company’s business and evaluating whether these are being properly and effectively managed. A clear guideline separating the functions of the Board and its Sub-Committees with the function of the Management is further spelt out in KUB Management Guidelines (“KUBMaG”). The KUBMaG is subject to periodic review by the Board.

The Non-Executive Directors, with their different backgrounds, professions and experiences effectively contribute to independent view and judgement to facilitate the decision making process of the Group with regards to the various business strategies and performance. No individual or group of individuals dominates the Board’s decision making process. The Board adopts the concept of independence in tandem with the definition of ‘Independent Director’ under Paragraph 1.01 of the Listing Requirements.

Dato’ Gumuri Hussain acts as the Senior Independent Non-Executive Director dealing with concerns regarding the Group where it could be inappropriate to be dealt with by the Chairman or the Management.

### **1.2 Board Duties and Responsibilities**

The Board has full control of the Group and oversees the business affairs to ensure proper management. This includes adopting strategic plans, approving key business initiatives, major investments decisions, reviewing financial performance, developing corporate objectives and implementing investor relations programmes. It also determines succession plans for Senior Management and ensures adequate internal controls to identify and manage risks. These actions are carried out directly by the Board and through its Sub-Committees.

Board Meetings are held at quarterly intervals with additional meetings held whenever necessary. Eight (8) Board Meetings were held during the financial year ended 31 December 2013. All Directors fulfilled the requirements of the Articles of Association and Listing Requirements in respect of the attendance to the Board Meeting.

At each quarterly meeting, the Board deliberated and considered the Group’s financial results, discussed and reviewed the Group’s business plan including financial performance to-date against the annual budget and financial plan previously approved by the Board for the year.

# CORPORATE GOVERNANCE STATEMENT

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

### 1.2 Board Duties and Responsibilities (cont'd)

The Board has delegated certain responsibilities to the following Sub-Committees with clearly defined Terms of Reference:

SUB-COMMITTEES	MAIN ROLES
Board Audit Committee	Assists the Board in overseeing the Group's adherence to regulatory and financial compliances, ensure system of internal controls and adherence to good corporate governance practices within the Group. Full details on the roles and responsibilities of the Board Audit Committee are reflected on page 47 to 52 of the Annual Report.
Board Nomination Committee	Assists the Board in overseeing the selection and assessment of Directors and Senior Management.
Board Remuneration Committee	Assists the Board in determining the remuneration package for the Board and Senior Management.
Board Investment Committee	Assists the Board in evaluating and examining the Company's strategic investment proposals to optimise the Group's returns on its investment activities.
Board Risk Management Committee	Assists the Board in overseeing the implementation of enterprise risk management framework within the Group. Full details on the roles and responsibilities of the Board Risk Management Committee are reflected on page 44 to 46 of the Annual Report.
Board Employee Share Scheme Committee	Assists the administration of the Company's Employee Share Scheme in accordance with its approved By-Laws.

The findings of the Sub-Committees are reported to the Board during Board Meetings.

### 1.3 Formalised Ethical Standards through Code of Ethics

Currently the Board observes the Code of Ethics in accordance with the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

For the employees, the Group has developed the Code of Ethics in line with the Group's corporate values. The Code of Ethics reinforces the employees' moral principles and commitments acceptable by the Group. This covers all aspects of business operations including confidentiality of information, conflict of interests, gifts, gratuities or bribes and breach of conducts.

The Group has established a Whistleblower Policy with the following objectives:

- (i) To help develop a culture of accountability, transparency and integrity within the Group;
- (ii) To provide a safe and confidential avenue for all directors, employees, external parties and stakeholders to raise concerns about any misconduct;
- (iii) To reassure whistleblowers that they will be protected from detrimental action or unfair treatment for disclosing concerns in good faith;
- (iv) To deter wrongdoing and promote standards of good corporate practices; and
- (v) To ensure the concerns raised are properly investigated.

The official avenues for disclosure by the whistleblower are via any one (1) or more of the following recipients:

- (i) Datuk Seri Hj Abd. Halim Hj Abd. Samad
- (ii) Dato' Gumuri Hussain
- (iii) Datuk Hj Faisyal Datuk Yusof Hamdain Diego

The Code of Ethics and Whistleblower Policy are available on the Company's corporate website.

# CORPORATE GOVERNANCE STATEMENT

## 1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (cont'd)

### 1.4 Strategies Promoting Sustainability

The Board promotes good corporate governance in the application of sustainability practices and such is outlined in the KUBMaG. The community outreach programmes held for the calendar year 2013 are reflected on page 27 of the Annual Report.

### 1.5 Access to Information and Advice

All scheduled meetings held during the year were preceded by a formal notice issued by the Company Secretary in consultation with the Chairman. The Directors have full and timely access to information, with Board Papers distributed in advance of meetings. 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. Senior Managements and consultants are also invited to attend the Board Meetings from time to time as deemed fit to assist the Board with management and operational input as well as professional advices.

Where a Board Member is unable to physically attend the Board Meeting, Article 119(ii) of the Company's Articles of Association allows for participation via tele-conferencing.

The Directors are empowered to have access to all information within the Group in discharging their duties. They also have access to the advice and services of the Company Secretary and independent professionals as and when required.

### 1.6 Qualified and Competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of its functions. The Company Secretary ensures that all Board Meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded and maintained in the statutory registers of the Company. The Company Secretary also keeps abreast of the evolving market environment, regulatory changes and developments in Corporate Governance through continuous training.

The Company Secretary is also responsible in ensuring the Group's compliance with the statutory obligations, facilitating high standards of corporate governance being practised within the Group and managing the communications with the shareholders.

### 1.7 Board Charter

The Board had adopted its Board Charter, of which a copy is published on the Company's website. The Board is currently reviewing the Board Charter in order to further enhance it with written processes and procedures.

## 2. STRENGTHEN COMPOSITION

### 2.1 Establish Board Nomination Committee

The Board has delegated its powers to its Sub-Committee, the Board Nomination Committee which exclusively comprises of three (3) Independent Non-Executive Directors. The Committee is chaired by Dato' Gumuri Hussain, the Senior Independent Non-Executive Director in compliance with Paragraph 15.08(1) of the Listing Requirements.

The objectives of the Board Nomination Committee are to establish a documented formal and transparent procedure for the appointment of Directors and Senior Management as well as to assess the effectiveness of the Directors, the Board as a whole and the various Sub-Committees of the Board on an on-going basis.

# CORPORATE GOVERNANCE STATEMENT

## 2. STRENGTHEN COMPOSITION (cont'd)

### 2.1 Establish Board Nomination Committee (cont'd)

The Board Nomination Committee has met four (4) times during the financial year ended 31 December 2013 for deliberation of the following:

- (i) Assessment and appointment of additional Directors to the Board of Directors of the Company;
- (ii) Assessment and appointment of Nominee Directors to the subsidiary companies;
- (iii) Appointment and re-designation of Senior Management and Head of Subsidiaries;
- (iv) Review on the Group's Corporate Structure;
- (v) Engagement of Consultant for the Board Evaluation Assessment Exercise; and
- (vi) Appointment of Project Consultants.

The attendance of the Members of the Board Nomination Committee at its Meeting held during the financial year under review is as follows:

DIRECTORS	ATTENDANCE
<b>Dato' Gumuri Hussain</b> (Appointed as Chairman w.e.f. 24 April 2013) <i>Chairman</i> <i>(Senior Independent Non-Executive Director)</i>	4/4
<b>Datuk Kamilia Ibrahim</b> (Resigned w.e.f. 24 April 2013) <i>Chairman</i> <i>(Non-Independent Non-Executive Director)</i>	1/1*
<b>Datuk Mohd Hafarizam Harun</b> <i>(Independent Non-Executive Director)</i>	4/4
<b>Dato' Jamelah A. Bakar</b> (Appointed w.e.f. 5 August 2013) <i>(Independent Non-Executive Director)</i>	0/1**

Note: \*One (1) Board Nomination Committee Meeting was held during the period from 1 January 2013 to 24 April 2013.

\*\*One (1) Board Nomination Committee Meeting was held during the period from 5 August 2013 until the end of the financial year.

Procedures relating to the appointment and re-election of Directors are contained in the Company's Articles of Association. All Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

The Board through the Board Nomination Committee continuously reviews its size and composition to ensure effective functioning of the Board.

### 2.2 Recruitment Process and Annual Assessment of Directors

The Board delegated to the Board Nomination Committee the responsibility of recommending the appointment of any new Directors, review of the Board's succession plans and training programmes.

The Board through the Board Nomination Committee had in April 2014 carried out the evaluation and assessment on Directors due for re-appointment and re-elections at the forthcoming Annual General Meeting and is satisfied with the performances rendered by each of the Directors.

The Board has also approved the appointment of a consultant to undertake the Board Evaluation Assessment Exercise. The Board is also currently reviewing the Board Charter in order to further enhance it with written processes and procedures.

# CORPORATE GOVERNANCE STATEMENT

## 2. STRENGTHEN COMPOSITION (cont'd)

### 2.3 Remuneration Policies

The Board Remuneration Committee is entrusted with the role of determining and recommending suitable policies in respect of remuneration packages for the Executive and Non-Executive Directors and Senior Management of the Group to ensure that rewards commensurate with their experience and individual performances. The Board Remuneration Committee consists exclusively of four (4) Non-Executive Directors and has met two (2) times during the financial year ended 31 December 2013.

The Members of the Board Remuneration Committee and their attendance at its Meetings held during the financial year ended 31 December 2013 are as follows:

DIRECTORS	ATTENDANCE
<b>Dato' Gumuri Hussain</b> (Appointed as Chairman w.e.f. 24 April 2013) <i>Chairman</i> <i>(Senior Independent Non-Executive Director)</i>	2/2
<b>Datuk Kamilia Ibrahim</b> (Resigned w.e.f. 24 April 2013) <i>Chairman</i> <i>(Non-Independent Non-Executive Director)</i>	0/1***
<b>Datuk Badly Shah Ariff Shah</b> <i>(Independent Non-Executive Director)</i>	2/2
<b>Datuk Hj Faisyal Datuk Yusof Hamdain Diego</b> (Appointed w.e.f. 5 August 2013) <i>(Independent Non-Executive Director)</i>	0/0****
<b>Dato' Jamelah A.Bakar</b> (Appointed w.e.f. 5 August 2013) <i>(Independent Non-Executive Director)</i>	0/0****

Note: \*\*\*One (1) Board Remuneration Committee Meeting was held during the period from 1 January 2013 to 24 April 2013.

\*\*\*\*No Board Remuneration Committee Meeting was held during the period from 5 August 2013 until the end of the financial year.

The Board as a whole determines the remuneration of the Non-Executive Directors. As mentioned above, the Board has approved the appointment of a consultant to undertake the Board Evaluation Assessment Exercise. The Board is also currently reviewing the Board Charter in order to further enhance it with written processes and procedures.

The Board of Directors is of the view that the disclosure of remuneration by appropriate components and bands are sufficient to meet the objectives set out in the Listing Requirements.

The remuneration of the Directors of the Company for the financial year ended 31 December 2013 is as follows:

Company Level	Fees (RM)	Salary (RM)	Defined Contribution Plans (RM)	Allowances (RM)	Benefits in Kind (RM)	Total (RM)
Executive Director	-	577,800	104,004	-	27,661	709,465
Non-Executive Directors	392,064	-	-	417,250	114,221	923,535

# CORPORATE GOVERNANCE STATEMENT

## 2. STRENGTHEN COMPOSITION (cont'd)

### 2.3 Remuneration Policies (cont'd)

The number of Directors whose total remuneration falls within the following bands for the financial year ended 31 December 2013 is as follows:

Range of Remuneration**** Company Level	Number of Directors		
	Executive	Non-Executive	Total
Below RM50,000	-	3	3
RM50,001 - RM100,000	-	4	4
RM150,001 - RM200,000	-	1	1
RM300,001 - RM350,000	-	1	1
RM700,001 - RM750,000	1	-	1

\*\*\*\*Note: Includes resigned and newly appointed Directors.

The Board is of the opinion that whilst individual Directors' remuneration is not disclosed, the information provided above is in compliance with the Listing Requirements.

## 3. REINFORCE INDEPENDENCE

### 3.1 Assessment of Independence Annually

The Board adopts the concept of independence in tandem with the definition of 'Independent Director' under Paragraph 1.01 of the Listing Requirements.

The Board has approved the appointment of a consultant to undertake the Board Evaluation Assessment Exercise which amongst others cover the necessary assessments on the independence of the Independent Directors of the Company.

### 3.2 Tenure of Independent Directors & Shareholders' Approval for the Retention of Independent Director

As recommended by the Code, the Board adopts the nine (9) years policy for the tenure of the Independent Non-Executive Directors. An Independent Director who has served either for a cumulative or consecutive nine (9) year period and wishes to retain its independence will be subject to shareholders' approval at the Annual General Meeting. Alternatively, the Director may continue to serve on the Board subject to re-designation as a Non-Independent Director.

### 3.3 Separate Positions of the Chairman and Group Managing Director/Chief Executive Officer

The Board complies with the recommendation of the Code on the separate positions of the Chairman and Group Managing Director/Chief Executive Officer.

The positions are held by two (2) different individuals. Datuk Seri Hj Abd. Halim Hj Abd. Samad, the Non-Independent Non-Executive Chairman is responsible in leading and guiding the Board in achieving its objectives. Whereas, Dato' W. Mohd Nor W. Ahmad, the Group Managing Director, assisted by the Senior Management, is responsible for the day-to-day operations of the Group and execution of the Board's decision.

A clear separation of the position descriptions as enunciated in the Appendix 1 to the Board Charter which is accessible on the Company's corporate website.

# CORPORATE GOVERNANCE STATEMENT

## 3. REINFORCE INDEPENDENCE (cont'd)

### 3.4 Composition of the Board

As at the date of the Annual Report, the Board consists of nine (9) members comprising one (1) Non-Independent Non-Executive Chairman, one (1) Group Managing Director and seven (7) Independent Non-Executive Directors. The Independent Directors make up 77.8% of the Board membership.

The Company complies with the Recommendation 3.5 of the Code.

## 4. FOSTER COMMITMENT

### 4.1 Commitment of the Board Members

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. This is evidenced by the attendance record of the Directors at Board Meetings held during the financial year ended 31 December 2013 as set out below:

DIRECTORS	ATTENDANCE
<b>Datuk Seri Hj Abd. Halim Hj Abd. Samad</b> (Non-Independent Non-Executive Chairman)	8/8
<b>Dato' W. Mohd Nor W. Ahmad</b> (Group Managing Director)	8/8
<b>Dato' Gumuri Hussain</b> (Senior Independent Non-Executive Director)	6/8
<b>Datuk Kamalia Ibrahim</b> (Resigned w.e.f 24 April 2013) (Non-Independent Non-Executive Director)	2/4*
<b>Datuk Hj Faisyal Datuk Yusof Hamdain Diego</b> (Independent Non-Executive Director)	7/8
<b>Datuk Badly Shah Ariff Shah</b> (Independent Non-Executive Director)	8/8
<b>Datuk Mohd Hafarizam Harun</b> (Independent Non-Executive Director)	6/8
<b>Dato' Ab Rahim Abu Bakar</b> (Appointed w.e.f 5 August 2013) (Independent Non-Executive Director)	1/1**
<b>Dato' Jamelah A. Bakar</b> (Appointed w.e.f 5 August 2013) (Independent Non-Executive Director)	1/1**
<b>Dato' Sohaimi Shahadan</b> (Appointed w.e.f 5 August 2013) (Independent Non-Executive Director)	1/1**

Note: \*Four (4) Board Meetings were held during the period from 1 January 2013 to 24 April 2013.

\*\*One (1) Board Meeting was held during the period from 5 August 2013 until the end of the financial year.

# CORPORATE GOVERNANCE STATEMENT

## 4. COMMITMENT OF THE BOARD MEMBERS (cont'd)

### 4.2 Continuing Education Programmes

All Directors have completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors will continue to attend other training courses to equip themselves effectively and discharge their duties as a Director on a continuous basis in compliance with Paragraph 15.08 of the Listing Requirements. The trainings attended by the Directors during the period under review are as follows:

DIRECTORS	PROGRAMMES
<b>Datuk Seri Hj Abd. Halim Hj Abd. Samad</b>	<ul style="list-style-type: none"> <li>Directors' Duties, Business Ethics &amp; Governance Seminar for Directors of PLCs 2013</li> </ul>
<b>Dato' W. Mohd Nor W. Ahmad</b>	<ul style="list-style-type: none"> <li>Directors' Duties, Business Ethics &amp; Governance Seminar for Directors of PLCs 2013</li> </ul>
<b>Dato' Gumuri Hussain</b>	<ul style="list-style-type: none"> <li>Leadership Series by Dr Pawan Agrawal</li> <li>20 Conversation @Harvard University</li> <li>National Accountant Conference</li> </ul>
<b>Datuk Kamilia Ibrahim</b> <i>(Resigned w.e.f. 24 April 2013)</i>	<ul style="list-style-type: none"> <li>Directors' Duties, Regulatory Updates and Governance Seminar for Directors of PLCs 2013</li> </ul>
<b>Datuk Hj Faisyal Datuk Yusof Hamdain Diego</b>	<ul style="list-style-type: none"> <li>Directors' Duties, Regulatory Updates and Governance Seminar for Directors of PLCs 2013</li> <li>Directors' Remuneration Seminar 2013</li> <li>Audit Committee Conference 2013</li> <li>Corporate Fraud Control Conference 2013</li> </ul>
<b>Datuk Badly Shah Ariff Shah</b>	<ul style="list-style-type: none"> <li>Directors' Duties, Regulatory Updates and Governance Seminar for Directors of PLCs 2013</li> <li>Directors' Remuneration Seminar 2013</li> <li>Corporate Fraud Control Conference 2013</li> <li>2013 National Conference on Internal Auditing - Scaling Greater Heights: Adding Value</li> <li>Risk Management &amp; Internal Control: Workshop for Audit Members</li> </ul>
<b>Datuk Mohd Hafarizam Harun</b>	<ul style="list-style-type: none"> <li>Audit Committee Conference 2013</li> <li>Risk Management &amp; Internal Control: Workshop for Audit Members</li> </ul>
<b>Dato' Ab Rahim Abu Bakar</b> <i>(Appointed w.e.f. 5 August 2013)</i>	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies</li> </ul>
<b>Dato' Jamelah A. Bakar</b> <i>(Appointed w.e.f. 5 August 2013)</i>	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies</li> </ul>
<b>Dato' Sohaimi Shahadan</b> <i>(Appointed w.e.f. 5 August 2013)</i>	<ul style="list-style-type: none"> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies</li> </ul>

## 5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

### 5.1 Compliance with Applicable Financial Reporting Standards

The Board is responsible for ensuring that financial statements prepared for each financial year give a true and fair view of the Group's state of affairs. The Directors took due care and reasonable steps to ensure that the requirements of accounting standards were fully met. Quarterly financial statements were reviewed by the Audit Committee and approved by the Board of Directors prior to their releases to Bursa Securities.

### 5.2 Assessment of Suitability and Independence of External Auditors

The Company has established a transparent and appropriate relationship with the Group's external auditors through the Audit Committee. The Audit Committee meets the external auditors without the presence of the Management at two (2) times a year.

The role of the Audit Committee in relation to the external auditors is described on page 50 of the Annual Report.

# CORPORATE GOVERNANCE STATEMENT

## 6. RECOGNISE AND MANAGE RISKS

### 6.1 Framework to Manage Risks

The risk management and internal control system is regularly reviewed by the Management and relevant recommendations are made to the Audit Committee and Board for consideration and approval. The Company continues to maintain and review its internal control procedures to ensure that its assets and its Shareholders' investments are protected.

Full report on the Company's Risk Management and Internal Control is reflected on page 41 to 46 of the Annual Report.

### 6.2 Internal Audit Function

The Board has established an internal audit function within the Company. Details of the Group's internal control system are set out in the Statement on Risk Management and Internal Control of this Annual Report.

## 7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

### 7.1 Corporate Disclosure Policy & Procedures

The Company adopts the requirement on corporate disclosure stipulated under Chapters 9 and 10 of the Listing Requirements. This is further spelt out in the Group's KUBMaG. The Management is taking the necessary steps to update the KUBMaG in accordance with the latest development of the Listing Requirements.

### 7.2 Leverage on Information Technology

The Group maintains its corporate website which is accessible at <http://www.kub.com>.

Information such as Company's profiles, Group structure, Directors' Profile, Announcements released to Bursa Securities, Annual Reports and other recent news of the Group are accessible on the Company's corporate website.

## 8. STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND SHAREHOLDERS

### 8.1 Shareholders' Participation at General Meetings

The Board recognises the importance of effective communication with Shareholders and the investment community, and adheres strictly to the disclosure requirements of Bursa Securities.

Quarterly reports on the Group's results and announcements can be accessed from Bursa Securities' website. Shareholders are notified of the meeting vide a formal notice and provided with a copy of the Annual Report twenty-one (21) days before the meeting.

In addition, the Group's Annual Report contains a review of its financial performance, supported by facts and statistics. The Annual General Meeting is the principal forum for dialogue with Shareholders. The Board provides an opportunity for the Shareholders to raise questions pertaining to the business activities of the Group. Highlights on the Group's financial performance are also presented to the Shareholders at the Annual General Meeting for their information.

All Directors are available to respond to questions from Shareholders during the Annual General Meeting. The external auditors are also present to provide professional and independent clarifications on issues and concerns raised by the Shareholders.

### 8.2 Encourage Poll Voting

The Board encourages the Shareholders to request for the resolutions put forth to be voted by poll. The procedure for voting by polls is in accordance with the Company's Articles of Association.

### 8.3 Communication and Engagements with Shareholders

The Group's Communication Guidelines empowers the Non-Independent Non-Executive Chairman and the Group Managing Director as the spokespersons of the Group.

# CORPORATE GOVERNANCE STATEMENT

## 8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (cont'd)

### 8.3 Communication and Engagements with Shareholders (cont'd)

Dato' Gumuri Hussain, the Senior Independent Non-Executive Director shall deal with concerns regarding the Group where it could be inappropriate to be dealt with by the Chairman or the Management.

### COMPLIANCE STATEMENT

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Company is taking the necessary steps to enhance the processes and procedures from time to time in compliance with the Listing Requirements, the Code and other regulatory requirements.

In this regard, the Board considers that the Group has complied satisfactorily with the principles and recommendations as stipulated in the Code throughout the financial year ended 31 December 2013.

This Statement is made in accordance with the resolution of the Board of Directors dated 29 April 2014.

## STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE AUDITED FINANCIAL STATEMENTS

The Board is required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the financial year end and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Board has:

- Adopted suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Ensured that all applicable accounting standards have been complied with; and
- Prepared financial statements on a going concern basis, as the Board has reasonable expectations, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Board has the responsibility of ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Board has the overall responsibility of taking such steps as are reasonably available to them to safeguard the assets of the Group, to prevent and detect 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 2013.
- b. Non-Audit Fees**  
The amount of non-audit fees incurred by the Group for services rendered by the external auditors for the financial year ended 31 December 2013 amounted to RM56,000.
- c. Imposition of Sanctions/Penalties**  
During the financial year, no sanctions and/or penalties were imposed on the Company, its subsidiaries, Directors or Management by the relevant regulatory authorities.
- d. 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 Directors and substantial shareholders.
- e. Variation in Results**  
There was no variance of ten per centum (10%) or more between the audited results of the financial year ended 31 December 2013 and the unaudited results previously announced.
- f. Revaluation Policy on Landed Properties**  
The revaluation policy on landed properties is as set out in the financial statements.
- g. Profit Guarantee**  
There was no profit guarantee given by the Company and its subsidiaries during the financial year ended 31 December 2013.
- h. Share Buy-Back**  
The proposed share buy-back which was announced on 29 May 2013 was approved by the shareholders of the Company at the 48th Annual General Meeting ("AGM") on 20 June 2013. However, no share buy-back has taken place during the financial year ended 31 December 2013.
- i. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")**  
The Company did not sponsor any ADR or GDR programme during the financial year.
- j. Options, Warrant or Convertible Securities**  
During the financial year, no options, warrant or convertible securities were issued by the Company.
- k. Recurrent Related Party Transactions**  
At the 48th AGM of the Company on 20 June 2013, a Shareholders' Mandate was obtained for the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions (RRPT) of revenue and/or trading nature.

## ADDITIONAL COMPLIANCE INFORMATION

Details of the RRPT conducted during the financial year ended 31 December 2013 pursuant to the Shareholders' Mandate obtained on 20 June 2013, are disclosed as follows:

RELATED TRANSACTION PARTY	NATURE OF TRANSACTION	RELATED PARTY	RELATIONSHIP	ACTUAL VALUE (21 JUNE – 31 DEC 2013) RM'000
Jeks Engineering Sdn Bhd ("JESB")	Supply of precast products to JESB	<b>Interested Directors &amp; major shareholders</b> JESB Jari Erkki Kalervo Silventoinen Michael Khor Loke Chong	Precast Products Sdn Bhd ("PPSB") is a 70%-owned subsidiary of KUB Builders Sdn Bhd ("KBSB") which in turn is our wholly-owned subsidiary.  JESB is a major shareholder of PPSB holding 30% equity interest.  Jari Erkki Kalervo Silventoinen and Michael Khor Loke Chong who are the major shareholders of JESB are also the directors of PPSB and JESB.	5,631
Jeks Engineering Pte Ltd ("JEPL")	Supply of precast products to JEPL	<b>Interested Directors &amp; major shareholders</b> JESB Jari Erkki Kalervo Silventoinen Michael Khor Loke Chong	PPSB is a 70%-owned subsidiary of KBSB which in turn is our wholly- owned subsidiary.  JEPL is a wholly-owned subsidiary of JESB which in turn is a major shareholder of PPSB holding 30% equity interest.  Jari Erkki Kalervo Silventoinen and Michael Khor Loke Chong who are the major shareholders of JESB are also the directors of PPSB, JESB and JEPL.	2,529
Jeks Trading Sdn Bhd ("JTSB")	Sale of raw materials by JTSB to PPSB	<b>Interested Directors &amp; major shareholders</b> JESB Jari Erkki Kalervo Silventoinen Michael Khor Loke Chong	PPSB is a 70%-owned subsidiary of KBSB which in turn is our wholly- owned subsidiary.  JTSB is a wholly-owned subsidiary of JESB which in turn is a major shareholder of PPSB holding 30% equity interest.  Jari Erkki Kalervo Silventoinen and Michael Khor Loke Chong who are the major shareholders of JESB are also the directors of PPSB, JESB and JTSB.	21

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

This Statement on Risk Management and Internal Control is made pursuant to the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad with regards to the Group’s compliance with the Principles and Best Practices provisions relating to risk management and internal controls as stipulated in the Malaysian Code on Corporate Governance 2012.

The Board is pleased to provide the Statement on Risk Management and Internal Control of the Group (excluding associated companies, as the Board does not have control over their operations) which outlines the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control of the Group.

## RESPONSIBILITY

The Board is responsible for the Group’s system of risk management and internal control to safeguard the stakeholders’ interests and the Group’s assets as prescribed by the Malaysian Code on Corporate Governance.

The Board acknowledges that the system of risk management and internal controls is designed to manage rather than to eliminate risks that may impede the achievement of the Group’s objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements, fraud or losses. The system of risk management and internal controls cover risk management and financial, organisational, operational and compliance controls.

The Board confirms that there is an on-going process of identifying, evaluating and managing significant risks by the Management. The process has been in place throughout the year under review and up to the date of approval of the annual report and financial statements. It has been reviewed at regular intervals by the Board and is guided by the *Statement on Risk Management and Internal Control, Guidelines for Directors of Listed Issuers*.

## RISK MANAGEMENT FRAMEWORK

The Board acknowledges that effective risk management is an essential and indispensable part of corporate management. The Board is committed to embed within the organisational structure, defined roles and responsibilities for all aspects of risk management with the appropriate tools to support the identification, assessment, treatment and reporting of key risks.

The Board has put in place a Risk Management Framework within the Group to ensure an on-going process of identifying, evaluating, monitoring and managing the significant risk exposures inherent in its business operation to give effect to this responsibility.

The Board is assisted by the Board Risk Management Committee whose main responsibility is to review the effectiveness of the process and report key risks and recommend appropriate risk management strategies, policies, risk tolerance and mitigation plans for the Board’s approval. For full detail of the Group’s Risk Management Framework, please refer to page 44 to 46 of the Risk Management section.

## KEY INTERNAL CONTROL ELEMENTS

The Board is fully committed in ensuring that a proper control environment is maintained at the Group to ensure effective strategic and operational controls over the Group’s business operations. The key elements of the Group’s internal control are as follows:

### Board of Directors

The Board acknowledges that ensuring sound corporate governance requires effective interaction among the Board, Management, internal and external auditors. The Board assumes the responsibilities, which facilitates the discharge of the Board’s stewardship through the identification of principal risks and the implementation of appropriate systems to manage these risks and review the adequacy and integrity of the Group’s internal control systems and compliance to applicable laws, regulations and guidelines. The Board also ensures the adoption of strategic plans for the Group, oversees the conduct of its business and reviews of the operations and financial performance.

### Board Committees

Appointment of Board Committees, including the Audit Committee and Risk Management Committee, to assist the Board in overseeing the overall management of principal areas of risk and evaluate the adequacy and effectiveness of the risk management and internal control systems. Whilst the Investment Committee, Nomination Committee and Remuneration Committee have been delegated with specific responsibilities with terms of reference, these Committees have the authority to examine all matters within their scope of responsibility and report back to the Board with their recommendations for review or approval by the Board, where appropriate. For more details on the various Board Committees, please refer to pages 30 to 33.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## **Independence of Board Audit Committee**

The Board Audit Committee (“BAC”) consists of five (5) Independent Non-Executive Directors who have unrestricted access to both the internal and external auditors. BAC also has the right to convene meetings with the auditors without the presence of other directors and employees.

BAC meets on a regular basis to review the risk management and internal control issues identified in reports prepared by the internal auditors, the external auditors and further evaluates the effectiveness and adequacy of the Group’s risk management and internal control system. The BAC has active oversight on the internal audit’s independence, scope of work and resources. It also reviews the Internal Audit function, particularly the scope of the annual audit plan and frequency on the internal audit activities. The minutes of the BAC meetings are tabled to the Board on a periodic basis. The details of the activities undertaken by the BAC are highlighted in the Board Audit Committee Report in page 47 to 52.

## **Organisational Structure**

The Board has established a defined organisational structure with clear lines of responsibility and accountability in the Group that is directly aligned to the strategic and operational demands of the business. Each operational unit is headed by personnel who are fully accountable to ensure that the business activities are implemented with full compliance with the Group’s objectives and policies. The structure is reviewed regularly to monitor its effectiveness and to provide support to changing business requirements. The organisational structure was revised on 1 October 2013 to enhance efficiency of Group tasks and further strengthen the management of KUB Malaysia Berhad.

## **Policies and Procedures**

Policies and procedures are established and defined in KUB Management Guide (“KUBMaG”) to provide guidelines for proper management and operations of the Group operating units. These policies and procedures are documented and subjected to regular reviews, updates and improvement to reflect operational requirement, ensure relevance and effectiveness. Common Group’s Standard Operating Procedures are available on the Group’s intranet for easy access by staff.

## **Limits of Authority**

The delegation of responsibilities to the Board Committees and the Management as well as the delineation of their respective authority limits have been defined in the KUBMaG and the establishment is also endorsed by all the active subsidiaries of the Group. This Guide 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.

## **Human Resources**

A comprehensive human resource policy and procedure is in place within the Group to provide guidelines and ensure standardised adoption of best practices on manpower planning, recruitment and selection, rewards and recognition, industrial relations and other relevant human resources management areas. The information is accessible to all staff through the Group intranet i.e. the Human Resource Information Exchange (HRIX).

## **Staff Competency and Performance Management**

The Group believes that effective organisation requires employees at all levels to be competent, skilled and capable of contributing to the achievement of the Group’s vision and mission. Training and development programmes are established to ensure that employees are equipped with the necessary competencies to carry out their responsibilities towards achieving the Group’s objectives. Key Performance Indicators (KPIs) are used to measure and reward staff performance in line with the Group’s mission that is to enhance a culture that emphasise on high performance.

## **Insurance on Assets**

KUB Group purchases insurance for all its assets, including its human resources. Coverage typically includes damage to or theft of assets; liability coverage for the legal responsibility to others for accidents, bodily injury or property damage; and medical coverage for the cost of treating injuries and illness, rehabilitation and death.

Insurance coverage is reviewed regularly to ensure comprehensive coverage to mitigate business risks in view of changing business environment or assets.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## **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 concern.

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.

## **Financial and Operational Review**

The BAC reviews the annual and quarterly 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. In addition, the Group Managing Director meets the respective Head of Companies on a monthly basis to discuss on the Group's financial performance, business development, management issues as well as the corporate issues.

## **Internal Audit**

Reviews of the internal control system are carried out by AFTAAS Corporate Advisory Services Sdn Bhd, the outsourced party which undertakes the internal audit function of KUB Group. Through its internal audit, AFTAAS assesses compliance with policies and procedures as well as relevant laws and regulations. In addition, it examines and evaluates the effectiveness and efficiency of the Group's internal control system using the risk-based audit approach.

AFTAAS provides independent assurance to BAC on the adequacy and integrity of internal control system to manage risks across the Group. Regular reviews are based on Annual Audit Plan approved by BAC. The reports and status of corrective actions taken by the Management on audit recommendations are submitted on a regular basis to BAC for deliberation and approval.

## **Whistleblower Policy**

The Whistleblower Policy guides employees of the Group in communicating instances of illegal and immoral conduct to the appropriate parties within the Group and at the same time protecting these employees against victimisation or discrimination in any way arising from such communications. It also provides proper investigation to be initiated on all allegations or reports from within or outside the Group.

## **CONCLUSION**

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

The Board has received assurance from the Group Managing Director and General Manager, Group Finance and Strategic Management Division 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 BAC to the Board of Directors and as per the Board's resolution dated 29 April 2014.

## **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors, Messrs Ernst & Young have reviewed and affirmed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company for the financial year ended 31 December 2013.

Based on their review, the external auditors have reported to the Board that nothing had come to their attention that caused them to believe that the Statements are inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the internal control of KUB Group.

# RISK MANAGEMENT

## INTRODUCTION

Statement on Risk Management is made pursuant to Paragraph 15.26(b) of the Listing Requirements by Bursa Malaysia Securities Berhad which requires the Board of listed issuer to provide sufficient information of the main features and adequacy of the Group's risk management and internal control system. With reference to the requirement, the Board is pleased to enclose the Statement of Risk Management for KUB Malaysia Berhad.

## BOARD OF DIRECTORS' RESPONSIBILITIES

The Board understands and appreciates the importance of providing sound risk management framework within the Group as part of the good corporate governance practice. As for this reason the Board is committed to uphold its responsibilities in ensuring the implementation of risk management framework and processes have been adequately established and being an integral part of all the Group's business activities, planning and strategies.

## RISK MANAGEMENT FRAMEWORK

The Group employs an Enterprise Risk Management Framework ("ERMF") that provides the foundation in managing the risks effectively through the application of the established risk management framework. The framework was developed and continuously improved to ensure the Group capabilities in facing the changing and challenging business environment by implementing, monitoring, reviewing and improving its risk management framework.

Besides, the Group's ERMF provides a systematic approach in identifying, analysing, evaluating, treating, monitoring and reporting of risks identified. Amongst others, the Group's ERMF encompasses the following:

- (a) the objectives and underlying principles of KUB Group risk management;
- (b) Risk Management Governance with the establishment of Board Risk Management Committee ("BRMC") to assume the delegated functions in supervising risk management activities;
- (c) Risk Appetite and Tolerance that provides reference to amount and type of risks the Group is willing to accept and tolerate in pursuing its business strategies and objectives; and
- (d) Risk Management Policies and Procedures that encompass the process/systems and the roles and responsibilities of individuals involved in risk management activities.

## RISK MANAGEMENT OBJECTIVES AND UNDERLYING PRINCIPLES

Generally, the Group Risk Management objectives and underlying principles are:

- (a) To provide sound basis for comprehensive risk management and internal control as components of good corporate governance to enable systematic and prompt reporting on any perceived new risks or failures of existing control measures;
- (b) To promote a more innovative risk management culture and undertaking of the calculated risks in various opportunities to benefit the Group;
- (c) To foster an environment where staff assumes responsibility for managing risks; and
- (d) To improve decision making, planning and prioritisation based on comprehensive understanding of the reward to risk balance.

# RISK MANAGEMENT

## RISK MANAGEMENT GOVERNANCE FRAMEWORK

The Board has delegated its oversight functions to the BRMC to assume the ultimate responsibilities for the supervision and monitoring primary risks. The Members of the BRMC and their attendance at its Meetings held during the financial year ended 31 December 2013 as follows:

DIRECTORS	ATTENDANCE
<b>Datuk Hj Faisyal Datuk Yusof Hamdain Diego</b> <i>Chairman</i> <i>(Independent Non-Executive Director)</i>	2/2
<b>Datuk Kamilia Ibrahim</b> (Resigned w.e.f 24 April 2013) <i>(Non-Independent Non-Executive Director)</i>	1/2
<b>Datuk Badly Shah Ariff Shah</b> <i>(Independent Non-Executive Director)</i>	2/2
<b>Datuk Mohd Hafarizam Harun</b> <i>(Independent Non-Executive Director)</i>	1/2
<b>Dato' Sohaimi Shahadan</b> (Appointed w.e.f. 5 August 2014) <i>(Independent Non-Executive Director)</i>	0/0*

Note: \*No BRMC Meeting was held during the period from 5 August 2013 until end of the financial year.

BRMC is responsible to assist the Board in ensuring the effective functioning of the Risk Management Governance Framework within the Group and to provide direction and counsel to the risk management process as well as to advise the Board on risk related issues and recommend strategies, policies and risk tolerance for the Board's approval. The Group Risk Management Governance Framework is as follows:



## RISK MANAGEMENT

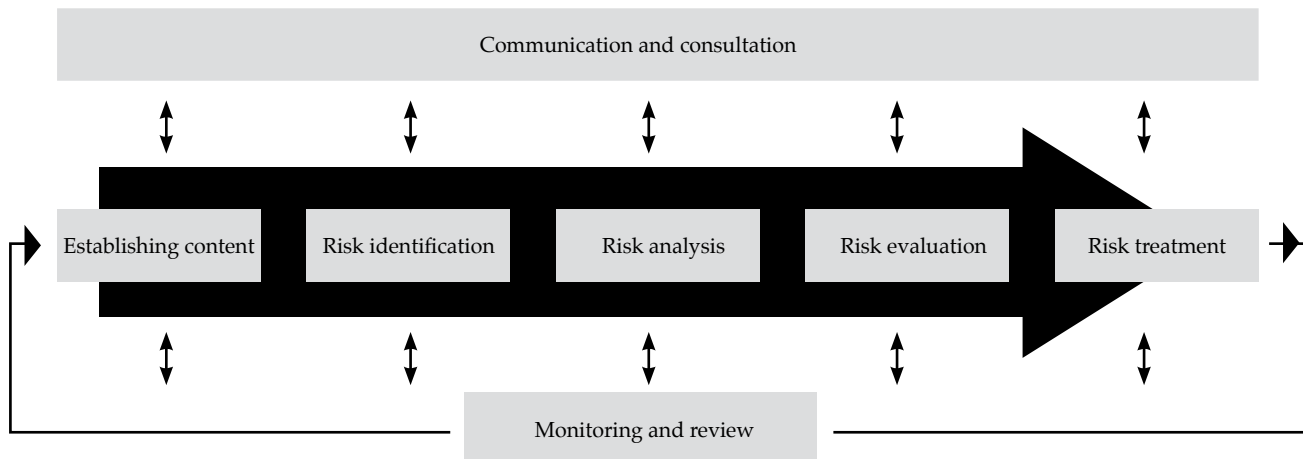
### RISK MANAGEMENT GOVERNANCE FRAMEWORK (cont'd)

The Group Risk Management Division (“GRMD”) which is independent from the business unit has been established to assist BRMC in supervising the application of risk management framework and policies. GRMD has undertaken proactive measures in identifying and managing risks recognised at the Group and Subsidiary levels. As a forefront, GRMD has embarked on several initiatives to ensure that the risk management process is continuously dynamic, tailored and responsive with the Group’s business objectives. Some of the activities undertaken are:

- Streamlining risk management and business planning activities to ensure that controls and mitigation plans for risk management are built into business plans and budgets of the Group;
- Implementing a comprehensive and systematic risk assessment and reporting process by monitoring the Group’s Risk Profiles;
- Prioritising risk treatment efforts by producing risk profiles that document all potential risks that could affect the business objectives; and
- Quantifying risk exposure ratings by evaluating and reviewing the level of likelihood and implication of the risks in accordance with the established risk appetite of KUB Group.

### RISK MANAGEMENT PROCESS

The Group’s Risk Management Framework provides a systematic approach in identifying, evaluating, assessing, treating, monitoring and reviewing the risks. Those processes for managing risk have been entrenched in the Group’s business activities in assisting the Management in informed decision making. The reporting of risks through Risk Register allows the risks that need to be managed being escalated and communicated to the Management for implementation on risk mitigation actions and controls. Details of the risk management process structure are as follows:



During the year, the Group has identified primary risks which have significant potential impact and high likelihood of occurrence which could affect the bottom line of the Group overall performances. The primary risks which have been identified and assessed are on the going concern issue for subsidiaries with negative net worth or shareholder’s funds that may significantly affect the Group overall financial performances and potential risk on legal exposure due to breach of contracts and agreements. These primary risks have been assessed based on the risk appetite and tolerance determined by the Group and appropriate mitigation actions have been put in place to alleviate the magnitude of impact to the Group. While for secondary risks, GRMD had conducted continuous review and close monitoring to these risks to ensure the risk mitigation actions taken are effective and efficient in managing these risks.

### CONCLUSION

With regards to the Group Risk Management current practices and actions, the Board confirms that the Group Risk Management Framework and systems are sufficient and effective. The Board will continuously review the system for improvement and enhancement so as to ensure the risk management system implementation aligns with the Group business objectives.

# **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 2013.

## **COMPOSITION**

The BAC currently consists of the following members:

1. **Datuk Badly Shah Ariff Shah**  
Chairman, Independent Non-Executive Director
2. **Datuk Hj Faisyal Datuk Yusof Hamdain Diego**  
Independent Non-Executive Director
3. **Datuk Mohd Hafarizam Harun**  
Independent Non-Executive Director
4. **Dato’ Ab Rahim Abu Bakar\***  
Independent Non-Executive Director
5. **Dato’ Sohaimi Shahadan\***  
Independent Non-Executive Director

*Note: \*Appointed as Members on 5 August 2013.*

The BAC is governed by its Terms of Reference as set out on page 49 to 52 of the Annual Report. Conforming to the requirements of the Malaysian Code on Corporate Governance 2012 (“the Code”), all the five (5) members of the BAC are Independent Non-Executive Directors. The BAC Chairman is a member of the Malaysian Institute of Accountants (“MIA”), thereby complying with Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

## **MEETINGS**

During the financial year ended 31 December 2013, the BAC held a total of eleven (11) meetings, with the following record of attendance:

<b>DIRECTORS</b>	<b>ATTENDANCE</b>
<b>Datuk Badly Shah Ariff Shah</b>	11/11
<b>Datuk Hj Faisyal Datuk Yusof Hamdain Diego</b>	10/11
<b>Datuk Mohd Hafarizam Harun</b>	8/11
<b>Dato’ Ab Rahim Abu Bakar</b>	3/3**
<b>Dato’ Sohaimi Shahadan</b>	1/3**

*Note: \*\*Three (3) BAC Meetings were held during the period from 5 August 2013 until the end of the financial year.*

The Company Secretary was present during all the meetings except for the private sessions with the external auditors. The Head of Group Internal Audit, representative of the outsourced internal auditors, Messrs AFTAAS Corporate Advisory Services Sdn Bhd (“AFTAAS”), representatives of the external auditors, Messrs Ernst & Young, as well as the Group Managing Director, Head of Group Finance and Senior Management personnel also attended the meetings upon invitation.

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

# BOARD AUDIT COMMITTEE REPORT

## SUMMARY OF ACTIVITIES OF THE BOARD AUDIT COMMITTEE

The following activities were carried out by the BAC during the financial year ended 31 December 2013:

### (a) Financial Results and Corporate Governance

- 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;
- Reviewed the quarterly unaudited financial results and announcements to Bursa Securities before recommending to the Board for approval;
- Reviewed the Company's compliance, in particular the quarterly and year-end financial statements with the Listing Requirements, Financial Reporting Standards issued by the Malaysian Accounting Standard Board ("MASB") and other legal and regulatory requirements;
- Reviewed the audited financial statements of the Group with external auditors prior to submission to the Board for its consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards issued by MASB;
- Reviewed with the external auditors the results of audit, audit report and management letter, including the management's response;
- Reviewed minutes of the BAC meetings;
- Considered and recommended to the Board for approval the audit fees payable to the external auditors as disclosed in the Financial Statements;
- Met with the external auditors twice during the year without the presence of the Management;
- Reviewed the application of corporate governance principles and the Group's compliance with the best practices set out under the Malaysian Code on Corporate Governance 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; and
- Reviewed the Related Party Transactions ("RPT") entered by the Group in compliance with the Listing Requirements before recommending to the Board for its approval.

### (b) Internal Audit

- Reviewed the internal audit reports presented by the Group Internal Audit Division ("GIA") and AFTAAS on findings and recommendations with respect to the adequacy and integrity of the internal control system;
- Reviewed with Management on corrective actions taken on all matters raised in the internal audit reports to improve the system of internal control;
- Assessed the performance of the GIA and AFTAAS as compared to the Internal Audit Plan and reviewed the reasonableness of compensation of members of the function; and
- Reviewed and approved the GIA and AFTAAS budget and Internal Audit Annual Plan to ensure adequacy in its resources, competencies and coverage.

## SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

GIA and AFTAAS assist the BAC in discharging its duties and responsibilities throughout the financial year under review. The terms of reference of the internal audit function are 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 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 functions have no operational responsibility and authority over the activities it audits and adopts a risk-based approach in preparing its Internal Audit Annual Plan. The audit plan, budget, key performance indicators and manpower resources are submitted to the BAC for its review and approval.

During the financial year under review, a total of thirty-nine (39) audits were carried out in accordance with the Internal Audit Annual Plan. The audit engagements encompassed scheduled, ad-hoc and follow-up audits covering the Information, Communications & Technology (ICT) Sector, Food Related Sector (inclusive of outlet audits), Energy Sector, Agro Business Sector and Property, Engineering & Construction (PEC) Sector.

The resulting reports from the internal audits undertaken were forwarded to the Management for response and necessary corrective actions as recommended. The Management is responsible for ensuring that corrective actions on reported weaknesses are taken within the required time frame. GIA and AFTAAS continuously monitor the implementation of audit recommendations through periodic follow-up reviews, which are reported and presented to the BAC regularly.

GIA and AFTAAS are corporate members of the Institute of Internal Auditors of Malaysia ("IIAM"). Being members, they have access to internal audit information, networking and trainings. GIA and AFTAAS are also committed to ensure that their activities meet the standards required by The Institute of Internal Auditors International Professional Practices Framework ("IPPF"). In this respect, GIA has successfully completed a Quality Assessment Review with General Conformance to the IPPF in 2010.

# **BOARD AUDIT** **COMMITTEE REPORT**

## **SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION (cont'd)**

The total costs incurred by GIA and AFTAAS for the internal audit function of the Group in 2013 amounted to RM566,825.

## **TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE**

### **1. OBJECTIVES OF THE COMMITTEE**

The primary function of the Committee is to assist the Board to implement and support the following oversight objectives for the KUB Group of Companies:

- Assess the Group's processes relating to its risks and control environment;
- Oversee financial reporting;
- Evaluate the internal and external audit processes including the review of the adequacy of scope, functions and reporting of internal and external auditors;
- Maintain, through regularly scheduled meetings, a direct line of communication between the Board, external auditors, Management and internal auditors; and
- Avail to the external and internal auditors a private and confidential audience at least twice (2) a year, through the Chairman of the Committee.

### **2. COMPOSITION OF THE COMMITTEE**

The composition of the Committee shall take into consideration of the following:

- The Board shall appoint the Members, who must be Non-Executive Directors, with a majority of them being Independent Directors. The Committee shall, at all times, comply with the relevant provisions of the Listing Requirements;
- The period of appointment shall be concurrent with their tenure on the Board unless otherwise decided by the Board and in accordance with the Listing Requirements;
- The composition of the Committee must not be less than three (3) Members;
- Where the Members for any reason are reduced to less than three (3), the Board shall within three (3) months of the event, appoint such number of new Members as may be required to make up the minimum number of three (3) Members and in accordance with the general requirements of the Listing Requirements;
- The Members shall elect a Chairman from amongst themselves who is an Independent Director;
- All Members of the Audit Committee should be financially literate. At least one (1) Member of the BAC must comply with Paragraph 15.09(1)(c) (i)-(ii) of the Listing Requirements where he:
  - i. Must be a member of the Malaysian Institute of Accountants (MIA); or
  - ii. If he is not a member of MIA, he must have at least three (3) years' working experience; and
    - He must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - He must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
- Members of the Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company.

### **3. SECRETARY OF THE COMMITTEE**

The Company Secretary shall be the Secretary of the Committee.

### **4. AUTHORITY OF THE COMMITTEE**

The Committee shall have:

- Authority to investigate into any activities within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate on any request made by the BAC;
- The authority to obtain outside legal or other independent professional advice and to secure the attendance of outside parties with relevant experience and expertise, if it considers this necessary;
- Direct communication channels with both external and internal auditors;
- The authority to convene meetings with external auditors, the internal auditors or both excluding the attendance of other directors and employees of the Group, whenever deemed necessary; and
- Full and unrestricted access to the Company's records, properties and personnel.

# **BOARD AUDIT** **COMMITTEE REPORT**

## **TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE (cont'd)**

### **5. RESPONSIBILITIES AND DUTIES OF THE COMMITTEE**

In fulfilling its objectives, the Committee shall undertake the following responsibilities and duties:

#### **(a) Board**

- Responsible to the Board of Directors;
- Responsible, to a limited extent, in establishing an effective control environment but not for the day-to day running of business and making operating decision;
- Make the necessary recommendations as specified under the objectives of the Committee;
- Chairman of the BAC is to provide written reports/updates on deliberations and decisions made at the Committee's level to the Board on regular basis with focus given to significant issues and resolutions by the Committee;
- To submit to the Board a summary of material concerns and weaknesses in the control environment noted during the year and the corresponding measures taken to address the issues;
- To obtain satisfactory response from the Management on reports issued by the internal and external auditors;
- To highlight significant findings identified and the impact of the audit findings on the operations;
- Where review of audit report of subsidiaries also falls under the jurisdiction of the Committee, all the abovementioned function shall also be performed by the Committee in co-ordination with the Board of Directors of the subsidiaries;
- To review arrangements established by Management for compliance with any regulatory or other external reporting requirements, by-laws and regulations related to the KUB Malaysia Berhad Group's operations; and
- To consider other areas as defined by the Board.

#### **(b) Internal Audit**

- Establish an Internal Audit Division and the Head of Internal Audit should report directly to the BAC;
- Review the adequacy of the scope, functions, competency and resources of the Internal Audit and ensure that it has the necessary authority to carry out its work;
- Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Division;
- Review any appraisal or assessment of the performance and reasonableness of compensation of Members of the Internal Audit Division;
- Approve any appointment or termination of the Head and/or senior staff members of the Internal Audit Division;
- Take cognisance of resignation of internal audit staff members and provide the resigning member an opportunity to submit his reasons for resigning;
- Review the internal audit reports, which highlight the operational risks, recommendations and management's responses; and
- Discuss with the Managements on actions taken to improve the system of internal controls, based on operational risks identified in the internal audit reports.

#### **(c) External Audit**

- Review with the external auditors their audit plan, scope of their audits, their evaluation of the system of internal controls and their audit report; and ensure co-ordination where more than one (1) audit firm is involved;
- Evaluate with the external auditors the assistance given by the employees to the external auditors;
- Evaluate the performance of the external auditors and make recommendations to the Board of Directors on their appointment and remuneration;
- Review any letter of resignation from the external auditors;
- Where there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment, the Committee is to recommend the nomination and remuneration of a person or persons as external auditors; and
- The Chairman of the BAC should engage on a continuous basis with the Chairman of the Board and the Senior Management such as the Group Managing Director, the General Manager of Group Finance, the internal auditors and external auditors in order to keep informed of matters affecting the Group.

# **BOARD AUDIT** **COMMITTEE REPORT**

## **5. RESPONSIBILITIES AND DUTIES OF THE COMMITTEE (cont'd)**

### **(d) Financial Reporting**

- Meet with the Management and the external auditors to discuss the scope of their audit, to evaluate the audit report on the financial statements and the results of the audit before recommending for the Board's approval;
- Review the quarterly results and year end financial statements for recommendation to the Board of Directors for approval, focusing particularly on:
  - i) Changes in or implementation of new accounting policies;
  - ii) Significant and unusual events;
  - iii) The going concern assumption; and
  - iv) Compliance with accounting standards and other legal requirements.
- Review the nature and resolution of any significant accounting and auditing problems encountered during examination, the nature of any significant adjustments, reclassifications or additional disclosures proposed by the external auditors that are currently significant or may become significant in the future, the adequacy and impact of any changes in the accounting policies or principles during the year and reasons for major fluctuations in financial statement balances for the current year compared to prior year.

### **(e) Related Party Transactions**

- To monitor and review any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises the question of the Management's integrity.

### **(f) Others**

- Consider and evaluate other matters as judged appropriate by the Committee or as authorised by the Board and as required by the general requirements set up by local authorities or any other government authorities;
- Act upon the Board of Directors' request to investigate and report on any issues or concerns with regard to the Management of the Company;
- To promptly report to Bursa Securities matters reported by the BAC to the Board of Directors of the Company which have not been satisfactorily resolved, resulting in a breach of the Listing Requirements;
- Upon the request of the external auditors, the Chairman of the BAC shall convene a meeting of the BAC to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders; and
- To verify, on an annual basis, the allocation of options under a share scheme for employees to ensure compliance with the allocation criteria determined by the Company's Share Scheme Committee and in accordance with the by-laws of the relevant share scheme.

## **6. COMMITTEE MEETINGS**

The Committee Meetings shall take into consideration the following:

- The Committee shall convene meetings as and when required, provided that the Committee shall meet at least four (4) times a year;
- The Chairman of the Committee, or the Secretary on the requisition of the Members, shall at any time summon a meeting of the Members by giving due notice. It shall not be necessary to give notice of a Committee meeting to any Members absent from Malaysia;
- No business shall be transacted at any meeting of the Committee unless a quorum is present. A quorum must be in accordance with Paragraph 15.18 of the Listing Requirements, where the majority of the Members present must be Independent Directors;
- The Chairman of the Committee shall chair the Committee meetings and in his absence, the Members present shall elect one (1) of their Members to be Chairman of the meeting;
- The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee. The agenda shall be sent to all Members of the Committee and any other persons who may be required to attend the meeting;
- The Secretary shall prepare the minutes of the meeting and distribute it to each Member. The minutes of the Committee shall be confirmed and signed by the Chairman of the Committee or the presiding Chairman at the next succeeding meeting;
- The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custodian of the Company Secretary. The minutes book shall be opened for inspection of the Board, external auditors, internal auditors, Management and other persons deemed appropriate by the Company Secretary;

# **BOARD AUDIT** **COMMITTEE REPORT**

## **TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE (cont'd)**

### **6. COMMITTEE MEETINGS (cont'd)**

- Subject to the requirement to conduct the required meetings, in appropriate circumstances, the Committee may deal with matters by way of circular reports and resolution in lieu of convening a formal meeting;
- Appropriate officers of the Company or professional advisors may be invited to attend the meetings where the Committee considers their presence necessary;
- All recommendations and findings of the Committee shall be submitted to the Board for approval; and
- The Group Managing Director/Chief Executive Officer, General Manger of Group Finance, Head of Group Internal Audit and representatives of internal and external auditors should normally attend meetings. Other Board members and Head of Companies may attend meetings upon invitation of the BAC. However, the Committee should meet with the external auditors without the executive board members and employees present at least two (2) times a year.

### **7. CHAIRMAN OF THE COMMITTEE**

The following are the main duties and responsibilities of the Chairman of the Committee:

- Steer the Committee to achieve its objectives;
- Consult the Company Secretary for guidance on matters related to the responsibilities of the Committee under the rules and regulations to which they are subject to and how those responsibilities should be discharged;
- Provide a reasonable time for discussion at the Committee meetings. Organise and present the agenda for Committee meetings based on input from Members and ensure that all relevant issues are on the agenda. In addition, the Chairman should encourage a healthy debate on the issues at hand and bring to the Committee a healthy level of skepticism and independence;
- Provide leadership to the Committee and ensure proper flow of information to the Committee, review adequacy and timing of documentation;
- Ensure that consensus is reached on every Committee resolution and where considered necessary, call for a vote and the decision will be by simple majority;
- Ensure that all Members are enable and encouraged to play their role in activities. This includes making certain that all Members receive timely, relevant information tailored to their needs and they are properly briefed on issues arising at Committee Meetings; and
- Manage the processes and working of the Committee and ensure that the Committee discharges its responsibilities.

### **8. COMMITTEE MEMBERS**

Each Committee Member will be expected to:

- Provide independent opinions to the fact-finding, analysis and decision making process of the Committee, based on their experience and knowledge; and
- Consider viewpoints from the Committee Members; make decision and recommendations for the best interest of the Board collectively.

### **9. DISCLOSURE**

The Committee shall assist the Board in making certain disclosures concerning the activities of the Committee such as in the Corporate Governance Statement, Statement on Risk Management and Internal Control and the Board Audit Committee Report to be issued in the Annual Report.

### **10. REVISION OF THE TERMS OF REFERENCE**

- Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval; and
- Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.



# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

## 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 property, engineering and construction, agricultural businesses, information, communications and technology, energy, food and others as stated in Note 40 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year except for the discontinuance of food and beverage restaurant and construction operation as disclosed in Note 11 to the financial statements.

## Results

	Group RM'000	Company RM'000
<b>Continuing operations</b>		
Profit before taxation	7,535	11,714
Taxation	302	-
Profit for the year from continuing operations	<u>7,837</u>	<u>11,714</u>
<b>Discontinued operations</b>		
Loss for the year from discontinued operations, net of tax	<u>(2,895)</u>	<u>-</u>
<b>Profit for the year</b>	<u>4,942</u>	<u>11,714</u>
Profit attributable to :		
Owners of the parent	4,846	11,714
Non-controlling interest	96	-
	<u>4,942</u>	<u>11,714</u>

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except for allowance for impairment and write off of property, plant and equipment of the Group of RM721,000 and allowance for impairment made for amount due from subsidiaries and investment in subsidiaries of the Company of RM1,919,000 and RM1,342,000 respectively as disclosed in Note 7 to the financial statements.

## Dividends

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year ended 31 December 2013.

# DIRECTORS' REPORT

## Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Datuk Seri Hj Abd. Halim Hj Abd. Samad (Chairman)  
 Dato' W. Mohd Nor W. Ahmad (Group Managing Director)  
 Dato' Gumuri Hussain  
 Datuk Hj Faisyal Datuk Yusof Hamdain Diego  
 Datuk Badly Shah Ariff Shah  
 Datuk Mohd Hafarizam Harun  
 Dato' Ab Rahim Abu Bakar (appointed on 5 August 2013)  
 Dato' Jamelah A. Bakar (appointed on 5 August 2013)  
 Dato' Sohaimi Shahadan (appointed on 5 August 2013)

## 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 or the fixed salary of a full-time employee of the Company as shown in Note 9 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 he has a substantial financial interest.

## Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in the ordinary shares of the Company during the financial year were as follows:

Name of director	Number of ordinary shares of RM0.40 each			31.12.2013
	1.1.2013	Acquired	Sold	

### Direct Interest:

Ordinary shares of the Company

Datuk Seri Hj Abd. Halim Hj Abd. Samad	100,000	-	-	100,000
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Datuk Seri Hj Abd. Halim Hj Abd. Samad is deemed to have interest in the shares of all the Company's subsidiaries to the extent the Company has an interest by virtue of his interest in the Company as disclosed above.

Except for the above, none of the other 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.

# DIRECTORS' REPORT

## Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that these were no known bad debts and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

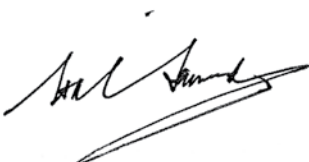
## Significant events

The details of the significant events during the year are disclosed in Note 38 to the financial statements.

## Auditors

The auditors, Ernst & Young, will retire in the coming Annual General Meeting and do not seek re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2014.



Datuk Seri Hj Abd. Halim Hj Abd. Samad



Dato' W. Mohd Nor W. Ahmad

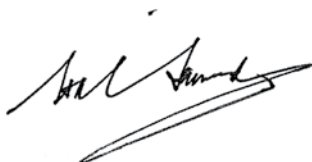
## **STATEMENT BY DIRECTORS**

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

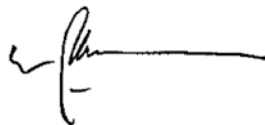
We, Datuk Seri Hj Abd. Halim Hj Abd. Samad and Dato' W. Mohd Nor W. Ahmad, being two of the directors of KUB Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 60 to 134 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 42 on page 135 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 April 2014.



Datuk Seri Hj Abd. Halim Hj Abd. Samad



Dato' W. Mohd Nor W. Ahmad

## **STATUTORY DECLARATION**

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

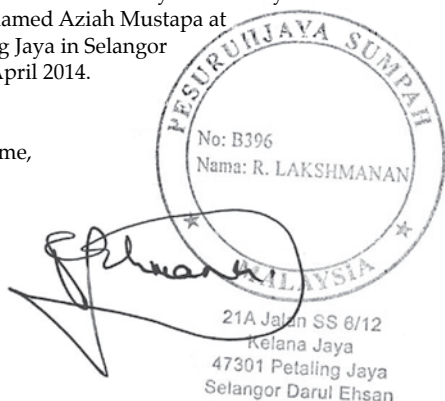
I, Aziah Mustapa, being the officer primarily responsible for the financial management of KUB Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 60 to 135 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Aziah Mustapa at Petaling Jaya in Selangor on 29 April 2014.



Aziah Mustapa

Before me,



# **INDEPENDENT AUDITORS' REPORT**

**TO THE MEMBERS OF KUB MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)**

## **Report on the financial statements**

We have audited the financial statements of KUB Malaysia Berhad, which comprise statements of financial position as at 31 December 2013 of the Group and of the Company, and 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 a summary of significant accounting policies and other explanatory notes, as set out on pages 60 to 134.

### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

## **Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act, 1965 ("the Act") in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 40 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

# **INDEPENDENT AUDITORS' REPORT**

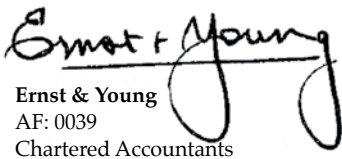
## **TO THE MEMBERS OF KUB MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)**

### **Other reporting responsibilities**


The supplementary information set out in Note 42 on page 135 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits of Losses in the Context of Disclosure Pursuant to Bursa Malaysia Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia.

### **Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young  
AF: 0039  
Chartered Accountants



Mohd. Sukarno bin Tun Sardon  
No. 1697/03/15(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
29 April 2014

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Continuing operations</b>					
Revenue	4	932,603	806,762	11,332	11,882
Cost of sales	5	(866,987)	(742,653)	-	-
<b>Gross profit</b>		<b>65,616</b>	<b>64,109</b>	<b>11,332</b>	<b>11,882</b>
Other income		12,114	10,701	21,776	27,729
Distribution expenses		(612)	(2,892)	-	-
Administrative expenses		(58,324)	(66,190)	(13,820)	(12,273)
Other expenses		(11,115)	(18,068)	(5,436)	(12,229)
<b>Profit/(loss) from operating activities</b>		<b>7,679</b>	<b>(12,340)</b>	<b>13,852</b>	<b>15,109</b>
Finance costs	6	(6,588)	(7,995)	(2,138)	(2,209)
Share of results of associates		6,444	8,204	-	-
<b>Profit/(loss) before taxation</b>	7	<b>7,535</b>	<b>(12,131)</b>	<b>11,714</b>	<b>12,900</b>
Taxation	10	302	240	-	(2)
<b>Profit/(loss) for the year from continuing operations</b>		<b>7,837</b>	<b>(11,891)</b>	<b>11,714</b>	<b>12,898</b>
<b>Discontinued operations</b>					
Loss for the year from discontinued operations, net of tax	11	(2,895)	(4,664)	-	-
<b>Profit/(loss) for the year</b>		<b>4,942</b>	<b>(16,555)</b>	<b>11,714</b>	<b>12,898</b>
Other comprehensive income					
Net gain/(loss) on available-for-sale financial assets					
- Gain/(loss) on fair value changes, net of tax		2,926	(144)	2,926	(144)
Foreign currency translation		388	(343)	-	-
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>3,314</b>	<b>(487)</b>	<b>2,926</b>	<b>(144)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>8,256</b>	<b>(17,042)</b>	<b>14,640</b>	<b>12,754</b>
<b>Profit/(loss) attributable to:</b>					
Owners of the parent					
- from continuing operations		7,416	(12,625)	11,714	12,898
- from discontinued operations		(2,570)	(4,089)	-	-
		4,846	(16,714)	11,714	12,898
Non-controlling interest		96	159	-	-
		4,942	(16,555)	11,714	12,898
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent					
- from continuing operations		10,730	(13,112)	14,640	12,754
- from discontinued operations		(2,570)	(4,089)	-	-
Non-controlling interest		96	159	-	-
		8,256	(17,042)	14,640	12,754
<b>Basic and diluted earnings/(loss) per ordinary share attributable to owners of the parent (sen)</b>					
	12				
- from continuing operations		1.33	(2.27)		
- from discontinued operations		(0.46)	(0.73)		
		0.87	(3.00)		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	135,408	125,027	23,107	9,707
Land held for property development	14	4,609	4,607	-	-
Plantation development expenditure	15	45,679	39,379	-	-
Investment properties	16	37,617	52,398	29,029	41,500
Investments in subsidiaries	17	-	-	220,240	214,769
Investments in associates	18	27,164	24,305	9,000	9,000
Other investments	19	7,124	4,199	7,124	4,199
Intangible assets	20	560	745	-	-
Due from subsidiaries	21	-	-	23,787	22,548
Deferred tax assets	23	11,592	5,617	-	-
		<b>269,753</b>	<b>256,277</b>	<b>312,287</b>	<b>301,723</b>
<b>Current assets</b>					
Inventories	24	17,863	21,554	-	-
Trade and other receivables	21	199,495	216,463	1,086	2,150
Tax recoverable		714	3,051	3,928	2,052
Cash and bank balances	25	128,003	144,253	12,575	9,989
		<b>346,075</b>	<b>385,321</b>	<b>17,589</b>	<b>14,191</b>
Non-current assets held for sale	11	1,993	620	-	-
Assets of disposal group classified as held for sale	11	5,707	-	-	-
<b>Total assets</b>		<b>623,528</b>	<b>642,218</b>	<b>329,876</b>	<b>315,914</b>
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	26	222,586	222,586	222,586	222,586
Reserves	27	49,786	46,472	11,244	8,318
Retained earnings/(accumulated losses)	28	959	(3,618)	54,561	42,847
		<b>273,331</b>	<b>265,440</b>	<b>288,391</b>	<b>273,751</b>
<b>Non-controlling interest</b>		<b>13,247</b>	<b>15,601</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>286,578</b>	<b>281,041</b>	<b>288,391</b>	<b>273,751</b>
<b>Non-current liabilities</b>					
Borrowings	29	42,693	47,332	27,380	28,600
Deferred tax liabilities	23	13,445	14,041	-	-
		<b>56,138</b>	<b>61,373</b>	<b>27,380</b>	<b>28,600</b>
<b>Current liabilities</b>					
Trade and other payables	30	222,844	214,442	12,369	11,913
Provision for tax		5,655	2,167	-	-
Borrowings	29	49,872	83,002	1,736	1,650
Derivative financial liabilities	31	98	193	-	-
		<b>278,469</b>	<b>299,804</b>	<b>14,105</b>	<b>13,563</b>
Liabilities of disposal group classified as held for sale	11	2,343	-	-	-
<b>Total liabilities</b>		<b>336,950</b>	<b>361,177</b>	<b>41,485</b>	<b>42,163</b>
<b>Total equity and liabilities</b>		<b>623,528</b>	<b>642,218</b>	<b>329,876</b>	<b>315,914</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2013	Equity attributable to owners of the parent		Attributable to owners of the parent					Non-controlling interests RM'000					
	Equity total RM'000	Equity 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	Premium of non-controlling interests RM'000	Translation reserve RM'000	Merger reserve RM'000
<b>Group</b>													
<b>Opening balance at 1 January 2013</b>	281,041	265,440	222,586	5,965	(3,618)	40,507	34,016	312	2,041	(7,019)	10	11,147	15,601
Profit for the period	4,942	4,846	-	-	4,846	-	-	-	-	-	-	-	96
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	3,314	3,314	-	-	-	3,314	-	-	2,926	-	388	-	-
<b>Total comprehensive income</b>	8,256	8,160	-	-	4,846	3,314	-	-	2,926	-	388	-	96
<b>Transactions with owners</b>													
Capital repayment in subsidiary interests (Note 17(a)(iii))	(4,050)	-	-	-	-	-	-	-	-	-	-	-	(4,050)
Subscription of shares in subsidiary by non-controlling interest (Note 17(a)(i))	1,431	(269)	-	-	(269)	-	-	-	-	-	-	-	1,700
Dividend paid to non-controlling interest at subsidiary	(100)	-	-	-	-	-	-	-	-	-	-	-	(100)
Total transactions with owners	(2,719)	(269)	-	-	(269)	-	-	-	-	-	-	-	(2,450)
<b>Closing balance at 31 December 2013</b>	286,578	273,331	222,586	5,965	959	43,821	34,016	312	4,967	(7,019)	398	11,147	13,247

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Equity attributable to owners of the parent		Attributable to owners of the parent					Non-controlling interests RM'000					
	Equity, total RM'000	Equity, parent, total of the parent, 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	Premium paid on acquisition of non-controlling interests RM'000	Translation reserve RM'000	Merger reserve RM'000
<b>Group</b>													
<b>Opening balance at 1 January 2012</b>	303,010	282,661	222,586	5,965	13,116	40,994	34,016	312	2,185	(7,019)	353	11,147	20,349
Profit for the period	(16,555)	(16,714)	-	-	(16,714)	-	-	-	-	-	-	-	159
Other comprehensive loss to be reclassified to profit or loss in subsequent periods, net of tax	(487)	(487)	-	-	-	(487)	-	-	(144)	-	(343)	-	-
Adjustment	(20)	(20)	-	-	(20)	-	-	-	-	-	-	-	-
<b>Total comprehensive (loss)/income</b>	(17,062)	(17,221)	-	-	(16,734)	(487)	-	-	(144)	-	(343)	-	159
<b>Transactions with owners</b>													
Capital reduction in subsidiary interests (Note 17(b)(iii))	(4,500)	-	-	-	-	-	-	-	-	-	-	-	(4,500)
Dividend paid to non-controlling interest at subsidiary	(407)	-	-	-	-	-	-	-	-	-	-	-	(407)
Total transactions with owners	(4,907)	-	-	-	-	-	-	-	-	-	-	-	(4,907)
<b>Closing balance at 31 December 2012</b>	281,041	265,440	222,586	5,965	(3,618)	40,507	34,016	312	2,041	(7,019)	10	11,147	15,601

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	← Non-distributable →		Distributable	Other reserves, total RM'000	← Non-distributable →		
	Equity, total RM'000	Share capital RM'000	Share premium RM'000		Retained earnings RM'000	Capital redemption reserve RM'000	Fair value adjustment reserve RM'000
2013							
Company							
Opening balance at 1 January 2013	273,751	222,586	5,965	42,847	2,353	312	2,041
Profit for the period	11,714	-	-	11,714	-	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	2,926	-	-	-	2,926	-	2,926
Total comprehensive income	14,640	-	-	11,714	2,926	-	2,926
Closing balance at 31 December 2013	288,391	222,586	5,965	54,561	5,279	312	4,967

	← Non-distributable →		Distributable	Other reserves, total RM'000	← Non-distributable →		
	Equity, total RM'000	Share capital RM'000	Share premium RM'000		Retained earnings RM'000	Capital redemption reserve RM'000	Fair value adjustment reserve RM'000
2012							
Company							
Opening balance at 1 January 2012	260,997	222,586	5,965	29,949	2,497	312	2,185
Profit for the period	12,898	-	-	12,898	-	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax	(144)	-	-	-	(144)	-	(144)
Total comprehensive income/(loss)	12,754	-	-	12,898	(144)	-	(144)
Closing balance at 31 December 2012	273,751	222,586	5,965	42,847	2,353	312	2,041

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Operating activities</b>				
Profit/(loss) before taxation				
- continuing operations	7,535	(12,131)	11,714	12,900
- discontinued operations (Note 11)	(2,895)	(4,651)	-	-
<i>Adjustments for:</i>				
Amortisation of intangible assets (Note 20)	96	326	-	-
Amortisation of plantation development expenditure (Note 15)	2,471	2,485	-	-
Depreciation of property, plant and equipment (Note 13)	14,588	15,821	364	801
Depreciation of investment properties (Note 16)	1,244	1,194	847	849
Finance costs	6,588	8,051	2,138	2,209
Loss on fair value changes of derivative instruments	98	193	-	-
Property, plant and equipment written off (Note 13)	391	4,724	-	-
Allowance for impairment on:				
- receivables	2,569	5,899	-	-
- continuing operations	2,481	5,899	-	-
- discontinued operations (Note 11)	88	-	-	-
- amount due from subsidiaries	-	-	1,919	9,498
- investment in subsidiaries (Note 21)	-	-	1,343	1,082
- property, plant and equipment (Note 17)	330	2,092	-	-
- intangible assets (Note 20)	-	1,438	-	-
Unrealised loss on foreign exchange	322	228	-	-
Dividend income (Note 4)	(247)	(282)	(11,332)	(11,882)
(Gain)/loss on disposal of:				
- property, plant and equipment	(133)	(2,568)	23	(2)
- assets held for sale	(218)	-	-	-
- continuing operations	(194)	-	-	-
- discontinued operations (Note 11)	(24)	-	-	-
Interest income	(2,532)	(3,266)	(1,756)	(1,385)
Reversal of allowance for impairment on receivables (Note 21)	(1,600)	(263)	-	-
Reversal of allowance for impairment on advances to subsidiaries (Note 17)	-	-	(16,582)	(22,672)
Provision for liquidated ascertained damages (Note 30)	4,193	2,718	-	-
Provision for litigation (Note 30)	528	3,304	-	-
Share of results of associates (Note 18)	(6,444)	(8,204)	-	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>26,884</b>	<b>17,108</b>	<b>(11,322)</b>	<b>(8,602)</b>
Changes in working capital:				
Inventories	3,702	2,046	-	-
Trade and other payables	13,888	19,268	52	(1,465)
Trade and other receivables	10,927	(51,582)	(4,404)	(2,764)
<b>Cash generated from/(used in) operations</b>	<b>55,401</b>	<b>(13,160)</b>	<b>(15,674)</b>	<b>(12,831)</b>
Tax paid	(1,205)	(2,864)	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>54,196</b>	<b>(16,024)</b>	<b>(15,674)</b>	<b>(12,831)</b>

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Investing activities</b>				
Acquisition of property, plant and equipment (Note 13)	(17,380)	(10,323)	(2,221)	(153)
Acquisition of investment properties (Note 16)	(48)	(423)	-	-
Additional plantation development expenditure (Note 15)	(8,771)	(2,596)	-	-
Advances to subsidiaries	-	-	(18,504)	(14,496)
Disposal of a subsidiary, net of cash disposed	-	24	-	-
Dividends received	247	282	11,332	11,882
Interest received	2,532	3,266	1,756	1,385
Proceeds from disposal of property, plant and equipment	400	2,443	104	11
Proceeds from disposal of assets classified as held for sale	725	-	-	-
Repayment from subsidiaries	-	-	29,065	21,961
Subsequent expenditure of land held for development expenditure (Note 14)	(2)	(2)	-	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(22,297)</b>	<b>(7,329)</b>	<b>21,532</b>	<b>20,590</b>
<b>Financing activities</b>				
Deposits pledged with licensed banks	10,368	(11,734)	-	-
Interest paid	(6,588)	(8,052)	(2,138)	(2,209)
Net drawdown/(repayment) of short term borrowings	9,396	(976)	(1,650)	(1,513)
Net drawdown of finance lease liabilities	3,730	2,822	-	-
Net (repayment)/drawdown of term loans	(5,995)	(3,283)	516	-
<b>Net cash generated from/(used in) financing activities</b>	<b>10,911</b>	<b>(21,223)</b>	<b>(3,272)</b>	<b>(3,722)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>42,810</b>	<b>(44,576)</b>	<b>2,586</b>	<b>4,037</b>
Effect of exchange rate fluctuations on cash held	388	(343)	-	-
Cash and cash equivalents classified as held for sale (Note 11)	(2,090)	-	-	-
Cash and cash equivalents at beginning of year	40,845	85,764	9,989	5,952
Cash and cash equivalents at end of year (Note 25)	81,953	40,845	12,575	9,989

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **1. Corporate 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 registered office of the Company is located at Level 8-11, Unit 1, Capital 3, Oasis Square, Ara Damansara, Jalan PJU 1A/7A, 47301 Petaling Jaya Selangor.

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 property, engineering and construction, agricultural businesses, information, communications and technology, energy, food and others as stated in Note 40. There have been no significant changes in the nature of these principal activities during the financial year except for the discontinuance of one food and beverage restaurant and a construction operation as disclosed in Note 11 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 April 2014.

## **2. Summary of significant accounting policies**

### **2.1 Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2013 as described fully in Note 2.2.

The financial statements of the Group and the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### **2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2013, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
Amendments to FRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 10 Consolidated Financial Statements	1 January 2013
FRS 11 Joint Arrangements	1 January 2013
FRS 12 Disclosure of Interests in Other Entities	1 January 2013
FRS 13 Fair Value Measurement	1 January 2013
FRS 119 (2011) Employee Benefits	1 January 2013
FRS 127 (2011) Separate Financial Statements	1 January 2013
FRS 128 (2011) Investment in Associate and Joint Ventures	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to FRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Improvements to FRSs (2012)	1 January 2013
Amendments to FRS 1: Government Loans	1 January 2013
Amendments to FRS 10, FRS 11 and FRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Adoption of the above standards and interpretations as further discussed below did not have any effect on the financial performance or position of the Group and the Company.

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **2. Summary of significant accounting policies (cont'd)**

### **2.2 Changes in accounting policies (cont'd)**

#### FRS 10 Consolidated Financial Statements

FRS 10 replaces part of FRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under FRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under FRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

FRS 10 includes detailed guidance to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. FRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

The above changes in accounting policy did not have any effect on the financial performance or position of the Group and the Company.

#### FRS 11 Joint Arrangements

FRS 11 replaces FRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities – Non-monetary Contributions by Venturers.

The classification of joint arrangements under FRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under FRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard did not affect the financial position of the Group.

#### FRS 12 Disclosures of Interests in Other Entities

FRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

#### FRS 13 Fair Value Measurement

FRS 13 establishes a single source of guidance under FRS for all fair value measurements. FRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS. FRS 13 defines fair value as an exit price. As a result of the guidance in FRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. FRS 13 also requires additional disclosures.

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Changes in accounting policies (cont'd)

#### FRS 13 Fair Value Measurement (cont'd)

Application of FRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

#### Amendments to FRS 101: Presentation of Items of Other Comprehensive Income

The amendments to FRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position or performance.

#### FRS 127 (2011) Separate Financial Statements

As a consequence of the new FRS 10 and FRS 12, FRS 127 (2011) is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

#### FRS 128 (2011) Investments in Associates and Joint Ventures

As a consequence of the new FRS 11 and FRS 12, FRS 128 is renamed as FRS 128 (2011) Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

### 2.3 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.

Description	Effective for annual periods beginning on or after
Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities	1 January 2014
Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to FRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to FRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to FRSs 2011-2013 Cycle	1 July 2014
FRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
FRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
FRS 9 Financial Instruments : Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139	To be announced

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective (cont'd)

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

#### FRS 9 Financial Instruments

FRS 9 reflects the first phase of work on the replacement of FRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in FRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to FRS 9: Mandatory Effective Date of FRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The Group is currently assessing the impact of the application of FRS 9 on its financial statements.

#### Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

On 7 August 2013, MASB has decided to allow the Transitioning Entities to defer adoption of the MFRS Framework for another year. MFRS will therefore be mandated for all companies for annual periods beginning on or after 1 January 2015.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2015. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 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;

# **NOTES TO THE FINANCIAL STATEMENTS**

## **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

### **2. Summary of significant accounting policies (cont'd)**

#### **2.4 Basis of consolidation (cont'd)**

- (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.

#### 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.

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 FRS 139 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 FRS 139, it is measured in accordance with the appropriate FRS.

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 at 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.

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. The accounting policy for goodwill is set out in Note 2.11(a).

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **2. Summary of significant accounting policies (cont'd)**

### **2.5 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.

### **2.6 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.

### **2.7 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.

On acquisition of an investment in associate, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate is equity accounted for from the date on which the investee becomes an associate or a joint venture.

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 or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies FRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

# **NOTES TO THE FINANCIAL STATEMENTS**

## **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

### **2. Summary of significant accounting policies (cont'd)**

#### **2.7 Investments in associates (cont'd)**

In the Company's separate financial statements, investments in associates 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.

#### **2.8 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 at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

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

##### **(c) Foreign operations**

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

#### **2.9 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. Long term leasehold land is initially measured at cost. Following initial recognition, long term leasehold land is measured at cost less accumulated amortisation and accumulated impairment losses. The long term leasehold land is amortised over their lease terms.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 2. Summary of significant accounting policies (cont'd)

### 2.9 Property, plant and equipment

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

Freehold land has an unlimited useful life and therefore is not depreciated. Work in progress that relates to equipment not yet installed at the intended specific location is also not depreciated. 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%

#### Plant, office renovation and equipment

- Renovations 10%-20%

- Plant, machinery and tools 5% - 20%

- Furniture and fittings 5% - 33%

- Office equipment and computers 20% - 33%

#### Motor vehicles

- Motor vehicles 20% - 33%

Renovation in progress and 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.

### 2.10 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 2.9.

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 of 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 and is performed internally by the Company's personnel having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

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**

## **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

### **2. Summary of significant accounting policies (cont'd)**

#### **2.11 Intangible assets**

##### **(a) Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

##### **(b) Research and development costs**

All research costs are recognised in the profit or loss as incurred. Development expenditures on individual projects to develop new products, including IT related products, are recognised as an intangible asset by capitalising and deferring them, when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

All other product development expenditures which do not meet these criteria are expensed off when incurred.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit not exceeding five years. During the period of development, the asset is tested for impairment annually.

##### **(c) Initial fees**

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.

#### **2.12 Plantation development expenditure**

Plantation development expenditure includes the costs incurred on the land, plantation infrastructure and development and capitalisation of interest expense on loans and advances utilised to finance on-going development. The capitalisation of interest is ceased when the plantation is ready for its intended use.

Plantation expenditure incurred for the land development, planting and upkeep of trees is capitalised until maturity in the plantation development account. Upon maturity, the expenditure incurred is amortised based on estimated annual yield over 25 years.

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **2. Summary of significant accounting policies (cont'd)**

### **2.13 Impairment of non-financial assets**

The carrying amounts of assets, other than property development costs, 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.

### **2.14 Financial assets**

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for-sale financial assets.

#### **(a) Loans and receivables**

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **2. Summary of significant accounting policies (cont'd)**

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

#### **(b) Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale.

After initial recognition, available-for-sale financial assets are measured at fair value, except for investments in equity instruments whose fair value cannot be reliably measured. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

### **2.15 Impairment of financial assets**

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### **(a) Trade and other receivables carried at amortised cost**

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **2. Summary of significant accounting policies (cont'd)**

### **2.15 Impairment of financial assets (cont'd)**

#### **(b) Unquoted equity securities carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

#### **(c) Available-for-sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

### **2.16 Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits (excluding deposits pledged with licensed banks as securities for banking facilities), and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### **2.17 Construction contracts**

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively 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 to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **2. Summary of significant accounting policies (cont'd)**

### **2.18 Land held for property development and property development costs**

#### **(i) Land held for property development**

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

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

#### **(ii) Property development costs**

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

### **2.19 Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of liquified 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/manufactured inventories/finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. For the cost of contract work-in-progress, it includes costs relating to the information technology and telecommunication equipment for which the assembling/installation/commissioning has yet to be completed.

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**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **2. Summary of significant accounting policies (cont'd)**

### **2.20 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.

### **2.21 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### **2.22 Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

### **2.23 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.

# **NOTES TO THE FINANCIAL STATEMENTS**

## **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

### **2. Summary of significant accounting policies (cont'd)**

#### **2.24 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.

#### **2.25 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 leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.27(g).

#### **2.26 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.

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 FRSs. 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.

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **2. Summary of significant accounting policies (cont'd)**

### **2.26 Non-current assets (or disposal groups) held for sale and discontinued operation (cont'd)**

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 of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

### **2.27 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

#### **(a) Sale of goods**

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### **(b) Rendering of services**

Revenue from services rendered is recognised on accrual basis over the period of the service rendered.

#### **(c) Construction contracts**

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.17.

#### **(d) Interest income**

Interest income is recognised on an accrual basis using the effective interest method.

#### **(e) Management fees**

Management fees are recognised when services are rendered.

#### **(f) Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

#### **(g) Rental income**

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

### **2.28 Income taxes**

#### **(a) Current tax**

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

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

# **NOTES TO THE FINANCIAL STATEMENTS**

## **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

### **2. Summary of significant accounting policies (cont'd)**

#### **2.28 Income taxes (contd.)**

##### **(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 asset 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.

#### **2.29 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**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **2. Summary of significant accounting policies (cont'd)**

### **2.30 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 managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review 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 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

### **2.31 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. Significant accounting judgements and estimates**

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.

### **3.1 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 FRS 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.

#### **(b) Operating lease commitments – as lessor**

The Group has entered into commercial property leases on its investment properties. The commercial properties combined leases of land and buildings. At the inception of the lease, it was not possible to obtain a reliable estimate of the split of the fair values of the lease interest between the land and the buildings. Therefore, the Group evaluated based on terms and conditions of the arrangement, whether the land and the buildings were clearly operating leases or finance leases. The Group assessed the following:

- (i) The land titles do not pass to the Group; and
- (ii) The rentals paid to the landlord for the commercial properties are increased to the market rent at regular intervals, and the Group does not participate in the residual value of the building.

Management judged that the Group retains all the significant risks and rewards of ownership of these properties, thus accounted for the contracts as operating leases.

# **NOTES TO THE FINANCIAL STATEMENTS**

## **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

### **3. Significant accounting judgments and estimates (cont'd)**

#### **3.2 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) Deferred taxes (Note 23)**

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

##### **(b) Impairment of investments in subsidiaries (Note 17) and associates (Note 18)**

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

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

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

##### **(c) Construction contracts (Note 22)**

The Group recognises construction contracts revenue and expenses in the statement of comprehensive income by 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.

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 4 and Note 5, respectively.

##### **(d) Income taxes (Note 10)**

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### **(e) Impairment of receivables (Note 21)**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 4. Revenue

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Contract revenue	284,320	103,910	-	-
Sale of goods	625,417	673,567	-	-
Services	22,619	29,003	-	-
Dividend income from:				
- subsidiaries	-	-	11,085	11,600
- others	247	282	247	282
	<b>932,603</b>	<b>806,762</b>	<b>11,332</b>	<b>11,882</b>

## 5. Cost of sales

	Group	
	2013 RM'000	2012 RM'000
Contract costs	284,833	97,870
Cost of inventories sold	573,164	624,011
Cost of services rendered	8,990	20,772
	<b>866,987</b>	<b>742,653</b>

## 6. Finance costs

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on:				
- Bank borrowings	6,171	7,583	2,086	2,209
- Obligations under finance leases	64	21	-	-
Interest expense on intercompany advances	-	-	52	-
Others	353	391	-	-
	<b>6,588</b>	<b>7,995</b>	<b>2,138</b>	<b>2,209</b>

## 7. Profit/(loss) before taxation

The following items have been included in arriving at profit/(loss) before taxation:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Amortisation of:				
- plantation development expenditure (Note 15)	2,471	2,485	-	-
- intangible assets (Note 20)	96	326	-	-
- continuing operations	82	312	-	-
- discontinued operations	14	14	-	-
Auditors' remuneration:				
Statutory audits				
- to the Company's auditors and other member firms of Ernst & Young Global	479	489	92	92
- continuing operations	403	403	92	92
- discontinued operations	76	86	-	-
- to other firms of auditors	30	31	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 7. Profit/(loss) before taxation (cont'd)

The following items have been included in arriving at profit/(loss) before taxation (cont'd):

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other services				
- to the Company's auditors	56	3	56	3
Depreciation of:				
- property, plant and equipment (Note 13)	14,588	15,821	364	801
- continuing operations	13,630	14,559	364	801
- discontinued operations	958	1,262	-	-
- investment properties (Note 16)	1,244	1,194	847	849
Employee benefits expense (Note 8)	51,745	48,653	6,772	5,542
- continuing operations	46,477	42,499	6,772	5,542
- discontinued operations	5,268	6,154	-	-
Non-executive directors' remuneration (Note 9)	1,114	1,090	809	876
Loss on fair value changes of derivative instruments	98	193	-	-
Forfeiture of deposits payable	(1,995)	(2,406)	-	-
Provision for liquidated ascertained damages (Note 30)	4,193	2,718	-	-
Provision for litigation (Note 30)	528	3,304	-	-
Allowance for impairment on:				
- property, plant and equipment (Note 13)	330	2,092		
- continuing operations	121	2,035	-	-
- discontinued operations	209	57	-	-
- intangible assets (Note 20)	-	1,438	-	-
- receivables (Note 21)	2,569	5,899	-	-
- continuing operations	2,481	5,899	-	-
- discontinued operations	88	-	-	-
- due from subsidiaries	-	-	1,919	9,498
- investment in subsidiaries	-	-	1,342	1,082
Property, plant and equipment written off	391	4,724	-	-
- continuing operations	391	1,168	-	-
- discontinued operations	-	3,556	-	-
Rental expense on:				
- land and buildings	1,371	3,697	613	811
- premises	4,470	11,234	-	-
- office equipment	428	303	-	-
Unrealised loss on foreign exchange	322	228	-	-
Realised gain on foreign exchange	(1,549)	(1,693)	-	-
(Gain)/loss on disposal of property, plant and equipment	(133)	(2,568)	23	(2)
Gain on disposal of assets held for sale (Note 11)	(218)	-	-	-
- continuing operations	(194)	-	-	-
- discontinued operations	(24)	-	-	-
Interest income	(2,532)	(3,266)	(1,756)	(1,385)
- continuing operations	(2,505)	(2,915)	(1,756)	(1,385)
- discontinued operations	(27)	(351)	-	-
Amortisation of financial guarantees	-	-	(1,603)	(1,506)
Rental income	(1,375)	(1,299)	(480)	(492)
Reversal of allowance for impairment on receivables (Note 21)	(1,600)	(450)	-	-
Reversal of allowance for impairment on advances to subsidiaries	-	-	(16,582)	(22,672)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 8. Employee benefits expense

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Wages, bonuses and salaries	38,907	37,487	5,913	3,736
Social security contributions	424	455	24	24
Contributions to defined contribution plan	3,205	3,579	432	513
Other benefits	9,209	7,132	403	1,269
	<b>51,745</b>	<b>48,653</b>	<b>6,772</b>	<b>5,542</b>

Included in employee benefits expense of the Group and the Company are executive director's remuneration amounting to RM683,000 (2012: RM744,000) and RM682,000 (2012: RM645,000) respectively.

## 9. Directors' remuneration

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive director:				
Salaries and other emoluments	578	547	578	547
Bonus	-	72	-	-
Defined contribution plans	104	112	104	98
Allowances	1	13	-	-
Total executive director's remuneration excluding benefits-in-kind (Note 8)	<b>683</b>	<b>744</b>	<b>682</b>	<b>645</b>
Estimated money value of benefits-in-kind	<b>28</b>	<b>22</b>	<b>28</b>	<b>22</b>
	<b>711</b>	<b>766</b>	<b>710</b>	<b>667</b>
Non-executive directors:				
Fees	433	395	392	395
Allowances	681	695	417	481
Total non-executive directors' remuneration excluding benefits-in-kind (Note 7)	<b>1,114</b>	<b>1,090</b>	<b>809</b>	<b>876</b>
Estimated money value of benefits-in-kind	<b>114</b>	<b>79</b>	<b>114</b>	<b>79</b>
	<b>1,228</b>	<b>1,169</b>	<b>923</b>	<b>955</b>
<b>Total directors' remuneration excluding benefits in kind</b>	<b>1,797</b>	<b>1,834</b>	<b>1,491</b>	<b>1,521</b>
Estimated money value of benefits-in-kind	<b>142</b>	<b>101</b>	<b>142</b>	<b>101</b>
<b>Total directors' remuneration</b>	<b>1,939</b>	<b>1,935</b>	<b>1,633</b>	<b>1,622</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 9. Directors' remuneration (cont'd)

The number of directors of the Company whose total remuneration during the financial year fall within the following bands is analysed below:

	Number of directors	
	2013	2012
Executive directors:		
RM650,001 - RM700,000	-	1
RM700,001 - RM750,000	1	-
Non-executive directors:		
Below RM50,000	3	-
RM50,001 - RM100,000	-	1
RM100,001 - RM150,000	3	2
RM150,001 - RM200,000	1	3
RM200,001 - RM250,000	1	-
RM300,001 - RM350,000	-	1
RM350,001 - RM400,000	1	-

## 10. Taxation

### Major components of taxation

The major components of income tax (benefit)/expense for the years ended 31 December 2013 and 2012 are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Continuing operations:</b>				
Malaysian income tax:				
- Current year	7,889	4,445	-	-
- Overprovision in prior year	(1,633)	(2,710)	-	2
Foreign income tax:				
- Current year	-	144	-	-
- Overprovision in prior year	-	(580)	-	-
	6,256	1,299	-	2
Deferred income tax (Note 23):				
- Origination and reversal of temporary differences	(5,605)	(2,322)	-	-
- (Over)/underprovision in prior years	(953)	783	-	-
	(6,558)	(1,539)	-	-
Income tax (benefit)/expense attributable to continuing operations	(302)	(240)	-	2
Income tax expense attributable to discontinued operations (Note 11)	-	13	-	-
Income tax (benefit)/expense recognised in profit or loss	(302)	(227)	-	2

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 10. Taxation (cont'd)

### Major components of taxation (cont'd)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit/(loss) for the year.

Taxation of other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

### Reconciliation between taxation and accounting profit/(loss)

The reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit/(loss) before tax from continuing operations	7,535	(12,131)	11,714	12,900
Loss before tax from discontinued operations	(2,895)	(4,651)	-	-
Accounting profit/(loss) before taxation	4,640	(16,782)	11,714	12,900
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	1,160	(4,196)	2,929	3,225
Income not subject to tax	(1,185)	(1,178)	(18,185)	(9,903)
Effect of different tax rate on foreign income tax	-	48	-	-
Effect of expenses not deductible for tax purposes	2,265	3,926	15,256	6,678
Deferred tax assets not recognised during the year	289	3,779	-	-
Effect of utilisation of previously unrecognised tax losses and capital allowances	(245)	(160)	-	-
Overprovision of Malaysian income tax expense in prior years	(1,633)	(2,710)	-	2
Overprovision of foreign income tax expense in prior years	-	(580)	-	-
(Over)/underprovision of deferred tax in prior years	(953)	844	-	-
Tax expense for the year	(302)	(227)	-	2

Tax savings during the financial year arising from utilisation of:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Tax losses brought forward	133	156	-	-

## 11. Disposal group and other non-current assets classified as held for sale

### Non-current assets held for sale in prior year

The non-current assets classified as held for sale of the Group as at 31 December 2012 was represented by the followings :

- (i) One unit of double storey shop located at Section 13, Shah Alam held by Empirical Systems (M) Sdn. Bhd. with carrying value amounting to RM506,000.
- (ii) Motor vehicles held by Bina Alam Bersatu Sdn. Bhd. with carrying value amounting to RM114,000.

During the financial year 31 December 2013, the proposed disposals were completed with gain on disposal of RM194,000 and RM24,000 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

### 11. Disposal group and other non-current assets classified as held for sale (cont'd)

#### Non-current assets held for sale in current year

As at 31 December 2013, non-current assets classified as held for sale of the Group are:

- (i) One unit of retail lot at Amcorp Mall, Petaling Jaya held by A&W Properties Sdn. Bhd. with carrying value of RM1,765,000. The sale was completed in April 2014 at a consideration of RM3 million resulting in a net gain from disposal of RM1,235,000.
- (ii) Non-current assets of KUB Singgahsana (PJ) Sdn. Bhd. which comprise of computers, tools and equipments with carrying value of RM155,000 and furniture and fittings with carrying value of RM73,000. These assets are no longer in use by the Company and is expected to be sold within 12 months at a price higher than their carrying value.

The disposal group classified as held for sale of the Group as at 31 December 2013 includes :

- (i) Bina Alam Bersatu Sdn. Bhd.

The Board of Directors decided to wind up its subsidiary, Bina Alam Bersatu Sdn. Bhd. As at 31 December 2013, the subsidiary is in the process of liquidation.

- (ii) A&W Restaurants (Thailand) Co. Ltd.

The Company has been classified under disposal group held for sale following the commitment of the Group's management to dispose the Company.

Details of the proposed disposals are disclosed in the significant events (note 38(f)).

The proposed liquidation and sale of the disposal group above are expected to be completed within the next twelve (12) months and are now presented as discontinued operations.

The Company has represented the statements of comprehensive income by presenting a single amount showing the post-tax loss of discontinued operations by the end of the reporting period for the latest period presented.

The analysis of the results of the discontinued operations is as follows :

	Group	
	2013 RM'000	2012 RM'000
Revenue	15,253	19,930
Cost of sales	(5,306)	(7,862)
<b>Gross profit</b>	<b>9,947</b>	12,068
Other income	528	3,222
Distribution expenses	(197)	(572)
Administrative expenses	(11,494)	(16,097)
Other expenses	(1,679)	(3,216)
Finance cost	-	(56)
<b>Loss before tax from discontinued operations</b>	<b>(2,895)</b>	(4,651)
Income tax expense	-	(13)
<b>Loss from discontinued operations, net of tax</b>	<b>(2,895)</b>	(4,664)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 11. Disposal group and other non-current assets classified as held for sale (cont'd)

The major classes of assets and liabilities of disposal group and non-current assets classified as held for sale as at 31 December 2013 are as follows :

	Group 2013 RM'000
<b>Non-current assets held for sale:</b>	
Property, plant and equipment	228
Investment properties	1,765
	<u>1,993</u>
<b>Disposal group held for sale:</b>	
<b>Assets</b>	
Property, plant and equipment	2,132
Intangible assets	88
Inventories	378
Trade and other receivables	707
Tax recoverable	312
Cash and bank balances	2,090
	<u>5,707</u>
<b>Assets of disposal group classified as held for sale</b>	
<b>Liabilities</b>	
Trade and other payables	2,300
Deferred tax liabilities	13
Provision for tax	30
	<u>2,343</u>
<b>Liabilities of disposal group classified as held for sale</b>	
<b>Net assets of disposal group classified as held for sale</b>	
	<u>3,364</u>

## Summarised cash flows of discontinued operations

	Group	
	2013 RM'000	2012 RM'000
Net cash generated from/(used in) operating activities	825	(8,702)
Net cash generated from investing activities	2,712	6,910
Net cash used in financing activities	(8,886)	(8,483)
Net decrease in cash and cash equivalents	(5,349)	(10,275)
Cash and cash equivalents at beginning of the year	7,439	17,714
Cash and cash equivalents at end of the year	<u>2,090</u>	<u>7,439</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 12. Earnings/(loss) per ordinary share

Basic and diluted earnings per ordinary share is calculated by dividing earnings/(loss) 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/(loss) and share data used in the computation of basic and diluted earnings/(loss) per share for the years ended 31 December:

	Group	
	2013	2012
Profit/(loss) net of tax attributable to owners of the parent used in the computation of basic and diluted earnings/(loss) per share (RM'000)		
- From continuing operations	7,416	(12,625)
- From discontinued operations	(2,570)	(4,089)
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share computation (in '000)	556,465	556,465

	2013 Sen	2012 Sen
Basic and diluted earnings/(loss) per share attributable to the owners of the parent		
- From continuing operations	1.33	(2.27)
- From discontinued operations	(0.46)	(0.73)
	0.87	(3.00)

## 13. Property, plant and equipment

	Freehold land RM'000	Factory and buildings RM'000	Leasehold land RM'000	Plant, office renovation and equipment RM'000	Motor vehicles RM'000	Renovation in progress RM'000	Assets under construction RM'000	Total RM'000
<b>Group</b>								
<b>At 31 December 2013</b>								
<b>At cost</b>								
At 1 January 2013	12,284	92,732	35,677	220,707	8,876	-	-	370,276
Additions	1,019	4,970	-	6,571	890	2,569	1,361	17,380
Disposals	(473)	(613)	-	(1,837)	(274)	-	-	(3,197)
Written off	-	(6)	(398)	(11,991)	(52)	-	-	(12,447)
Transfer from investment properties (Note 16)	-	12,109	-	-	-	-	-	12,109
Attributable to discontinued operations	-	(2,860)	-	(22,685)	(87)	-	-	(25,632)
Exchange differences	-	(12)	-	(31)	-	-	-	(43)
At 31 December 2013	12,830	106,320	35,279	190,734	9,353	2,569	1,361	358,446

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 13. Property, plant and equipment (cont'd)

	Freehold land RM'000	Factory and buildings RM'000	Leasehold land RM'000	Plant, office renovation and equipment RM'000	Motor vehicles RM'000	Renovation in progress RM'000	Assets under construction RM'000	Total RM'000
<b>Group (cont'd)</b>								
<b>At 31 December 2013</b>								
Accumulated depreciation and impairment losses								
<b>At 1 January 2013</b>								
Accumulated depreciation	-	33,186	8,054	171,690	6,180	-	-	219,110
Accumulated impairment losses	277	15,859	18	9,955	30	-	-	26,139
	277	49,045	8,072	181,645	6,210	-	-	245,249
Depreciation charge for the year	-	2,092	441	10,890	1,165	-	-	14,588
Impairment loss charge for the year	-	161	-	169	-	-	-	330
Disposals	-	(438)	-	(1,647)	(152)	-	-	(2,237)
Written off - depreciation	-	(4)	(398)	(11,269)	(27)	-	-	(11,698)
Written off - impairment	-	-	-	(358)	-	-	-	(358)
Attributable to discontinued operations:								
- depreciation	-	(2,196)	-	(19,878)	(87)	-	-	(22,161)
- impairment	-	(40)	-	(1,093)	-	-	-	(1,133)
Transfer from investment properties (Note 16)	-	485	-	-	-	-	-	485
Exchange differences	-	(8)	-	(19)	-	-	-	(27)
<b>At 31 December 2013:</b>								
Accumulated depreciation	-	33,117	8,097	149,767	7,079	-	-	198,060
Accumulated impairment losses	277	15,980	18	8,673	30	-	-	24,978
	277	49,097	8,115	158,440	7,109	-	-	223,038
<b>Net carrying amount</b>	<b>12,553</b>	<b>57,223</b>	<b>27,164</b>	<b>32,294</b>	<b>2,244</b>	<b>2,569</b>	<b>1,361</b>	<b>135,408</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 13. Property, plant and equipment (cont'd)

	Freehold land RM'000	Factory and buildings RM'000	Leasehold land RM'000	Plant, office renovation and equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Group (cont'd)</b>						
<b>At 31 December 2012</b>						
<b>At cost</b>						
At 1 January 2012	12,284	90,549	39,489	226,206	9,933	378,461
Additions	-	2,775	1,320	5,504	724	10,323
Disposals	-	(2,781)	(1,481)	(1,546)	(914)	(6,722)
Written off	-	(919)	(47)	(9,563)	(25)	(10,554)
Transfer to assets classified as held for sale (Note 11)	-	(550)	-	-	(843)	(1,393)
Reclassification	-	3,604	(3,604)	-	-	-
Exchange differences	-	54	-	106	1	161
At 31 December 2012	12,284	92,732	35,677	220,707	8,876	370,276
<b>Accumulated depreciation and impairment losses</b>						
<b>At 1 January 2012</b>						
As previously reported						
Accumulated depreciation	-	29,476	13,650	167,799	6,158	217,083
Accumulated impairment losses	277	14,115	18	9,607	30	24,047
At 1 January 2012	277	43,591	13,668	177,406	6,188	241,130
Depreciation charge for the year	-	2,065	439	11,779	1,538	15,821
Impairment loss charge for the year	-	1,744	-	348	-	2,092
Disposals	-	(3,674)	(208)	(1,818)	(598)	(6,298)
Written off	-	(487)	-	(5,153)	(190)	(5,830)
Transfer to assets classified as held for sale (Note 11)	-	(44)	-	-	(729)	(773)
Reclassification	-	5,827	(5,827)	-	-	-
Reclassification to intangible assets	-	-	-	(1,039)	-	(1,039)
Exchange differences	-	23	-	122	1	146
At 31 December 2012						
Accumulated depreciation	-	33,186	8,054	171,690	6,180	219,110
Accumulated impairment losses	277	15,859	18	9,955	30	26,139
	277	49,045	8,072	181,645	6,210	245,249
<b>Net carrying amount</b>	12,007	43,687	27,605	39,062	2,666	125,027

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 13. Property, plant and equipment (cont'd)

	Factory and buildings RM'000	Leasehold land RM'000	Office renovation and equipment RM'000	Motor vehicles RM'000	Renovation in progress RM'000	Total RM'000
<b>Company</b>						
<b>At 31 December 2013</b>						
<b>At cost</b>						
At 1 January 2013	-	11,265	5,708	558	-	17,531
Additions	-	-	166	585	1,470	2,221
Transfer from investment properties (Note 16)	12,109	-	-	-	-	12,109
Disposals	-	-	(14)	(138)	-	(152)
At 31 December 2013	12,109	11,265	5,860	1,005	1,470	31,709
<b>Accumulated depreciation and impairment losses</b>						
<b>At 1 January 2013</b>						
Accumulated depreciation	-	1,853	5,333	372	-	7,558
Accumulated impairment losses	-	266	-	-	-	266
	-	2,119	5,333	372	-	7,824
Depreciation charge for the year	-	94	217	53	-	364
Transfer from investment properties (Note 16)	485	-	-	-	-	485
Disposals	-	-	(14)	(57)	-	(71)
Reclassification	-	-	(6)	6	-	-
At 31 December 2013	485	1,947	5,530	374	-	8,336
Accumulated depreciation	485	1,947	5,530	374	-	8,336
Accumulated impairment losses	-	266	-	-	-	266
	485	2,213	5,530	374	-	8,602
<b>Net carrying amount</b>	<b>11,624</b>	<b>9,052</b>	<b>330</b>	<b>631</b>	<b>1,470</b>	<b>23,107</b>

	Leasehold land RM'000	Office renovation and equipment RM'000	Motor vehicles RM'000	Total RM'000	
<b>Company</b>					
<b>At 31 December 2012</b>					
<b>At cost</b>					
At 1 January 2012		11,265	5,572	558	17,395
Additions		-	153	-	153
Disposals		-	(17)	-	(17)
At 31 December 2012		11,265	5,708	558	17,531

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 13. Property, plant and equipment (cont'd)

	Leasehold land RM'000	Office renovation and equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>Company (cont'd)</b>				
<b>At 31 December 2012</b>				
<b>Accumulated depreciation and impairment losses</b>				
At 1 January 2012				
Accumulated depreciation	1,760	4,730	275	6,765
Accumulated impairment losses	266	-	-	266
	2,026	4,730	275	7,031
Depreciation charge for the year	93	611	97	801
Disposals	-	(8)	-	(8)
At 31 December 2012				
Accumulated depreciation	1,853	5,333	372	7,558
Accumulated impairment losses	266	-	-	266
	2,119	5,333	372	7,824
<b>Net carrying amount</b>	<b>9,146</b>	<b>375</b>	<b>186</b>	<b>9,707</b>

### Assets under construction

Asset under construction were mainly cost incurred on down payment on purchase of machineries and other expenses incidental to the construction of 45MT/hour palm oil mill in Mukah, Sarawak. Total cost of construction is estimated at RM67,000,000.

### Assets held under finance leases

During the financial year, the Group and the Company acquired motor vehicles with an aggregate cost of RM1,066,000 and RM585,000 (2012: RM374,000 and RMNil) respectively by means of finance leases. The cash outflow on acquisition of property, plant and equipment by the Group and Company amounted to RM101,000 and RM69,000 (2012: RM20,000 and RMNil) respectively.

The carrying amount of assets held under finance leases of the Group and the Company at the reporting date were RM1,425,000 and RM585,000 (2012: RM683,000 and RMNil) respectively.

### Assets pledged as security

At 31 December 2013, freehold land, factory and buildings of the Group with net carrying amount of RM80,250,000 (2012: RM79,837,000) are pledged to banks as securities for borrowings as disclosed in Note 29.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 14. Land held for property development

	Group	
	2013 RM'000	2012 RM'000
<b>At cost</b>		
At 1 January	11,822	11,820
Additions	2	2
At 31 December	11,824	11,822
<b>Accumulated impairment losses</b>		
At 1 January / 31 December	7,215	7,215
<b>Net carrying amount</b>	4,609	4,607

Land held for property development of the Group with net carrying amount of RM4,388,000 (2012: RM4,388,000) is pledged as security for borrowings as disclosed in Note 29.

## 15. Plantation development expenditure

	Group	
	2013 RM'000	2012 RM'000
<b>At cost</b>		
At 1 January	63,146	60,550
Additions	8,771	2,596
At 31 December	71,917	63,146
<b>Accumulated amortisation</b>		
At 1 January	23,767	21,282
Amortisation for the year recognised in cost of sales	2,471	2,485
At 31 December	26,238	23,767
<b>Net carrying amount</b>	45,679	39,379

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 16. Investment properties

	Freehold buildings RM'000	Leasehold buildings RM'000	Total RM'000
<b>Group</b>			
<b>At 31 December 2013</b>			
<b>Cost</b>			
At 1 January 2013	16,565	45,812	62,377
Transfer to property, plant and equipment (Note 13)	-	(12,109)	(12,109)
Addition	-	48	48
Disposals	-	(2,289)	(2,289)
At 31 December	16,565	31,462	48,027
<b>Accumulated depreciation and impairment losses</b>			
At 1 January			
Accumulated depreciation	8,142	1,626	9,768
Accumulated impairment losses	211	-	211
	8,353	1,626	9,979
Transfer to property, plant and equipment (Note 13)	-	(485)	(485)
Depreciation for the year	313	931	1,244
Disposals	-	(328)	(328)
At 31 December	8,455	1,744	10,199
Accumulated depreciation	8,455	1,744	10,199
Accumulated impairment losses	211	-	211
	8,666	1,744	10,410
<b>Net carrying amount</b>	<b>7,899</b>	<b>29,718</b>	<b>37,617</b>
<b>Fair value</b>	<b>18,000</b>	<b>46,996</b>	<b>64,996</b>
<b>At 31 December 2012</b>			
<b>Cost</b>			
At 1 January	18,355	44,637	62,992
Addition	-	423	423
Reclassification	(752)	752	-
Disposals	(1,038)	-	(1,038)
At 31 December	16,565	45,812	62,377
<b>Accumulated depreciation and impairment losses</b>			
At 1 January			
Accumulated depreciation	8,335	324	8,659
Accumulated impairment losses	211	-	211
	8,546	324	8,870
Reclassification	(419)	419	-
Depreciation for the year	311	883	1,194
Disposals	(85)	-	(85)
At 31 December	8,142	1,626	9,768
Accumulated depreciation	8,142	1,626	9,768
Accumulated impairment losses	211	-	211
	8,353	1,626	9,979
<b>Net carrying amount</b>	<b>8,212</b>	<b>44,186</b>	<b>52,398</b>
<b>Fair value</b>	<b>19,190</b>	<b>59,085</b>	<b>78,275</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 16. Investment properties (cont'd)

	Leasehold building RM'000
<b>Company</b>	
<b>At 31 December 2013</b>	
<b>Cost</b>	
At 1 January	42,349
Transfer to property, plant and equipment (Note 13)	(12,109)
At 31 December	30,240
<b>Accumulated depreciation</b>	
At 1 January	849
Depreciation for the year	847
Transfer to property, plant and equipment (Note 13)	(485)
At 31 December	1,211
<b>Net carrying amount</b>	<b>29,029</b>
<b>Fair value</b>	<b>45,106</b>
<b>At 31 December 2012</b>	
<b>Cost</b>	
At 1 January / 31 December	42,349
<b>Accumulated depreciation</b>	
At 1 January	-
Depreciation for the year	849
At 31 December	849
<b>Net carrying amount</b>	<b>41,500</b>
<b>Fair value</b>	<b>56,000</b>

During the year, the Group and the Company has incurred direct operating expenses arising from investment properties that did not generate rental income amounting to RM300,736 (2012: RM435,963) included in administrative expenses in the statements of comprehensive income of the Group and Company.

### Valuation of investment properties

	Group RM'000	Company RM'000
<b>Fair value measurement using significant observable inputs (Level 2)</b>		
Investment properties carried at cost	78,275	45,106

Fair value of the investment properties was determined by using market comparable method. This means that valuations performed by accredited independent valuers with recent experience in the location and category of properties being valued are based on observed transactions involving identical or similar property.

Valuation are performed by accredited independent valuers with recent experience in the location and category of properties being valued.

### Properties pledged as security

Leasehold buildings of the Group and Company with net carrying amount of RM29,718,000 and RM29,029,000 (2012: RM44,186,000 and RM41,500,000) respectively is pledged as security for borrowings as disclosed in Note 29.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 16. Investment properties (cont'd)

### Transfer to property, plant and equipment

During the year, the Group transferred part of an office building that was held as investment property to owner-occupied property. The Group has commenced using the office building for its business purposes.

## 17. Investments in subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost	289,148	284,150
Less: Accumulated impairment losses	(85,350)	(85,350)
	<b>203,798</b>	<b>198,800</b>
Advances to subsidiaries (c)	294,091	308,893
Less: Accumulated impairment losses	(293,654)	(308,893)
	<b>437</b>	<b>-</b>
Financial guarantees (d)	16,005	15,969
	<b>220,240</b>	<b>214,769</b>

A list of the subsidiaries is shown in Note 40.

### (a) Transactions during the year

#### (i) Joint Venture Agreement

On 7 February 2013, a Joint Venture Agreement ("JVA") was signed by KUB Agro Holdings Sdn. Bhd. ("KUBA"), KUB Sepadu Sdn. Bhd. ("KUBS") and Sutracom Sdn. Bhd. ("Sutracom") for the purposes of engaging in the development and construction of a palm oil mill in Mukah, Sarawak and upon completion thereof, to commence the production of fresh fruit bunch, crude palm oil and crude palm kernel and such other related activities as may be mutually agreed between the parties.

Pursuant thereto, KUB Maju Mill Sdn. Bhd. ("KUB Maju"), shall be used as a joint venture company. The authorised share capital of KUB Maju has been increased from RM2,000,000 to RM20,000,000 divided into 20,000,000 ordinary shares of RM1.00 each. The issued and paid up capital of KUB Maju has been increased from 1,312,282 ordinary shares of RM1.00 each to 6,312,282 by way of subscription of 5,000,000 new shares in the Company which the parties shall subscribe by way of cash at a subscription price of RM1.00 by KUBA, Sutracom and KUBS.

Prior to the JVA, KUB Maju is a wholly-owned subsidiary of the Group through its interest in KUB Ekuiti Sdn. Bhd.. Upon the completion of the JVA and the additional share issue, KUB Maju remains as a subsidiary of the Group where the Group retains 66.01% controlling interest in KUB Maju through its interests in KUBA and KUBS.

The reduction of ownership percentage has resulted in an increase in non-controlling interest by RM1,700,000 in the statements of changes in equity of the Group.

#### (ii) Share sale agreement

On 15 November 2013, the Company's wholly owned subsidiary, Restoran Kualiti Sdn. Bhd. ("RKS"), had entered into a Share Sale Agreement with Chef Republic Sdn. Bhd. ("CRS") to dispose its 88.3% equity interest in its subsidiary, A&W Restaurants (Thailand) Company Limited comprising 343,000 ordinary shares and 275,000 preferred shares of Baht 100 each held by RKS to CRS for a cash consideration of RM3,000,000.

The sale is in progress and is expected to complete in 2014 as disclosed in Note 38(f).

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **17. Investments in subsidiaries (cont'd)**

### **(a) Transactions during the year (cont'd)**

#### **(iii) Capital reduction**

On 22 July 2013, Bina Alam Bersatu Sdn. Bhd., a 55% owned subsidiary of the Group, had obtained approval for members' voluntary winding-up. In November 2013, the Company has reduced its issued and paid-up share capital as part of the liquidation process. The effect of the capital reduction exercise were as follows:

The issued and paid-up share capital of the Company was reduced from RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each to RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 by the cancellation of 9,000,000 units of ordinary shares on a pro rata basis based on the existing shareholders' shareholding in the Company prior to the above mentioned exercise.

The liquidation is expected to complete in 2014 and currently the Company has been classified as discontinued operations as disclosed in Note 11.

### **(b) Transactions during the previous year**

#### **(i) Acquisition of a subsidiary**

On 1 March 2012, a subsidiary of Bina Alam Bersatu Sdn. Bhd., Apsley Sdn. Bhd. acquired another 50% equity interests in Lambaian Indah Sdn. Bhd. ("LISB") for RM1.00. The fair value of the net assets of LISB on the date of acquisition was RM1.029 million. Upon acquisition of LISB, LISB ceased to be an associate and became a subsidiary of the Group.

#### **(ii) Disposal of a subsidiary**

On 16 April 2012, Bina Alam Bersatu Sdn. Bhd., a 55% subsidiary of the Group, had disposed its 100% equity interest in Bina Alam Bersatu Development Sdn. Bhd. for a cash consideration of RM24,871. The transaction resulted in a gain on disposal of RM4,803 included in other income in the statement of comprehensive income of the Group.

#### **(iii) Capital Reduction**

Bina Alam Bersatu Sdn. Bhd. had obtained approvals for its capital reduction exercise from the shareholders and the High Court of Malaya on 10 October 2011 and 18 April 2012 respectively. The effects of the capital reduction exercise were as follows :

The issued and paid-up share capital of the Company was reduced from RM20,000,000 comprising 20,000,000 ordinary shares of RM1.00 each to RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 by the cancellation of 10,000,000 units of ordinary shares on a pro rata basis based on the existing shareholders' shareholding in the Company prior to the above mentioned exercise.

### **(c) Advances to subsidiaries**

The terms of the advances to subsidiaries are as follows:

- (i) The subsidiaries shall have the discretion to decide whether to pay any interest as well as the quantum of such interest;
- (ii) The advance has no fixed tenure; and
- (iii) The advance is repayable at the sole discretion of the subsidiaries.

Accordingly, the balances have been classified as part of investments in subsidiaries.

### **(d) Financial guarantees**

This amount relates to fair value of corporate guarantee provided by the Company to banks for banking facilities granted to subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 18. Investment in associates

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unquoted shares, at cost	29,652	29,652	27,822	27,822
Share of post-acquisition reserves	18,165	15,306	-	-
	47,817	44,958	27,822	27,822
Less: Accumulated impairment losses	(20,653)	(20,653)	(18,822)	(18,822)
	27,164	24,305	9,000	9,000

A list of the associates is shown in Note 41.

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 associates and not the Group's share of those amounts.

### (i) Summarised statements of financial position

	2013 RM'000	2012 RM'000
<b>KUB-Berjaya Enviro Sdn. Bhd.:</b>		
Current assets	49,706	95,074
Non-current assets	120,738	32,885
Total assets	170,444	127,959
Current liabilities	52,337	11,323
Non-current liabilities	50,198	55,873
Total liabilities	102,535	67,196

### (ii) Summarised statements of comprehensive income

	2013 RM'000	2012 RM'000
<b>KUB-Berjaya Enviro Sdn. Bhd.:</b>		
Revenue	49,354	46,658
Profit for the year	16,109	20,509
Dividend received from the associate during the year	3,585	3,600

### (iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associates.

	2013 RM'000	2012 RM'000
<b>KUB-Berjaya Enviro Sdn. Bhd.:</b>		
Net assets at 1 January	60,763	49,254
Profit for the year	16,109	20,509
Less: Dividend for the year	(8,963)	(9,000)
Net assets at 31 December	67,909	60,763
Interest in associate	40%	40%
Carrying value of Group's interest in associates	27,164	24,305

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 18. Investment in associates (cont'd)

- (iv) There are no financial information available for the associates that are not individually material as at 31 December 2013. 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Available-for-sale financial investments</b>				
<b>Non-current</b>				
At cost:				
Unquoted shares	3,717	3,717	3,240	3,240
Less: Accumulated impairment losses	(3,577)	(3,577)	(3,100)	(3,100)
	140	140	140	140
At market value:				
Quoted shares in Malaysia	6,984	4,059	6,984	4,059
Total other investments	7,124	4,199	7,124	4,199

Available-for-sale financial investments are stated at fair value, except for unquoted shares which are continued to be carried at cost less impairment losses.

## 20. Intangible assets

	Goodwill RM'000	Initial fees RM'000	Development costs RM'000	Total RM'000
<b>Group</b>				
<b>At 31 December 2013</b>				
<b>Cost</b>				
At 1 January 2013	103,653	4,305	330	108,288
Written off	-	(226)	-	(226)
Exchange difference	-	(3)	-	(3)
Attributable to discontinued operations	-	(665)	-	(665)
At 31 December 2013	103,653	3,411	330	107,394
<b>Accumulated amortisation and impairment losses</b>				
At 1 January 2013				
Accumulated amortisation	-	2,122	96	2,218
Accumulated impairment losses	103,653	1,438	234	105,325
	103,653	3,560	330	107,543
Amortisation for the year recognised in other expenses	-	96	-	96
Amortisation attributable to discontinued operations	-	(577)	-	(577)
Written off	-	(226)	-	(226)
Exchange difference	-	(2)	-	(2)
At 31 December 2013				
Accumulated amortisation	-	1,413	96	1,509
Accumulated impairment losses	103,653	1,438	234	105,325
	103,653	2,851	330	106,834
<b>Net carrying amount</b>	-	560	-	560

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 20. Intangible assets (cont'd)

	Goodwill RM'000	Initial fees RM'000	Development costs RM'000	Total RM'000
<b>Group (cont'd)</b>				
<b>At 31 December 2012</b>				
<b>Cost</b>				
At 1 January 2012	103,653	5,275	330	109,258
Written off	-	(988)	-	(988)
Exchange difference	-	18	-	18
At 31 December 2012	103,653	4,305	330	108,288
<b>Accumulated amortisation and impairment losses</b>				
<b>At 1 January 2012</b>				
Accumulated amortisation	-	1,728	96	1,824
Accumulated impairment losses	103,653	-	234	103,887
	103,653	1,728	330	105,711
Amortisation for the year recognised in other expenses	-	326	-	326
Reclassification from property, plant and equipment	-	1,039	-	1,039
Impairment loss recognised in other expenses	-	1,438	-	1,438
Written off	-	(988)	-	(988)
Exchange difference	-	17	-	17
At 31 December 2012				
Accumulated amortisation	-	2,122	96	2,218
Accumulated impairment losses	103,653	1,438	234	105,325
	103,653	3,560	330	107,543
<b>Net carrying amount</b>	-	745	-	745

### (a) Initial fees

The restaurant's initial franchise fees are related to fees charged by the franchise holder for new outlets opened during the year.

### (b) Development costs

The development costs relate to a product, known as PROBIT, which was being internally developed by a subsidiary since the financial year ended 2009. The Company has fully impaired the development cost in previous years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 21. Amount due from subsidiaries, trade receivables and other receivables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Non-current</b>				
Due from subsidiaries (a)	-	-	25,793	22,635
Less: Allowance for impairment losses	-	-	(2,006)	(87)
	-	-	23,787	22,548
<b>Current</b>				
<b>Trade</b>				
Due from customers on contract (Note 22)	62,422	29,403	-	-
Trade receivables (b)	80,238	131,165	-	-
Less: Allowance for impairment losses	(18,324)	(19,592)	-	-
	124,336	140,976	-	-
<b>Non-trade</b>				
Other receivables (c)	15,290	17,805	221	1,516
Government subsidy receivable	52,066	55,093	-	-
Deposits and prepayments	11,488	10,682	865	634
Less: Allowance for impairment losses	(3,685)	(8,093)	-	-
	75,159	75,487	1,086	2,150
	199,495	216,463	1,086	2,150
Total trade and other receivables (current and non-current)	199,495	216,463	24,873	24,698
Add: Cash and bank balances (Note 25)	128,003	144,253	12,575	9,989
Less: Deposits and prepayments	(11,488)	(10,682)	(865)	(634)
Total loans and receivables	316,010	350,034	36,583	34,053

### (a) Amount due from subsidiaries

The amount due from subsidiaries is unsecured, bears interest at the market Base Lending Rate ("BLR") of 6.6% (2012: 6.6%) per annum.

### (b) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 days (2012: 30 to 120 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The trade receivables are non-interest bearing.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 21. Amount due from subsidiaries, trade receivables and other receivables (cont'd)

### (b) Trade receivables (cont'd)

#### Ageing analysis of trade receivables

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

	Group	
	2013 RM'000	2012 RM'000
Neither past due nor impaired	34,940	86,505
1 to 30 days past due not impaired	2,888	11,876
31 to 60 days past due not impaired	164	200
61 to 90 days past due not impaired	850	444
91 to 120 days past due not impaired	3,933	342
More than 121 days past due not impaired	19,139	12,206
Past due but not impaired	26,974	25,068
	61,914	111,573
Impaired	18,324	19,592
	80,238	131,165

#### Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

#### Receivables that are past due but not impaired

Included in this balance is the amount due from Government of Malaysia and Government Linked Corporations amounting to RM15,404,000 (2012: RM11,023,000) which are recoverable based on the creditworthiness of these debtors.

#### Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

Group	Individually impaired	
	2013 RM'000	2012 RM'000
Trade receivables - nominal amounts	18,324	19,592
Less: Allowance for impairment	(18,324)	(19,592)
	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 21. Amount due from subsidiaries, trade receivables and other receivables (cont'd)

### (b) Trade receivables (cont'd)

#### Receivables that are impaired (cont'd)

Movement in allowance accounts:

	Group	
	2013 RM'000	2012 RM'000
At 1 January	19,592	16,783
Charge for the year (Note 7)	2,094	3,170
Utilised during year	(1,762)	(98)
Written back during the year (Note 7)	(1,600)	(263)
At 31 December	<b>18,324</b>	<b>19,592</b>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

### (c) Other receivables

The Group and the Company have no significant concentration of credit risk that may arise from exposures to a single debtor or group of debtors.

Movement in allowance for impairment accounts:

	Group	
	2013 RM'000	2012 RM'000
At 1 January	8,093	5,551
Charge for the year (Note 7)	387	2,729
Utilised during year	(4,795)	-
Written back during the year (Note 7)	-	(187)
At 31 December	<b>3,685</b>	<b>8,093</b>

## 22. Due from customers on contract

	Group	
	2013 RM'000	2012 RM'000
Construction costs incurred to date	835,103	980,247
Attributable profits to date	54,564	73,533
	<b>889,667</b>	<b>1,053,780</b>
Less: Provision for foreseeable loss	(1,771)	(1,763)
Progress billings to date	(825,474)	(1,022,614)
	<b>62,422</b>	<b>29,403</b>
Analysed as:		
Due from customers on contract (Note 21)	<b>62,422</b>	<b>29,403</b>
Retention sum on contracts included within trade receivables	<b>14,153</b>	<b>17,939</b>

Construction contracts revenue and costs are disclosed in Notes 4 and 5 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 23. Deferred tax assets and liabilities

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	8,424	9,950	-	-
Recognised in profit or loss (Note 10)	(6,558)	(1,526)	-	-
At 31 December	1,866	8,424	-	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(11,592)	(5,617)	-	-
Deferred tax liabilities	13,458	14,041	-	-
- continued operations	13,445	14,041	-	-
- discontinued operations	13	-	-	-
	1,866	8,424	-	-

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
At 1 January 2012	15,000
Recognised in profit or loss	(959)
At 31 December 2012	14,041
Recognised in profit or loss	(583)
At 31 December 2013	13,458

### Deferred tax assets of the Group:

	Unabsorbed tax losses and unutilised capital allowances RM'000	Provisions RM'000	Others RM'000	Total RM'000
At 1 January 2012	(4,451)	(402)	(197)	(5,050)
Recognised in profit or loss	(674)	(24)	131	(567)
At 31 December 2012	(5,125)	(426)	(66)	(5,617)
Recognised in profit or loss	(3,487)	(2,221)	(267)	(5,975)
At 31 December 2013	(8,612)	(2,647)	(333)	(11,592)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 23. Deferred tax assets and liabilities (cont'd)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Unabsorbed tax losses	133,092	114,170	-	34,617
Unutilised capital allowances	4,298	16,835	-	-
Other deductible temporary difference	225	5,454	-	-
	<b>137,615</b>	<b>136,459</b>	<b>-</b>	<b>34,617</b>

The unabsorbed tax losses and unutilised capital allowances of the Group are available indefinitely 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.

## 24. Inventories

	Group	
	2013 RM'000	2012 RM'000
<b>At cost:</b>		
Raw materials and consumables	3,979	5,353
Contract work-in-progress	7,653	12,187
Finished goods	5,033	2,949
Parts and components	1,165	1,043
	<b>17,830</b>	<b>21,532</b>
<b>At net realisable value:</b>		
Raw materials and consumables	33	22
	<b>17,863</b>	<b>21,554</b>

## 25. Cash and bank balances

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash on hand and at banks	38,872	66,298	1,970	4,783
Deposits with licensed banks	89,131	77,955	10,605	5,206
	<b>128,003</b>	<b>144,253</b>	<b>12,575</b>	<b>9,989</b>

Included in cash at banks of the Group is an amount of RM6,000 (2012: RM24,000) held pursuant to Section 7A of the Housing Development (Control and Licensing) Act, 1966 which is restricted from use in other operations.

Included in deposits with licensed banks of the Group is an amount of RM38,492,000 (2012: RM48,860,000) which has been pledged as securities for borrowings of the Group as disclosed in Note 29.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

### 25. Cash and bank balances (cont'd)

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash on hand and at banks				
- continuing operations	128,003	144,253	12,575	9,989
- discontinued operations (Note 11)	2,090	-	-	-
Deposits pledged with licensed banks	(38,492)	(48,860)	-	-
Bank overdrafts (Note 29)	(9,648)	(54,548)	-	-
	<b>81,953</b>	<b>40,845</b>	<b>12,575</b>	<b>9,989</b>

The weighted average effective interest rates ("WAEIR") as at the reporting date and the remaining maturities of the Group and the Company's deposits with licensed banks are as follows:

	Group		Company	
	2013	2012	2013	2012
WAEIR (%)	3.0	2.9	3.1	3.0
Average remaining maturities (days)	179	229	19	16

### 26. Share capital

	Number of ordinary shares		Amount	
	2013 '000	2012 '000	2013 RM'000	2012 RM'000
<b>Authorised:</b>				
At 1 January / 31 December	1,000,000	1,000,000	400,000	400,000
<b>Issued and fully paid:</b>				
At 1 January / 31 December	556,465	556,465	222,586	222,586
Par value (RM) per share	0.40	0.40		

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.

### 27. Reserves

#### (a) Capital reserve

The capital reserve arose from the capitalisation of bonus shares issued by certain subsidiaries in prior years.

#### (b) Capital redemption reserve

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

#### (c) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 27. Reserves (cont'd)

### (d) Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the results and financial position of foreign operations into the Group's presentation currency. It is also used to record the exchange differences in the consolidated financial statements arising from monetary items which form part of the Group's net investment in foreign operations.

### (e) Merger reserve

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

### (f) Premium paid on acquisition of non-controlling interest

Premium paid on acquisition of non-controlling interest amounting to RM7,019,000 arose from the acquisition of remaining equity interest of KUB Builders Sdn. Bhd. in 2010 and KFT International (Malaysia) Sdn. Bhd. in 2011.

## 28. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2013 and 31 December 2012 under the single tier system.

## 29. Borrowings

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Long term borrowings</b>				
<b>Secured</b>				
Term loans	38,326	44,710	26,950	28,600
Hire purchase payables (a)	1,272	799	430	-
Finance lease liabilities (a)	3,095	1,823	-	-
	<b>42,693</b>	<b>47,332</b>	<b>27,380</b>	<b>28,600</b>
<b>Short term borrowings</b>				
<b>Secured</b>				
Term loans	7,483	7,094	1,650	1,650
Bankers' acceptances	5,962	10,286	-	-
Letter of credit	23,147	5,318	-	-
Trust receipts	-	4,109	-	-
Hire purchase payables (a)	1,181	448	86	-
Finance lease liabilities (a)	2,451	1,199	-	-
Bank overdrafts	9,648	54,548	-	-
	<b>49,872</b>	<b>83,002</b>	<b>1,736</b>	<b>1,650</b>
<b>Total borrowings</b>				
Term loans	45,809	51,804	28,600	30,250
Bankers' acceptances	5,962	10,286	-	-
Letter of credit	23,147	5,318	-	-
Trust receipts	-	4,109	-	-
Hire purchase payables (a)	2,453	1,247	516	-
Finance lease liabilities (a)	5,546	3,022	-	-
Bank overdrafts	9,648	54,548	-	-
	<b>92,565</b>	<b>130,334</b>	<b>29,116</b>	<b>30,250</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 29. Borrowings (cont'd)

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

	Group		Company	
	2013 WAEIR %	2012 WAEIR %	2013 WAEIR %	2012 WAEIR %
Term loans	4.01 - 10.60	5.00 - 10.60	7.05	7.00
Bankers' acceptances	1.60	1.50	-	-
Trust receipts	3.88 - 9.10	3.88 - 8.35	-	-
Finance lease liabilities	0.55	0.55	-	-
Bank overdrafts	7.50 - 8.60	7.50 - 8.25	-	-

The secured term loans, bank overdrafts, bankers' acceptances and trust receipts of the Group and Company are secured by way of fixed and floating charges over certain assets of the Group as disclosed in Note 13, Note 14, Note 16 and Note 25.

### (a) Hire purchase and finance lease payables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Future minimum lease payables</b>				
Not later than 1 year	3,792	1,781	106	-
Later than 1 year and not later than 2 years	3,341	1,267	115	-
Later than 2 years and not later than 5 years	1,130	1,401	345	-
Later than 5 years	-	-	10	-
Total future minimum lease payments	8,263	4,449	576	-
Less: Future finance charges	(264)	(180)	(60)	-
	7,999	4,269	516	-
<b>Analysis of present value of hire purchase payables</b>				
Not later than 1 year	3,632	1,647	86	-
Later than 1 year and not later than 2 years	3,176	1,229	98	-
Later than 2 years and not later than 5 years	1,191	1,393	322	-
Later than 5 years	-	-	10	-
	7,999	4,269	516	-
Less: Due within 12 months	(3,632)	(1,647)	(86)	-
Due after 12 months	4,367	2,622	430	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 30. Trade and other payables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current</b>				
<b>Trade payables:</b>				
Trade payables (a)	148,451	104,988	-	-
<b>Non-trade payables:</b>				
Refundable deposits	29,077	29,171	-	-
Provisions (b)	6,243	6,022	-	-
Financial guarantees (c)	-	-	1,104	1,705
Other payables	39,073	74,261	11,265	10,208
	74,393	109,454	12,369	11,913
	222,844	214,442	12,369	11,913
Total trade and other payables	222,844	214,442	12,369	11,913
Add: Loans and borrowings (Note 29)	92,565	130,334	29,116	30,250
Total financial liabilities carried at amortised cost	315,409	344,776	41,485	42,163

### (a) Trade payables

These amounts are non-interest bearing and normally settled between 60 to 90 days (2012: 60 to 90 days) terms.

### (b) Provisions

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

	Provision for litigation RM'000	Provision for liquidated ascertained damages RM'000	Total RM'000
<b>Group</b>			
<b>At 1 January 2012</b>	-	-	-
Additional provision (Note 7)	3,304	2,718	6,022
<b>At 31 December 2012</b>	3,304	2,718	6,022
Additional provision (Note 7)	528	4,193	4,721
Utilisation of provision	(2,269)	(2,231)	(4,500)
<b>At 31 December 2013</b>	1,563	4,680	6,243

#### Provision for litigation

The provision for litigation relates to legal claims against subsidiaries of the Group from third parties. The Group has made provision based on the management's estimate of the settlement consideration and probable outcome assessed on a case-by-case basis.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 30. Trade and other payables (cont'd)

### (b) Provisions (cont'd)

#### Provision for liquidated ascertained damages

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.

### (c) Financial guarantees

This amount relates to fair value of corporate guarantees as described in note 17(d) less cumulative amortisation recognised in profit or loss since prior years.

## 31. Derivatives

	2013		2012	
	Contract/ Notional Amount RM'000	Fair value of derivative liabilities RM'000	Contract/ Notional Amount RM'000	Fair value of derivative liabilities RM'000
<b>Group</b>				
<b>Current</b>				
Forward currency contracts	30,462	98	25,721	193

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. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date, extending to January 2014.

During the financial year, the Group recognised a loss on RM98,000 (2012: loss of RM193,000) arising from fair value changes of forward currency contracts. The fair value changes are attributable to changes in foreign exchange forward rate.

## 32. Commitments

### (a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Approved and contracted for:</b>				
Property, plant and equipment	14,749	26,252	523	-
<b>Approved but not contracted for:</b>				
Property, plant and equipment	89,827	9,104	229	1,947
	<b>104,576</b>	<b>35,356</b>	<b>752</b>	<b>1,947</b>

### (b) Operating lease commitments – as lessee

The Group has entered into commercial leases on premises used for the operations of the subsidiaries. These leases have an average tenure of between one and five years with no contingent rent provision included in the contracts.

Minimum lease payments recognised in profit or loss of the Group for the financial year ended 31 December 2013 amounted to RM4,470,000 (2012: RM11,234,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 32. Commitments (cont'd)

### (b) Operating lease commitments – as lessee (cont'd)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Not later than 1 year	2,480	4,108	-	-
Later than 1 year and not later than 5 years	2,525	5,005	-	-
	<b>5,005</b>	<b>9,113</b>	-	-

### (c) Operating lease commitments – as lessor

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one and four years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Not later than 1 year	1,500	1,569	-	-
Later than 1 year and not later than 5 years	772	1,897	-	-
	<b>2,272</b>	<b>3,466</b>	-	-

## 33. Related party disclosures

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

	Company	
	2013 RM'000	2012 RM'000
Dividend income from subsidiaries	11,085	11,600
Interest income from subsidiaries	1,477	1,197
Internal audit fee charged to subsidiaries	345	-
Advances made to subsidiaries	(18,504)	(14,496)
Repayment of advances by subsidiaries	29,065	21,961
Interest expense charged by subsidiaries	(52)	-

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;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 33. Related party disclosures (cont'd)

- (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).

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Information regarding outstanding balances arising from related party transactions as at 31 December 2013 and 31 December 2012 are disclosed in Note 17, 21 and 30.

### (b) Remuneration of key management personnel

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Other key management personnel</b>				
Short term employee benefits:				
- salaries, bonuses and wages	2,604	2,802	751	745
Post employment benefits:				
- defined contribution plan	281	297	89	87
	<b>4,578</b>	<b>4,749</b>	<b>2,227</b>	<b>2,255</b>

Other key management personnel comprises persons other than directors of the Group entities having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

### (c) Other significant related party transactions

The aggregate value of transactions and outstanding balances relating to entities over which they have control or significant influence were as follows:

	2013		2012	
	Transactions amount for year ended 31 December RM'000	Net balance outstanding at 31 December RM'000	Transactions amount for year ended 31 December RM'000	Net balance outstanding at 31 December RM'000
<b>Group</b>				
<b>Sales of precast products</b>				
Other related parties:				
- JEKS Engineering Sdn. Bhd.	10,016	4,709	16,763	10,918
- JEKS Engineering Pte. Ltd.	4,822	804	12,701	2,710
- Scan-Rent Sdn. Bhd.	2	-	-	-
- JEKS BMC Sdn. Bhd.	-	-	220	41
<b>Purchase of raw material</b>				
Other related parties:				
- JEKS Engineering Sdn. Bhd.	-	(108)	(1,089)	(799)
- JEKS Trading Sdn. Bhd.	(1,980)	-	(12,005)	(3,569)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 34. Fair value of financial instruments

### A. 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
<b>Group</b>					
<b>At 31 December 2013</b>					
<b>Financial asset:</b>					
Available-for-sale investments					
- Quoted investments	19	6,984	-	-	6,984
<b>Financial liability:</b>					
Derivatives - Forward currency contracts	31	-	98	-	98
<b>At 31 December 2012</b>					
<b>Financial asset:</b>					
Available-for-sale investments					
- Quoted investments	19	4,059	-	-	4,059
<b>Financial liability:</b>					
Derivatives - Forward currency contracts	31	-	193	-	193

#### 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 2013 and 2012.

### B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value:

	Note	2013		2012	
		Carrying amount RM'000	Fair Value RM'000	Carrying amount RM'000	Fair Value RM'000
<b>Group</b>					
<b>Financial liabilities:</b>					
Borrowings (non-current)					
- Term loans	29	38,326	35,485	44,710	40,552
- Hire purchase payables	29	1,272	1,229	799	774
- Finance lease liabilities	29	3,095	2,973	1,823	1,758
<b>Company</b>					
<b>Financial liabilities:</b>					
Borrowings (non-current)					
- Term loans	29	26,950	26,051	28,600	27,721

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 34. Fair value of financial instruments (cont'd)

### B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd):

The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values of the Group's interest-bearing loans and borrowings are determined using DCF method at a discount rate ranging from 1.56% to 7.59%. These rates reflects the issuer's borrowing rate as at the end of the reporting period. The significant unobservable inputs (Level 3), are the own nonperformance risk as at 31 December 2013 which was assessed to be insignificant and the constant prepayment rate.

### C. Determination of fair value

#### Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	21
Due from subsidiaries (non-current)	21(a)
Trade and other payables (current)	30

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

#### Derivatives

Forward currency contracts are valued using valuation obtained from counterparties.

#### Financial guarantees

Fair value is determined based on differential interest rate method.

#### Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

#### Amounts due from subsidiaries

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing at the reporting date.

## 35. 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 35. Financial risk management objectives and policies (cont'd)

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.

#### Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of loans and receivables, derivatives and financial guarantees amounting to RM609,263,000 (2012: RM677,897,000) provided by the Company to financial institutions for credit facilities granted to subsidiaries.

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 RM18,982,000 and RM31,142,000 (2012: RM33,617,000 and RM23,014,000) representing 15% and 25% (2012: 24% and 16%) of the Group's total net trade receivables, respectively.

### (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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 35. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Group			Total RM'000
	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	

At 31 December 2013

#### Financial liabilities:

Trade and other payables	222,844	-	-	222,844
Borrowings	50,497	21,267	21,975	93,739
Total undiscounted financial liabilities	273,341	21,267	21,975	316,583

At 31 December 2012

#### Financial liabilities:

Trade and other payables	214,442	-	-	214,442
Borrowings	91,515	28,042	24,163	143,720
Total undiscounted financial liabilities	305,957	28,042	24,163	358,162

	Company			Total RM'000
	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	

At 31 December 2013

#### Financial liabilities:

Trade and other payables, excluding financial guarantees*	11,265	-	-	11,265
Borrowings	1,736	7,021	20,359	29,116
Total undiscounted financial liabilities	13,001	7,021	20,359	40,381

At 31 December 2012

#### Financial liabilities:

Trade and other payables, excluding financial guarantees*	10,208	-	-	10,208
Term loan	1,650	6,600	22,000	30,250
Total undiscounted financial liabilities	11,858	6,600	22,000	40,458

\* 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 FRS 139 are not included in the above maturity profile analysis.

### (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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 35. Financial risk management objectives and policies (cont'd)

### (c) Interest rate risk (cont'd)

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group 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 at the reporting date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk is disclosed in the Notes 25 and 29 to the financial statements.

#### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's profit/(loss) net of tax would have been RM211,000 (2012: RM356,000) 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 and the Company 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 currencies giving rise to this risk are primarily United States Dollar, Singapore Dollar and Thailand Baht. 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 31. 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 at the reporting date is as follows:

	Group	
	2013 RM'000	2012 RM'000
Trade payables hedged using forward currency contracts	30,462	25,721
Unhedged trade payables	6,838	4,477
	<u>37,300</u>	<u>30,198</u>

#### Sensitivity analysis

A 5% strengthening in the USD with all other variables held constant, will decrease the Group's profit net of tax by approximately RM57,000.

## 36. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, return capital to shareholders, 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 2013 and 31 December 2012.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 36. Capital management (cont'd)

The Group monitors its capital using a gearing ratio, which is debt divided by total capital and debt. The Group's total debts include borrowings and trade payables, while the Group's capital is represented by equity attributable to the owners of the parent less fair value adjustment reserve.

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Borrowings - long term	29	42,693	47,332	27,380	28,600
Borrowings - short term	29	49,872	83,002	1,736	1,650
Trade payables	30	148,451	104,988	-	-
Other payables	30	39,073	74,261	11,265	10,208
Total debts		280,089	309,583	40,381	40,458
Equity attributable to the owners of the parent		273,331	265,440	288,391	273,751
Less: Fair value adjustment reserve		(4,967)	(2,041)	(4,967)	(2,041)
Merger reserve		(11,147)	(11,147)	-	-
Translation reserve		(398)	(10)	-	-
Total capital		256,819	252,242	283,424	271,710
Capital and total debts		536,908	561,825	323,805	312,168
Gearing ratio, computed based on					
Long term debts		8%	8%	8%	9%
Short term debts		44%	47%	4%	4%
Total debts		52%	55%	12%	13%

## 37. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

- I. Information, communications and technology ("ICT")  
- ICT services and their related infrastructures
- II. Energy  
- Bottling and trading of liquefied petroleum gas
- III. Agricultural businesses ("Agro")  
- Oil palm plantation and estate management
- IV. Food related ("Food")  
- Quick service restaurants and hotelier
- V. Property, engineering and construction ("PEC")  
- Development, construction and management of residential and commercial properties, including engineering and civil works in the power sector
- VI. Others  
- Investment holding and trading of consumer goods

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. 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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

37. Segment information (cont'd)

(a) Business segments

31 December 2013	Adjustments and eliminations						Total RM'000
	ICT RM'000	Energy RM'000	Agro RM'000	Food RM'000	PEC RM'000	Others RM'000	
<b>Revenue</b>							
External sales	46,270	498,911	35,200	44,099	307,744	379	932,603
Inter-segment sales	868	-	-	117	1,422	18,085	-
Total revenue	47,138	498,911	35,200	44,216	309,166	18,464	932,603
<b>Results</b>							
Profit/(loss) from operations	3,755	9,626	11,049	(1,595)	(11,353)	(6,308)	5,174
Interest income	391	565	823	-	521	205	2,505
Finance cost	(120)	(85)	(534)	-	(3,674)	(2,175)	(6,588)
Share of profit of associates	-	-	-	-	-	6,444	6,444
Profit/(loss) before tax	4,026	10,106	11,338	(1,595)	(14,506)	(1,834)	7,535
Taxation	(552)	(3,238)	(983)	(13)	5,109	(21)	302
Segment profit/(loss)	3,474	6,868	10,355	(1,608)	(9,397)	(1,855)	7,837
<b>Assets</b>							
Segment assets	60,076	123,639	105,079	18,729	192,740	122,999	590,657
Investment in associates	-	-	-	-	-	27,164	27,164
Total assets	60,076	123,639	105,079	18,729	192,740	150,163	617,821
<b>Liabilities</b>							
Segment liabilities	24,215	82,330	28,291	18,359	153,375	24,312	334,607
<b>Other information</b>							
Additions to non-current assets	1,149	4,421	6,067	788	2,674	2,221	17,320
Depreciation	542	5,662	1,429	2,753	2,031	2,457	14,874
Amortisation	-	-	2,471	82	-	-	2,553
Other non-cash (income)/expenses	(314)	(94)	-	644	(742)	350	(156)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

37. Segment information (cont'd)  
(a) Business segments (cont'd)

31 December 2012	Adjustments and eliminations							Total RM'000
	ICT RM'000	Energy RM'000	Agro RM'000	Food RM'000	PEC RM'000	Others RM'000	Note	
<b>Revenue</b>								
External sales	90,769	488,961	37,194	51,751	137,720	367	-	806,762
Inter-segment sales	680	-	-	152	-	16,713	(17,545)	-
Total revenue	91,449	488,961	37,194	51,903	137,720	17,080	(17,545)	806,762
<b>Results</b>								
Profit/(loss) from operations	(531)	3,865	12,577	(13,299)	(18,962)	1,095	-	(15,255)
Interest income	231	673	586	-	1,141	284	-	2,915
Finance cost	(814)	(87)	(511)	(70)	(4,229)	(2,284)	-	(7,995)
Share of profit of associates	-	-	-	-	-	8,204	-	8,204
(Loss)/profit before tax	(1,114)	4,451	12,652	(13,369)	(22,050)	7,299	-	(12,131)
Taxation	663	(253)	(1,357)	40	1,156	(9)	-	240
Segment profit/(loss)	(451)	4,198	11,295	(13,329)	(20,894)	7,290	-	(11,891)
<b>Assets</b>								
Segment assets	74,752	118,766	98,704	26,200	295,640	12,862	(26,305)	600,619
Investment in associates	-	-	-	-	-	24,305	-	24,305
Total assets	74,752	118,766	98,704	26,200	295,640	37,167	(26,305)	624,924
<b>Liabilities</b>								
Segment liabilities	38,909	77,583	31,439	67,099	73,967	69,851	-	358,848
<b>Other information</b>								
Additions to non-current assets	206	1,567	1,026	2,995	4,246	159	-	10,199
Depreciation	634	6,106	1,248	4,103	1,899	1,763	-	15,753
Amortisation	-	-	2,485	312	-	-	-	2,797
Other non-cash expenses	(119)	(263)	(53)	5,081	834	2,595	-	8,075

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 37. Segment information (cont'd)

### (a) Business segments (cont'd)

The reportable segments of discontinued operations that are not included in the above segmental reporting are as follows:

31 December 2013	Note	Food RM'000	PEC RM'000	Eliminations RM'000	Total RM'000
<b>Revenue</b>					
External sales		15,253	-	-	15,253
Inter-segment sales		-	-	-	-
Total revenue		15,253	-	-	15,253
<b>Results</b>					
Loss from operations		(2,044)	(878)	-	(2,922)
Interest income		-	27	-	27
Loss before tax		(2,044)	(851)	-	(2,895)
Taxation		-	-	-	-
Segment loss for the year		(2,044)	(851)	-	(2,895)
<b>Assets</b>					
Segment assets		3,576	2,131	-	5,707
Investment in associates		-	-	-	-
Total assets		3,576	2,131	-	5,707
<b>Liabilities</b>					
Segment liabilities		2,329	14	-	2,343
<b>Other information</b>					
Capital expenditure	D	60	-	-	60
Depreciation		958	-	-	958
Amortisation		14	-	-	14
Non-cash expense	F	297	(24)	-	273
<b>31 December 2012</b>					
<b>Revenue</b>					
External sales		19,438	492	-	19,930
Inter-segment sales		-	-	-	-
Total revenue		19,438	492	-	19,930
<b>Results</b>					
Loss from operations		(3,339)	(1,607)	-	(4,946)
Interest income		-	351	-	351
Interest expense		(22)	(34)	-	(56)
Loss before tax		(3,361)	(1,290)	-	(4,651)
Taxation		-	(13)	-	(13)
Segment loss for the year		(3,361)	(1,303)	-	(4,664)
<b>Assets</b>					
Segment assets		5,381	11,913	-	17,294
Investment in associates		-	-	-	-
Total assets		5,381	11,913	-	17,294
<b>Liabilities</b>					
Segment liabilities		2,144	185	-	2,329
<b>Other information</b>					
Capital expenditure	D	124	-	-	124
Depreciation		978	284	-	1,262
Amortisation		14	-	-	14
Non-cash expense	F	3,556	-	-	3,556

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 37. Segment information (cont'd)

### (a) Business segments (cont'd)

A Inter-segment revenues are eliminated on consolidation.

B The following items are deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Deferred tax assets	(3,725)	-
Investment in associates	(27,164)	-
Tax recoverable from intercompany dividends	(1,716)	-
	<u>(32,605)</u>	<u>-</u>

C The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Deferred tax liabilities	<u>3,725</u>	<u>-</u>

D Additions to non-current assets solely relate to additions of property, plant and equipment.

E Included in finance cost is interest expense arising from the following segments:

	2013 RM'000	2012 RM'000
ICT	(85)	(619)
Energy	(85)	(87)
Agro	(534)	(511)
PEC	(3,467)	(4,180)
Others	(2,064)	(2,207)
	<u>(6,235)</u>	<u>(7,604)</u>

F Other material non-cash expenses consist of the following items as presented in the Note 7 to the financial statements:

Arising from continuing operations:

	2013 RM'000	2012 RM'000
Impairment for property, plant and equipment	121	2,034
Impairment of intangible assets	-	1,438
Property, plant and equipment written off	391	1,168
Gain on disposal of property, plant and equipment	(133)	(2,568)
Impairment of receivables	731	2,962
Gain on disposal of assets held for sale	(194)	-
Reversal of impairment on financial assets	(1,600)	(263)
Provisions for liquidated ascertained damages	528	3,304
	<u>(156)</u>	<u>8,075</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 37. Segment information (cont'd)

### (a) Business segments (cont'd)

- F Other material non-cash expenses consist of the following items as presented in the Note 7 to the financial statements (cont'd):

Arising from discontinued operations:

	2013 RM'000	2012 RM'000
Impairment for property, plant and equipment	209	-
Impairment of receivables	88	-
Property, plant and equipment written off	-	3,556
Gain on disposal of assets held for sale	(24)	-
	<u>273</u>	<u>3,556</u>

### Geographical information

The Group's geographical segments primarily operate in Malaysia except for its food related segment which also operates in Thailand.

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Continuing operations:				
Malaysia	<u>932,603</u>	<u>806,762</u>	<u>223,873</u>	<u>218,470</u>
Discontinued operations:				
Malaysia	-	492	-	-
Thailand	<u>15,253</u>	<u>19,438</u>	<u>2,220</u>	<u>3,686</u>
	<u>15,253</u>	<u>19,930</u>	<u>2,220</u>	<u>3,686</u>
	<u>947,856</u>	<u>826,692</u>	<u>226,093</u>	<u>222,156</u>

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	2013 RM'000	2012 RM'000
Property, plant and equipment	137,540	125,027
Land held for property development	4,609	4,607
Plantation development expenditure	45,679	39,379
Investment properties	37,617	52,398
Intangible assets	648	745
	<u>226,093</u>	<u>222,156</u>

### Information about a major customer

Revenue from one major customer amounting to RM247,965,000 (2012: RM93,295,000) represents 27% (2012: 12%) of Group revenue from a construction contract undertaken by the PEC sector.

# **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## **38. Significant events during the financial year**

- (a) On 7 February 2013, a Joint Venture Agreement was signed by KUB Agro Holdings Sdn. Bhd., KUB Sepadu Sdn. Bhd., (the subsidiaries of the Company), and Sutracom Sdn. Bhd. for the purposes of engaging in the development and construction of a palm oil mill in Mukah, Sarawak and upon completion thereof, to commence the production of fresh fruit bunch, crude palm oil and crude palm kernel and such other related activities as may be mutually agreed between the parties.

Pursuant thereto, KUB Maju Mill Sdn. Bhd. ("KUB Maju"), shall be used as a joint venture company. The authorised share capital of KUB Maju shall be increased from RM2,000,000 to RM20,000,000 divided into 20,000,000 ordinary shares of RM1.00 each. The issued and paid up capital of KUB Maju shall be increased from 1,312,282 ordinary shares of RM1.00 each to 6,312,282 which shall be done by way of subscription of 5,000,000 new shares in the Company.

The impact arising from the above is further disclosed in Note 17(a)(i).

- (b) On 1 April 2013, KFT International (Malaysia) Sdn. Bhd., held by KUB Telekomunikasi Sdn. Bhd., the Company's wholly owned subsidiary, has accepted a contract award from Telekom Malaysia Berhad ("TM") for the Supply and Delivery of Fibre Distribution Cabinet, Fibre Distribution Box and related item for TM's Passive Fiber to the Home ("FFTH") Systems for Telekom Malaysia Berhad for a contract sum of RM16,536,509.
- (c) On 23 May 2013, a wholly owned subsidiary of the Company, KUB Builders Sdn. Bhd. has entered into a Memorandum of Understanding with Hiap Seng Engineering Limited to submit a proposal to Petronas on the interest to undertake the Petronas Rapid Tank Project at Pengerang, Johor, Malaysia.
- (d) On 30 May 2013, KUB Malaysia Berhad ("KUB") has entered into a Memorandum of Understanding with Datacom Systems (Asia) Sdn Bhd ("DSB") to cross leverage each other's complementary business and service delivery capabilities, specifically in the IT service management (level 1 and 2 support), system architecture and implementation and product procurement and implementation.

KUB and DSB will jointly work on suitable opportunities and projects in Malaysia that enhance the reputation of the parties for the delivery of IT infrastructure and management services to clients in the domestic Malaysian market.

- (e) On 26 September 2013, KUB Builders Sdn. Bhd., a wholly owned subsidiary of the Company had accepted a contract award from UMP Holdings Sdn. Bhd. for a project known as "Cadangan Pembangunan Kolej Kediaman Pelajar KK4" at Universiti Malaysia Pahang, Gambang ("the Contract") for a contract sum of RM39,178,700.
- (f) On 15 November 2013, the Company's wholly owned subsidiary, Restoran Kualiti Sdn. Bhd. ("RKSB"), had entered into a Share Sale Agreement with Chef Republic Sdn. Bhd. ("CRSB") to dispose its 88.3% equity interest in its subsidiary, A&W Restaurants (Thailand) Company Limited comprising 343,000 ordinary shares and 275,000 preferred shares of Baht 100 each held by RKSB to CRSB for a cash consideration of RM3,000,000.

The sale is in progress and is expected to complete in 2014.

## **39. Events occurring after the reporting date**

- (a) On 18 March 2014, the issued and paid up capital of the Company's wholly owned subsidiary, KUB Builders Sdn. Bhd. ("KUBB") has increased from 10,000,000 ordinary shares at RM1.00 per share to 30,000,000 ordinary shares at RM1.00 per share by capitalising the amount owing to its holding Company, KUB Malaysia Berhad of RM20 million. The purpose of the capitalisation of the amount owing is to improve KUBB's financial position.

The authorised share capital of KUBB has also increased from 25,000,000 ordinary shares at RM1.00 per share to 50,000,000 ordinary shares at RM1.00 per share.

- (b) On 28 March 2014, the Company has entered into a Share Sale Agreement with JEKS Engineering Sdn. Bhd. ('the Vendor') for the acquisition of 4,149,000 ordinary shares of RM1.00 each representing 30% of the equity interest held by JEKS in Precast Products Sdn. Bhd. ('PPSB') for a total purchase consideration of RM7,650,000.

The acquisition will allow the Group full control on PPSB with the remaining shares in PPSB held by KUBB.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 39. Events occurring after the reporting date (cont'd)

- (b) The purchase consideration shall be satisfied entirely by way of cash in the following manner:
- (i) Tranche 1 : A sum of Ringgit Malaysia Three Million Nine Hundred and Eighteen Thousand One Hundred and Twelve and Sen Eighty (RM3,918,112.80) only (equivalent to approximately 51.22% of the purchase price) shall be paid by the Company to the Vendor in the form of a banker's cheque payable to the Vendor on or before 30 April 2014.
  - (ii) Tranche 2 : A further sum of Ringgit Malaysia One Million Eight Hundred and Eighty Eight Thousand and Sixty Nine and Sen Forty One (RM1,888,069.41) only (equivalent to approximately 24.68% of the purchase price) shall be paid by the Company to the Vendor in the form of a banker's cheque payable to the Vendor on or before 30 May 2014; and
  - (iii) Tranche 3 : A further sum of Ringgit Malaysia One Million Eight Hundred and Forty Three Thousand Eight Hundred and Seventeen and Sen Seventy Nine (RM1,843,817.79) only (equivalent to approximately 24.10% of the purchase price) shall be paid by the Company to the Vendor in the form of a banker's cheque payable to the Vendor on or before 30 June 2014.

The net assets of PPSB immediately prior to the acquisition is RM1.17 per share. As the acquisition will be made in stages after the reporting period, the fair value of PPSB share and the effect of the acquisition to Group financial statements will be determined later.

## 40. Investments in subsidiaries

Details of the subsidiaries are as follows:-

Name of subsidiary	Country of incorporation / Principal place of business	Principal activities	% of ownership interest held by the Group**		% of ownership interest held by non-controlling interests**	
			2013 %	2012 %	2013 %	2012 %
<b>Held by the Company:</b>						
KUB Ekuiti Sdn. Bhd.	Malaysia	Investment holding	100	100	-	-
KUB Builders Sdn. Bhd. @	Malaysia	Property investment and general contractor and trading	100	100	-	-
Empirical Systems (M) Sdn. Bhd.@	Malaysia	Information and communication technology infrastructure and consultation	70	70	30	30
Restoran Kualiti Sdn. Bhd. *	Malaysia	Investment holding	100	100	-	-
Summit Petroleum (Malaysia) Sdn. Bhd.	Malaysia	Bottling and trading of liquefied petroleum gas	100	100	-	-
KUB Prasarana Sdn. Bhd. *	Malaysia	Dormant	100	100	-	-
Peraharta Sdn. Bhd.	Malaysia	Property management	100	100	-	-
Perbiba Sdn. Bhd. *	Malaysia	Dormant	100	100	-	-
Pernida Berhad *	Malaysia	Dormant	86	86	14	14
Peramining Sdn. Bhd. *	Malaysia	Investment trading	100	100	-	-
Utama Steel Works Sdn. Bhd.* @	Malaysia	Dormant	51	51	49	49
Pelita Espipi Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
Gerik Timber Industries Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
KUB Oil & Gas Sdn. Bhd.*	Malaysia	Dormant	100	100	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 40. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of subsidiary	Country of incorporation / Principal place of business	Principal activities	% of ownership interest held by the Group**		% of ownership interest held by non-controlling interests**	
			2013 %	2012 %	2013 %	2012 %
<b>Held by the Company (cont'd):</b>						
Creative Communications & Events Sdn. Bhd.*	Malaysia	Dormant	100	100	-	-
Academy of Knowledge for Accounting and Leadership Sdn. Bhd.*	Malaysia	Dormant	100	100	-	-
<b>Held through KUB Ekuiti Sdn. Bhd.:</b>						
Bina Alam Bersatu Sdn. Bhd. (In liquidation)	Malaysia	Civil engineering works, building works and housing development	55	55	45	45
KUB Agro Holdings Sdn. Bhd.	Malaysia	Plantation and estate management	100	100	-	-
KUB Telekomunikasi Sdn. Bhd.	Malaysia	Assembling and commissioning of telecommunication equipment	100	100	-	-
KUB Power Sdn. Bhd.	Malaysia	Construction of power substations	100	100	-	-
KUB Realty Sdn. Bhd.* @	Malaysia	Property management and investment holding	100	100	-	-
KUB Development Berhad*	Malaysia	Dormant	100	100	-	-
ITTAR Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
KUB Hotel and Resort Management Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
KUB Teknologi Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
Affluent Vision Sdn. Bhd.*	Malaysia	Dormant	100	100	-	-
KUB Gas Sdn. Bhd.*	Malaysia	Dormant	100	100	-	-
KUB Microelectronics Sdn. Bhd.* @	Malaysia	Dormant	78.5	78.5	21.5	21.5
Perumahan KUB Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
Pembinaan Efektif (M) Sdn. Bhd.*	Malaysia	Dormant	100	100	-	-
KUB Expertise A&I Sdn. Bhd.*	Malaysia	Dormant	100	100	-	-
KUB Maju Mill Sdn. Bhd.*	Malaysia	Manufacturing	-	100	-	-
<b>Held through KUB Builders Sdn. Bhd.</b>						
Precast Products Sdn. Bhd.	Malaysia	Manufacturing and trading of precasted concrete slabs and concrete elements	70	70	30	30

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 40. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of subsidiary	Country of incorporation / Principal place of business	Principal activities	% of ownership interest held by the Group**		% of ownership interest held by non-controlling interests**	
			2013 %	2012 %	2013 %	2012 %
<b>Held through Empirical Systems (M) Sdn. Bhd.:</b>						
Credensoft Solutions Sdn. Bhd. @	Malaysia	Telco engineering works and dealer of software products, information technology advisers and general trading	70	70	30	30
<b>Held through Bina Alam Bersatu Sdn. Bhd.:</b>						
Apsley Sdn. Bhd. (In liquidation)	Malaysia	Dormant	100	100	-	-
Bina Alam Management Sdn. Bhd.* (In liquidation)	Malaysia	Dormant	100	100	-	-
Bina Alam - KMK Development Sdn. Bhd.	Malaysia	Dormant	-	70	-	30
<b>Held through Apsley Sdn. Bhd.:</b>						
Lambaian Indah Sdn. Bhd. (In liquidation)	Malaysia	Dormant	100	100	-	-
<b>Held through KUB Agro Holdings Sdn. Bhd.:</b>						
KUB Sepadu Sdn. Bhd.	Malaysia	Plantation and estate management	60	60	40	40
<b>Held through KUB Agro Holdings Sdn. Bhd. and KUB Sepadu Sdn. Bhd.:</b>						
KUB Maju Mill Sdn. Bhd.*	Malaysia	Manufacturing	66.01	-	33.99	-
<b>Held through KUB Telekomunikasi Sdn. Bhd.:</b>						
Cybertrek (Malaysia) Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
KFT International (Malaysia) Sdn. Bhd.	Malaysia	Assembling and installation of telecommunication equipment	100	100	-	-
KUB Research Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
<b>Held through ITTAR Sdn. Bhd.:</b>						
ITTAR-IPP (PJ) Sdn. Bhd. @	Malaysia	Hospitality education and training	100	100	-	-
ITTAR-ILP (Prai) Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
<b>Held through KUB Realty Sdn. Bhd.:</b>						
KUB Realty (PJ) Sdn. Bhd.* @	Malaysia	Property management	100	100	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 40. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of subsidiary	Country of incorporation / Principal place of business	Principal activities	% of ownership interest held by the Group**		% of ownership interest held by non-controlling interests**	
			2013 %	2012 %	2013 %	2012 %
<b>Held through KUB Development Berhad:</b>						
Kesina Development Sdn. Bhd.*	Malaysia	Property development and project management	100	100	-	-
KUB-Astana Development Sdn. Bhd.*	Malaysia	Dormant	51	51	49	49
<b>Held through KUB Microelectronics Sdn. Bhd.:</b>						
KUB Microelectronics Sales and Services Sdn. Bhd.*	Malaysia	Dormant	100	100	-	-
<b>Held through KUB Hotel and Resort Management Sdn. Bhd.:</b>						
KUB Singgahsana (PJ) Sdn. Bhd. @	Malaysia	Hotel management	100	100	-	-
KUB Singgahsana (Langkawi) Sdn. Bhd.*	Malaysia	Dormant	100	100	-	-
<b>Held through Restoran Kualiti Sdn. Bhd.:</b>						
A&W (Malaysia) Sdn. Bhd. @	Malaysia	Operating a chain of restaurants	100	100	-	-
A&W Restaurants (Thailand) Co. Ltd. ^ @	Thailand	Food and beverage catering through retail outlets	100	100	-	-
<b>Held through A&amp;W (Malaysia) Sdn. Bhd.:</b>						
A&W Properties Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
Prosperous Avenue Sdn. Bhd.* @	Malaysia	Dormant	100	100	-	-
Dysec (M) Sdn. Bhd.* @	Malaysia	Dormant	60	60	40	40
Pleasant Harmony Sdn. Bhd.* @	Malaysia	Dormant	60	60	40	40
Syarikat Ayam Mutiara Sdn. Bhd.*	Malaysia	Dormant	55	55	45	45

\*\* Equals to the porportion of voting rights held.

\* Audited by firms other than Ernst & Young

^ Audited by a member firm of Ernst & Young Global

@ The auditors' report on the financial statements includes an emphasis of matter on the uncertainty over the ability to continue as going concern. The financial statements have been prepared on going concern basis as the directors of these companies believe that there would be continued financial support from the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

## 41. Investment in associates

Details of associates are as follows:-

Name of associates	Country of incorporation / Principal place of business	Principal activities	% of ownership interest held by the Group**	
			2013 %	2012 %
<b>Held by the Company:</b>				
KUB-Berjaya Enviro Sdn. Bhd.	Malaysia	Sanitary waste management	40	40
Mambang Di-Awan Sdn. Bhd.	Malaysia	Dormant	37.5	37.5
Rimba Raya Sdn. Bhd.	Malaysia	Dormant	20	20
Progas Holding Limited	Pakistan	Investment holding	38.2	38.2
<b>Held through KUB Telekomunikasi Sdn. Bhd.:</b>				
Sphairon (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing and distribution of wireless local loop system	49	49
<b>Held through A&amp;W (Malaysia) Sdn. Bhd.:</b>				
Success United Corporation Sdn. Bhd.	Malaysia	Dormant	40	40
Relk Food Services Sdn. Bhd.	Malaysia	Dormant	49	49
Matrix Consolidated Sdn. Bhd.	Malaysia	Dormant	20.7	20.7
<b>Held through KUB Ekuiti Sdn. Bhd.:</b>				
Editry Sdn. Bhd.	Malaysia	Dormant	41	41

\*\* Equals to the porportion of voting rights held.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

42. **Supplementary information - realised and unrealised unappropriated profits**

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Total (accumulated losses)/retained earnings of the Company and its subsidiaries:				
Realised	(544,552)	(590,287)	54,561	42,847
Unrealised	(10,410)	(7,968)	-	-
	<b>(554,962)</b>	<b>(598,255)</b>	<b>54,561</b>	<b>42,847</b>
Total share of retained earnings/(accumulated losses) from associated companies:				
Realised	20,174	20,700	-	-
Unrealised	(2,009)	(1,794)	-	-
	<b>18,165</b>	<b>18,906</b>	<b>-</b>	<b>-</b>
Consolidation adjustments	<b>537,756</b>	<b>575,731</b>	<b>-</b>	<b>-</b>
Retained earnings/(accumulated losses) as per financial statements	<b>959</b>	<b>(3,618)</b>	<b>54,561</b>	<b>42,847</b>

The above breakdown of the retained profits and accumulated losses of the Group and of the Company as at 31 December 2013 and 31 December 2012 into realised and unrealised is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

## LIST OF PROPERTIES

LOCATION/ ADDRESS	DESCRIPTION	USAGE	AREA	TENURE	NET BOOK VALUE AS AT 31/12/13 (RM'000)	AGE OF BUILDING (YEARS)	DATE OF ACQUISITION / (REVALUATION)
<b>KUB MALAYSIA BERHAD</b>							
HS (D) 279769, PT 9 Seksyen 26 Town of Petaling Jaya, District of Petaling	Retail Lot	Commercial	4,238 sq. meters	Leasehold (99 years expiring 2110)	9,052	9	10 January 2005
Parcel No. CG01 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Retail Lot	Commercial	6,789 sq. feet	Freehold	2,963	3	24 May 2010
Parcel No. C101 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	8,612 sq. feet	Freehold	3,742	3	24 May 2010
Parcel No. C201 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	8,612 sq. feet	Freehold	3,742	3	24 May 2010
Parcel No. C301 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	8,612 sq. feet	Freehold	3,742	3	24 May 2010
Parcel No. C3A01 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	8,541 sq. feet	Freehold	3,710	3	24 May 2010
Parcel No. C501 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	8,541 sq. feet	Freehold	3,710	3	24 May 2010
Parcel No. C601 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	8,541 sq. feet	Freehold	3,710	3	24 May 2010
Parcel No. C701 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	8,541 sq. feet	Freehold	3,710	3	24 May 2010
Parcel No. C801 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	8,541 sq. feet	Freehold	3,710	3	24 May 2010

# LIST OF PROPERTIES

LOCATION	DESCRIPTION	USAGE	AREA	TENURE	NET BOOK VALUE AS AT 31/12/13 (RM'000)	AGE OF BUILDING (YEARS)	DATE OF ACQUISITION / (REVALUATION)
<b>KUB MALAYSIA BERHAD (cont'd)</b>							
Parcel No. C901 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	8,541 sq. feet	Freehold	3,710	3	24 May 2010
Parcel No. C1001 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	4,711 sq. feet	Freehold	2,102	3	24 May 2010
Parcel No. C1101 held under Master Title HS(D) 111073, PT No. 9, Mukim of Damansara, District of Petaling	Office space	Commercial	4,711 sq. feet	Freehold	2,102	3	24 May 2010
<b>KUB SEPADU SDN BHD</b>							
Lot 221, Block No. 7, Oya Dalat Land District, Sarawak	Oil Palm Plantation	Agricultural	1.053 hectares	Leasehold (60 years expiring 2024)	45	-	10 May 1999
Lot 252, Block No. 7, Oya Dalat Land District, Sarawak	Oil Palm Plantation	Agricultural	1.4007 hectares	Leasehold (60 years expiring 2024)	48	-	10 May 1999
Lot 261, Block No. 7, Oya Dalat Land District, Sarawak	Oil Palm Plantation	Agricultural	1.1787 hectares	Leasehold (60 years expiring 2030)	40	-	10 May 1999
Lot 642, Block No. 363, Oya Dalat Land District, Sarawak	Oil Palm Plantation	Agricultural	2,431.60 hectares	Leasehold (60 years expiring 2050)	4,781	-	10 May 1999
Lot 135, Block No. 48, Oya Dalat Land District, Sarawak	Oil Palm Plantation	Agricultural	1,101.10 hectares	Leasehold (60 years expiring 2050)	1,429	-	10 May 1999
Lot 8, Block No. 109, Oya Dalat Land District, Sarawak	Oil Palm Plantation	Agricultural	1,139.80 hectares	Leasehold (60 years expiring 2052)	1,070	-	10 May 1999

## LIST OF PROPERTIES

LOCATION	DESCRIPTION	USAGE	AREA	TENURE	NET BOOK VALUE AS AT 31/12/13 (RM'000)	AGE OF BUILDING (YEARS)	DATE OF ACQUISITION / (REVALUATION)
<b>KUB AGRO HOLDINGS SDN BHD</b>							
PTD No. 3545, Mukim of Paloh & PTD No. 3796, Mukim of Kahang, District of Kluang, Johor	Oil Palm Plantation	Agricultural	453.1 hectares and 503.02 hectares respectively	Leasehold (99 years expiring 2086)	1,646	-	17 March 1987
PTD No. 4901, Mukim of Kahang, PTD No. 26005 & 26006, Mukim of Kahang, District of Kluang, Johor	Oil Palm Plantation	Agricultural	1,491.809 hectares, 147.54 hectares, and 60.69 hectares respectively	Leasehold (99 years expiring 2093)	4,488	-	14 November 1994
<b>KUB DEVELOPMENT BERHAD</b>							
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	46.8093 hectares	Freehold	4,388	-	1 December 2004
HSD 4280, PT No. 606, Mukim of Serting Ulu, District of Jempol, Negeri Sembilan	Vacant Development Land	Industrial	80,920 sq. meters	Leasehold (99 years expiring 2086)	743	-	1999
<b>A&amp;W PROPERTIES SDN BHD</b>							
Unit No. LG-07, Amcorp Mall Trade Centre, Jalan Timur, Petaling Jaya, Selangor	Retail Lot	Commercial	4,605 sq. feet	Leasehold (99 years expiring 2088)	1,765	18	4 August 1995
<b>KUB TELEKOMUNIKASI SDN BHD</b>							
No. 1 Jalan Selukat 33/27, Shah Alam Technology Park, Section 33, 40400 Shah Alam, Selangor	Factory Building & 3 Storey Office Annex	Industrial & Commercial	75,804 sq. feet	Freehold	6,859	13	20 December 2000

# LIST OF PROPERTIES

LOCATION	DESCRIPTION	USAGE	AREA	TENURE	NET BOOK VALUE AS AT 31/12/13 (RM'000)	AGE OF BUILDING (YEARS)	DATE OF ACQUISITION / (REVALUATION)
<b>PERAHARTA SDN BHD</b>							
Lot 4180N, Bangunan Sri Kinta, Jalan Sultan Idris Shah, Ipoh, Perak	4-storey Podium Block and 9-storey Tower Block	Commercial	56,855 sq. feet	Strata Title	7,481	30	1983 (4 August 2006)
Lot 193003-193005, No. 26, 28 & 30, Persiaran Orkid 1, Taman Orkid, Batu Gajah, Perak	3 Units of double-storey Shoplots	Commercial & Residential	5,120 sq. feet	Leasehold (99 years expiring 2090)	292	21	1992 (3 August 2006)
Lot PT 122810-122813, No. 24, 26, 28 & 30, Lalan Rokan 15, Pekan Razaki, Ipoh, Perak	4 Units of double-storey Shophouses	Commercial & Residential	6,337 sq. feet	Leasehold (99 years expiring 2092)	412	21	1992 (16 September 2002)
Lot PT 10174 and PT 10175, Industrial Estate Sri Manjung, Sitiawan, Perak	Industrial Vacant Land	Industrial	21,780 sq. feet	Leasehold	51	-	1993 (27 April 2011)
PT No. 51, Seksyen 16, Town and District of Kota Bharu, Kelantan	Shoplot Malay Reserve	Commercial	915 sq. meters	Leasehold (67 years expiring 2061)	1,467	23	4 December 2012
PT No. 9139, District of Setapak, District of Gombak, Selangor	End terrace shoplot rectangular in shape with 3-storey shop office.	Commercial	1,920 sq. feet	Freehold	1,506	30	28 December 2012
PN 131601, Lot No. 8713N, Bandar Ipoh District of Kinta, Ipoh, Perak	Empty lot	Commercial	2,149 sq. meters	Leasehold (99 years expiring 2092)	1,515	-	20 July 2012
GERAN 32824, Lot 1897, Bandar Johor Bahru, District Johor Bahru, Johor	Empty lot	Commercial	1,297 sq. meters	Freehold	786	-	25 October 2012

## LIST OF PROPERTIES

LOCATION	DESCRIPTION	USAGE	AREA	TENURE	NET BOOK VALUE AS AT 31/12/13 (RM'000)	AGE OF BUILDING (YEARS)	DATE OF ACQUISITION / (REVALUATION)
<b>SUMMIT PETROLEUM (M) SDN BHD</b>							
HS (D) 44395, Plot 91 Mukim 01, Seberang Perai Tengah District, Pulau Pinang	Land, Plant & Office Building	Industrial	3.35 acres	Leasehold (99 years expiring 2070)	1,231	24	1 January 1990
Lot 941 Seksyen 9W & Lot 942, Seksyen 9W, Town of Georgetown, District of Timur Laut, Pulau Pinang	Open-sided structure for storage purposes	Industrial	7,187 sq. feet & 8,739 sq. feet respectively	Freehold	2,700	13	1 July 2001
PTD 40053 Mukim of Tebrau, District of Johor Bahru, Johor	Office & Plant	Industrial	143,609 sq. feet	Freehold	997	26	1 July 1988
Lot 55710, Lorong Kenanga 8, Liquid Bulk Terminal, Pulau Indah, Port Klang, Selangor	Office & Plant	Industrial	NA	NA	5,773	15	1 May 1999
<b>KUB BUILDERS SDN BHD</b>							
Level 3 Wisma Chinese Chamber, 258 Jalan Ampang, 50450 Kuala Lumpur	Office space	Office	15,507 sq. feet	Freehold	3,958	21	7 August 2009
Unit 6.14, 6th Floor Wisma Central, Jalan Ampang, 50450 Kuala Lumpur	Office space	Commercial	3,312 sq. feet	Freehold	491	23	7 August 2009
Unit 6.15, 6th Floor Wisma Central, Jalan Ampang, 50450 Kuala Lumpur	Office space	Commercial	3,358 sq. feet	Freehold	527	23	7 August 2009
Unit 6.16, 6th Floor Wisma Central, Jalan Ampang, 50450 Kuala Lumpur	Office space	Commercial	3,358 sq. feet	Freehold	527	23	7 August 2009
<b>PRECAST PRODUCTS SDN BHD</b>							
No. HS.D 122114 No. PT 6704 Mukim of Rantau, District of Seremban, Negeri Sembilan	Land and building	Industrial	44,632 sq. meters	Freehold	4,476	18	29 August 1995 (10 June 2007)
Lot 6704, Kawasan Perindustrian Tuanku Jaafar, Seremban, Negeri Sembilan	Factory Building	Industrial	8,231 sq. meters	Freehold	15,245	15	29 October 1998
Lot 664, Mukim of Ampangan, District of Seremban, Negeri Sembilan	Land for storage purposes	Multi usage	20,870 sq. meters	Freehold	1,426	17	6 February 1996 (10 June 2007)

# ANALYSIS OF SHAREHOLDINGS

## AS AT 2 MAY 2014

Authorised Share Capital	:	RM1,002,200,000.00 divided into: <ul style="list-style-type: none"> <li>• 2,500,000,000 Ordinary Shares of RM0.40 each</li> <li>• 2,000,000 Redeemable Convertible Preference Shares-A of RM0.10 each</li> <li>• 20,000,000 Redeemable Convertible Preference Shares-B of RM0.10 each</li> </ul>
Issued and Paid-up Share Capital	:	RM222,585,876.00 of 556,464,690 Ordinary Shares of RM0.40 each

### ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	10,717	14.98	459,695	0.08
100 – 1,000	36,325	50.79	19,952,764	3.59
1,001 – 10,000	21,275	29.75	61,226,301	11.00
10,001 – 100,000	2,913	4.07	89,493,015	16.08
100,001 To Less Than 5%	291	0.41	95,021,445	17.08
5% And Above	2	0.00	290,311,470	52.17
<b>Total</b>	<b>71,523</b>	<b>100.00</b>	<b>556,464,690</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS

No.	Names	No. of Shares Held	% of Issued Capital
1.	Gaya Edisi Sdn Bhd	164,844,520	29.62
2.	Minister of Finance Incorporated	125,466,950	22.55

### DIRECT AND INDIRECT INTERESTS OF DIRECTORS

No.	Names	Direct Shareholdings	Indirect Shareholdings	% of Issued Capital
1.	Datuk Seri Hj Abd. Halim Hj Abd. Samad	100,000	-	0.02
2.	Dato' W. Mohd Nor W. Ahmad	-	-	-
3.	Dato' Gumuri Hussain	-	-	-
4.	Datuk Hj Faisyal Datuk Yusof Hamdain Diego	-	-	-
5.	Datuk Badly Shah Ariff Shah	-	-	-
6.	Datuk Mohd Hafarizam Harun	-	-	-
7.	Dato' Ab Rahim Abu Bakar	-	-	-
8.	Dato' Jamelah A.Bakar	-	-	-
9.	Dato' Sohaimi Shahadan	-	-	-

# ANALYSIS OF SHAREHOLDINGS

## AS AT 2 MAY 2014

### LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS

No.	Names	No. of Shares Held	% of Issued Capital
1.	Gaya Edisi Sdn Bhd	164,844,520	29.62
2.	Minister of Finance Incorporated	125,466,950	22.55
3.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	5,684,400	1.02
4.	Lim Gaik Bway @ Lim Chiew Ah	5,482,900	0.99
5.	Amsec Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for Pacific Pearl Fund	2,741,600	0.49
6.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Bhd for Perbadanan Kemajuan Negeri Perak	2,000,000	0.36
7.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial	1,970,000	0.35
8.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Lian Seng	1,928,100	0.35
9.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Noor Azman @ Noor Hizam B Mohd Nurdin	1,858,300	0.33
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chew Han Ngin	1,632,000	0.29
11.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,459,400	0.26
12.	Lee Oi Oi	1,440,000	0.26
13.	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	1,353,500	0.24
14.	Raja Mohd Nazri Bin Raja Abd Malek	1,000,000	0.18
15.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kheng Peow	900,000	0.16
16.	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Chan Weng Sing	810,000	0.15
17.	Loh Kong Cheong	800,000	0.14
18.	Chan Weng Sing	720,900	0.13

# ANALYSIS OF SHAREHOLDINGS

## AS AT 2 MAY 2014

### LIST OF TOP THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Names	No. of Shares Held	% of Issued Capital
19.	Teng Eng Seah	707,400	0.13
20.	Rokiah binti Kasiman	700,200	0.13
21.	Lai Meng Chee	700,000	0.13
22.	Liew Choon Guan @ Liew Soon Guan	650,000	0.12
23.	Gan Chwen Teck	613,000	0.11
24.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Liew Siew Ling	606,100	0.11
25.	Ang Boon Guan	600,000	0.11
26.	Ee Heong Kuang	600,000	0.11
27.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Su Ming Yaw	600,000	0.11
28.	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund 2DCN for John Hancock Funds II Emerging Markets Fund	592,900	0.11
29.	Goh Nan Kioh	580,000	0.10
30.	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chuang Kwang Ch'ng	550,000	0.10

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# PROXY FORM

Number of Shares Held

I/We ..... NRIC .....

(block letters)

of .....  
(full address)

being a Member / Members of KUB Malaysia Berhad ("Company"), hereby appoint Chairman of the Meeting\* or

..... NRIC .....

(block letters)

of .....  
(full address)

and/or failing him ..... NRIC .....

(block letters)

of .....  
(full address)

as my/our proxy(ies) to vote for me/us on my/our behalf at the 49th Annual General Meeting (AGM) of the Company to be held on Wednesday, 25 June 2014 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 words "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		FOR	AGAINST
<b>ORDINARY RESOLUTIONS</b>			
1	Re-election of Datuk Badly Shah Ariff Shah		
2	Re-election of Datuk Mohd Hafarizam Harun		
3	Re-appointment of Datuk Seri Hj Abd. Halim Hj Abd. Samad		
4	Re-election of Dato' Ab Rahim Abu Bakar		
5	Re-election of Dato' Jamelah A. Bakar		
6	Re-election of Dato' Sohaimi Shahadan		
7	Approval for the payment of Directors' Fees		
8	Appointment of Messrs Deloitte as Auditors		
9	Authority for the Directors to allot shares pursuant to Section 132D of the Companies Act, 1965		
10	Proposed Renewal of Authority for the Purchase by the Company of its own shares (Share Buy-Back)		
<b>SPECIAL RESOLUTION</b>			
1	Proposed Amendments to the Articles of Association of the Company		

The proportion of my/our holding to be represented by my/our proxy/proxies is as follows:

First proxy	%
Second proxy	%
<b>Total</b>	<b>100 %</b>

In the case of vote by a show of hands, \*\*First Proxy/Second Proxy shall vote on my/our behalf.

Dated this ..... day of ..... of 2014.

Signature of Member / Common Seal / Attorney / Authorised Officer

*\*\* Strike out whichever is not desired (Unless otherwise instructed, the proxy may vote as he/she thinks fit)*

**NOTES:**

1. 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.
2. 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.
3. 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.
4. The Proxy Forms must be deposited at the office of the Company's Share Registrar, **Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia** by hand or fax to 603-7841 8152 not less than forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.

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AFFIX STAMP

**KUB MALAYSIA BERHAD** (6022-D)  
c/o THE REGISTRAR  
Symphony Share Registrars Sdn Bhd (378993-D)  
Level 6, Symphony House, Block D 13  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

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[www.kub.com](http://www.kub.com)

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