# PERAK CORPORATION BERHAD

INCORPORATED IN MALAYSIA
(210915-U)

# 2018 ANNUAL REPORT

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# ANNUAL REPORT 2018

## CONTENTS

PERAK CORPORATION BERHAD
(Company No.: 210915-U)
(INCORPORATED IN MALAYSIA)

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twenty-eighth Annual General Meeting ("**AGM**") of the Company will be held at Amanjaya Convention Centre, Casuarina @ Meru Hotel, No. 1-C, Jalan Meru Casuarina, Bandar Meru Raya, 30020 Ipoh, Perak Darul Ridzuan on Wednesday, 19 June 2019 at 10.00 a.m. to transact the following businesses:

**AGENDA**

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Report of the Directors and Auditors thereon. [Please refer to Note 8]

2. To approve the payment of Directors' fees and benefits of RM431,113 in respect of the financial year ended 31 December 2018. Resolution 1

3. To approve the payment of Directors' fees and benefits up to an amount of RM555,000 from 1 January 2019 until the conclusion of the next AGM to be paid on a monthly basis. Resolution 2

4. To re-elect the following Directors who retire in accordance with Clause 15.9 of the Company's Constitution:

| | | |
|---|---|---|
| a) | Encik Mohd Ariff bin Yeop Ishak | Resolution 3 |
| b) | Encik Mohamed Shafeii bin Abdul Gaffoor | Resolution 4 |
| c) | Encik Mohamed Azni bin Mohamed Ali | Resolution 5 |
| d) | YB Chong Zhemin | Resolution 6 |
| e) | YB Ng Shy Ching | Resolution 7 |
| f) | Encik Hatim bin Musa | Resolution 8 |
| g) | Encik Khairul Anuar bin Musa | Resolution 9 |

5. To appoint Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 10

   Special Notice pursuant to Section 322 and 280(2)(b)(ii) of the Companies Act 2016 ("**Act**") proposing the following ordinary resolution:

   "That Messrs PricewaterhouseCoopers PLT be and are hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs Ernst & Young, to hold office until the conclusion of the next AGM of the Company at a remuneration to be agreed between the Directors and the Auditors."

## AS SPECIAL BUSINESS

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

6. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** — Resolution 11

"That approval be and is hereby given pursuant to Paragraph 10.09 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements for the Company and/or its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for day-to-day operations with the Related Parties, as detailed in Section 2.2 of the Circular to Shareholders of the Company dated 30 April 2019, subject to the following:

(a) the transactions are carried out in the ordinary course of business on terms not more favourable to the Related Parties than those generally available to the public and not detrimental to minority shareholders of the Company; and

(b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year based on the following information:

(i) the type of the recurrent related party transactions made; and
(ii) the names of the Related Parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

That the approval given in the paragraph above shall only continue to be in force until:

(a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to section 340(2) of the Act, but must not extend to such extension as may be allowed pursuant to section 340(4) of the Act; or

(c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

And that authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7. **Proposed Rescission and Revocation of Gratuity Policy** — Resolution 12

"That the Ordinary Resolution passed by the shareholders at the AGM of the Company held on 30 June 2017 pertaining to the payment of gratuity to the Directors in recognition of their years of services in the event of their retirement or cessation of office as director of the Company to be computed at the rate of 20% of the last annual Director's fee paid to that Director for each completed year of service as a director of the Company, be and is hereby rescinded and revoked retrospectively with effect from 30 June 2017."

8. To transact any other business of which due notice shall have been given in accordance with the Act and the Company's Constitution.

By Order of the Board

Cheai Weng Hoong
Company Secretary

Ipoh
30 April 2019

**NOTES:**

1. A member of the Company entitled to attend and vote at the meeting may appoint any person to be his/her proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy shall have the same rights as the member to speak at the meeting.

2. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

3. When a member appoints more than one proxy the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan at least 48 hours before the time appointed for holding the AGM or at any adjournment thereof.

6. Only members whose names appear in the Record of Depositors as at 13 June 2019 will be entitled to attend and vote at the above Meeting.

7. The registration for the above Meeting will commence on Wednesday, 19 June 2019 at 9.00 a.m.

8. **Audited Financial Statements for financial year ended 31 December 2018**

   The audited financial statements under Agenda 1 are meant for discussion only, as the provision of Section 340(1)(a) of the Act does not require a formal approval of the shareholders and hence, Agenda 1 is not put forward for voting.

9. **Resolution 1**

   Resolution 1, if passed, will allow the Company to pay the Directors' fees and benefits in respect of the financial year ended 31 December 2018.

   The Directors' fees payable amounted to RM355,113 in total and the benefits payable to the Directors totalled RM76,000 comprised meeting and travelling allowances.

10. **Resolution 2**

Resolution 2, if passed, will allow the Company to pay the Directors' fees and benefits in a timely manner, on a monthly basis, for services rendered at the end of each month from 1 January 2019 until the conclusion of the next AGM.

The Directors' fees payable to each director is RM4,000 per month and the benefits payable to the Directors totalled up to an amount of RM51,000 comprises meeting allowances.

In the event the Directors' fees and benefts proposed are insuffcient (e.g. due to enlarged Board size or additional Board meetings to be convened), approval will be sought at the next AGM for additional fees or benefits to meet the shortfall.

11. **Resolutions 3 to 9**

Resolutions 3 to 9, if passed, will re-elect the following directors as directors of the Company:
a) Encik Mohd Ariff bin Yeop Ishak
b) Encik Mohamed Shafeii bin Abdul Gaffoor
c) Encik Mohamed Azni bin Mohamed Ali
d) YB Chong Zhemin
e) YB Ng Shy Ching
f) Encik Hatim bin Musa
g) Encik Khairul Anuar bin Musa

Pursuant to Clause 15.9 of the Company's Constitution, any director appointed during the year shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

The profiles of the directors who retire and are standing for re-election are disclosed on pages 10 to 13 of the Annual Report 2018 of the Company and the details of their interest in the securities of the Company are disclosed under Analysis of Shareholdings on page 58 of the Annual Report 2018 of the Company.

12. **Resolution 10**

The Special Notice pursuant to Section 322 and 280(2)(b)(ii) of the Act in relation to the proposed ordinary resolution for the Appointment of Auditors is set out and marked "Annexure A" on page 6 of the Annual Report 2018 of the Company.

13. **Resolution 11**

Resolution 11, if passed, will allow the Company and its subsidiaries to enter into the recurrent related party transactions ("RRPTs") of a revenue or trading nature which are necessary for the day-to-day operations and are in the ordinary course of business of the Group. The details of the RRPTs are set out in the Circular to Shareholders dated 30 April 2019 issued together with the Annual Report 2018 of the Company.

14. **Resolution 12**

Resolution 12, if passed, will rescind and revoke the policy to pay gratuity to a Director upon his or her retirement or cessation as a director of the Company to be computed at the rate of 20% of the last annual Director's fee paid to the outgoing Director for each completed year of service as a director of the Company.

**Annexure A**

## PERAK STATE DEVELOPMENT CORPORATION

Date: 30 April 2019

**The Board of Directors**
**Perak Corporation Berhad**
D-3-7 Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh
**PERAK DARUL RIDZUAN**

Dear Sirs

**SPECIAL NOTICE – APPOINTMENT OF AUDITORS**

We, being a member of Perak Corporation Berhad ("**Company**"), hereby give notice, pursuant to Section 322 and 280(2)(b)(ii) of the Companies Act 2016, of our intention to propose the following resolution as an ordinary resolution at the forthcoming Annual General Meeting ("**AGM**") of the Company:

"That Messrs PricewaterhouseCoopers PLT be and are hereby appointed as Auditors of the Company in place of the outgoing Auditors, Messrs Ernst & Young, to hold office until the conclusion of the next AGM of the Company at a remuneration to be agreed between the Directors and the Auditors."

Yours faithfully

**( MOHD ARIFF BIN YEOP ISHAK )**
Chief Executive
**PERAK STATE DEVELOPMENT CORPORATION**

Perbadanan Kemajuan Negeri Perak • No. 1-A, Blok A, Menara PKNP
Jalan Meru Casuarina • Bandar Meru Raya • 30020 Ipoh • Perak Darul Ridzuan.
Tel: 605-5019888 Fax: 605-5019999

# Corporate Information

## BOARD OF DIRECTORS

**Mohd Ariff bin Yeop Ishak**
*Chairman, Non-Independent Non-Executive*
**Mohamed Shafeii bin Abdul Gaffoor**
*Group Chief Executive Officer, Non-Independent*
**Mohamed Azni bin Mohamed Ali**
*Senior Independent Non-Executive*
**YB Chong Zhemin**
*Independent Non-Executive*
**YB Ng Shy Ching**
*Independent Non-Executive*
**Hatim bin Musa**
*Independent Non-Executive*
**Khairul Anuar bin Musa**
*Independent Non-Executive*

## AUDIT COMMITTEE

**YB Chong Zhemin** *(Chairman)*
**Mohamed Azni bin Mohamed Ali**
**Hatim bin Musa**

## REMUNERATION COMMITTEE

**Encik Hatim bin Musa** *(Chairman)*
**YB Chong Zhemin**
**Encik Mohd Ariff bin Yeop Ishak**

## RISK MANAGEMENT COMMITTEE

**Khairul Anuar bin Musa** *(Chairman)*
**YB Ng Shy Ching**
**Mohamed Shafeii bin Abdul Gaffoor**

## TENDER COMMITTEE

**YB Chong Zhemin** *(Chairman)*
**Mohamed Shafeii bin Abdul Gaffoor**
**Mohamed Azni bin Mohamed Ali**

## NOMINATION COMMITTEE

**Mohamed Azni bin Mohamed Ali** *(Chairman)*
**YB Ng Shy Ching**
**Khairul Anuar bin Musa**

## KEY SENIOR MANAGEMENT

**Mohamed Shafeii bin Abdul Gaffoor**
*Group Chief Executive Officer*
**Ramlan bin Abdul Rahman**
*Chief Financial Officer*
**Mukhriz bin Che Murad**
*Legal Advisor & Corporate Secretary*
**Salmah binti Mohamed Isimail**
*Head of Human Resources and Administration*
**Mohd Fadirul Hisyam bin Abdul Hamed**
*Head of Risk Management*
**Annas Asqalanee bin Ab Ghafar**
*Head of Internal Audit*
**Mubarak Ali bin Gulam Rasul**
*Chief Executive Officer, Lumut Maritime Terminal*
**Radzman bin Mohd Tajudin**
*General Manager, Casuarina @ Meru Hotel*
**Azman bin Md Isa**
*Chief Operating Officer PCB Development Sdn Bhd*
**Noorshazrin Hazriana binti Md Din**
*Chief Executive Officer PCB Leisure Sdn Bhd*

**PRINCIPAL PLACE OF BUSINESS**
No. 1-A, Blok B, Menara PKNP
Jalan Meru Casuarina
Bandar Meru Raya
30020 Ipoh
Perak Darul Ridzuan
Tel : +6 (05) 501 9888
Fax : +6 (05) 501 9999
Website : www.perakcorp.com.my

**COMPANY SECRETARY**
Mr Cheai Weng Hoong (LS 0005624)

**AUDITORS**
Ernst & Young (AF 0039)
Chartered Accountants

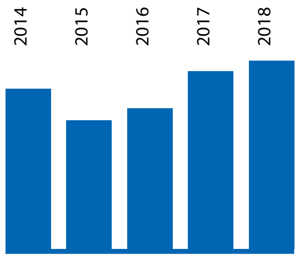
**PRINCIPAL BANKERS**
CIMB Bank Berhad
Malayan Banking Berhad

**REGISTERED OFFICE**
D-3-7, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh, Perak Darul Ridzuan
Tel : +6 (05) 241 7762, 253 0760
Fax : +6 (05) 241 6761

**REGISTRAR**
Shared Services & Resources Sdn Bhd
D-3-7, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh, Perak Darul Ridzuan
Tel : +6 (05) 241 7762, 253 0760
Fax : +6 (05) 241 6761

**STOCK EXCHANGE LISTING**
Main Market,
Bursa Malaysia Securities Berhad
Name : PRKCORP
Stock Code : 8346

# Financial Highlights






| | 31 December | | | | |
|---|---|---|---|---|---|
| | **2014** RM '000 | **2015** RM '000 | **2016** RM '000 | **2017** RM '000 | **2018** RM '000 |
| **Revenue** | 167,043 | 134,174 | 146,704 | 185,788 | 196,564 |
| **Earnings before interest, taxes, depreciation and amortisation** | 80,946 | 122,792 | 19,186 | -263,170 | -86,450 |
| **Profit before tax** | 71,089 | 109,493 | 1,731 | -320,109 | -147,180 |
| **Profit after tax** | 51,769 | 92,524 | -16,015 | -340,573 | -170,925 |
| **Net profit attributable to equity holders** | 38,796 | 77,449 | -15,580 | -174,957 | -104,880 |

| | | **2014** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|---|---|
| **Total assets** | RM '000 | 827,975 | 747,462 | 1,185,132 | 1,080,624 | 856,605 |
| **Shareholders' equity** | RM '000 | 651,423 | 661,842 | 643,063 | 299,986 | 126,371 |
| **Owners' equity** | RM '000 | 563,018 | 575,862 | 561,212 | 386,254 | 281,185 |
| **Total borrowings** | RM '000 | 104,925 | 29,172 | 446,136 | 536,558 | 506,630 |
| **Paid-up capital** | unit | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| **Net assets per share** | RM | 5.63 | 5.76 | 5.61 | 3.86 | 2.81 |
| **Share price as at fiscal year-end** | RM | 2.28 | 2.26 | 2.26 | 1.28 | 0.38 |
| **Return on total assets** | % | 8.59 | 14.65 | 0.15 | (29.62) | (17.18) |
| **Return on equity** | % | 6.89 | 13.45 | (2.78) | (45.30) | (37.30) |
| **Gross dividend per share** | % | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Gross dividend yield per share** | % | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Earnings per share** | sen | 38.80 | 77.45 | (15.58) | (174.96) | (104.88) |
| **Price-earnings ratio** | times | 0.1 | 0.00 | (0.2) | -0.00 | 0.00 |
| **Gearing ratio** | % | 11.4 | (5.1) | 43 | 65 | 70 |

# Corporate Structure AS AT 31 DECEMBER 2018

## PERAK CORPORATION BERHAD

### PCB Leisure Sdn Bhd (100%)

- Casuarina Pangkor Sdn Bhd (100%)
- Casuarina Tanjong Malim Sdn Bhd (100%)
- Casuarina Taiping Sdn Bhd (100%)
- Casuarina Teluk Intan Sdn Bhd (100%)
- Casuarina Boathouse Sdn Bhd (100%)
- Lanai Casuarina Sdn Bhd (100%)
- Labu Sayong Cafe Sdn Bhd (100%)
- Meru Raya Park Sdn Bhd (100%)
- Meru Raya Water Park Sdn Bhd (100%)
- BioD Leisure and Recreation Sdn Bhd (100%)
- Rimba Land Sdn Bhd (100%)

### PCB Equity Sdn Bhd (100%)

- Visi Cenderawasih Sdn Bhd (49%)
- Unified Million (M)Sdn Bhd (30%)

### PCB Taipan Sdn Bhd (100%)

- Lumut Maritime Terminal Sdn Bhd (50% + 1 share)
    - LMT Capital Sdn Bhd (100%)
- Casuarina Meru Sdn Bhd (89.54%)
    - Silveritage Corporation Sdn Bhd (100%)
        - Cash Complex Sdn Bhd (73.91%)

### PCB Development Sdn Bhd (100%)

- Animation Theme Park Sdn Bhd (51%)
- Cempaka Majujaya Sdn Bhd (30%)
- OPG Meru Land Sdn Bhd (20%)
- Gelombang Prestasi Sdn Bhd (20%)
- D'Aman Residences Sdn Bhd (20%)

### Rungkup Port Sdn Bhd (70%)

MANAGEMENT SERVICES & OTHERS

# Profile of Directors

## TUAN MOHD ARIFF BIN YEOP ISHAK

*Non-Independent Non-Executive Director*
*Malaysian, Male, aged 54 years*

**Chairman**

Tuan Mohd Ariff bin Yeop Ishak was first appointed to the Board on 28 June 2018 and thereafter as the Chairman of the Board and a member of the Remuneration Committee on 10 August 2018. He is also PKNP Group the Chief Executive Officer and Majuperak Holdings Berhad Managing Director and board member.

He graduated with a Diploma in Urban Planning and a Diploma in Advanced Urban and Regional Planning from Universiti Teknologi Mara.

He has worked as a Town Planner Officer with Ipoh City Council for 5 years, before moving to East Kinta District Council in 1995. During his tenure, he was directly involved in the planning and led the development of Bandar Baru, Batu Gajah Perdana.

In 2000, he became a Town Planner Officer for Manjung Municipal Council, until 2006, where he was involved with various programme aimed to further develop and improve Lumut Town.

Tuan Ariff went into business since 2006, with his last project being the development of 24 units of shops in Taman Perpaduan.

He attended 3 out of 4 of the Board of Directors' meetings held from the date of his appointment to the end of the financial year ended 31 December 2018. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## MOHAMED SHAFEII BIN ABDUL GAFFOOR

*Non-Independent Executive Director*
*Malaysia, Male, aged 56 years*

Mohamed Shafeii Bin Abdul Gaffoor was first appointed to the Board on 28 June 2018 and thereafter as the Group Chief Executive Officer of the Company on 10 August 2018. He was appointed as a member of the Risk Management Committee on 10 August 2018.

He graduated with a Bachelor of Arts in Chartered Accountancy/ Econ Option from University of Waterloo, Canada. He went on to further his studies in 1993 and obtained an MBA in Oil and Gas Management from the University of Dundee, United Kingdom in 1994.

He started off as an Economist for Bank Negara Berhad in 1986, and has since steadily built his resume and experience with various organisations including Ernst & Young, Westmont Industries Bhd/ Sabah Shipyard Sdn Bhd, Ipco International Ltd and Xian Leng Holding Berhad. In addition to his current post as the Group Chief Executive Officer of Perak Corporation Berhad, he is also currently the Chairman of Majuperak Holdings Berhad and Kossan Rubber Industries Berhad.

He attended all 4 of the Board of Director's meetings held from the date of his appointment to the end of the financial year ended 31 December 2018. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## MOHAMED AZNI BIN MOHAMED ALI

*Senior Independent and Non-Executive Director,*
*Male, aged 62 years*

Mohamed Azni bin Mohamed Ali was first appointed to the Board on 10 August 2018. He was also appointed as the Chairman of the Nomination Committee and a member of the Audit Committee on 10 August 2018.

He graduated with Bachelor of Art (Hons) from Universiti Malaya in 1980 and Diploma in Public Administration (INTAN) in 1982.

He was appointed as Pegawai Tadbir and Diplomatik in 1983 and has served in various ministry and department at federal and state level. Before he took early retirement at the age of 50, he worked with Jabatan Perkhidmatan Awam, Perak State Government, Ministry of International Trade and Industry, Kementerian Perdagangan Dalam Negeri, Koperasi dan Kepenggunaan, Ministry of Entrepreneur and Ministry of Defence.

He was awarded Ahli Mahkota Perak (AMP) from the Sultan of Perak and the Pingat Cemerlang Masyarakat (PCM) from Negeri Sembilan. He was also given the award of Khidmat Cemerlang Perkhidmatan Awam.

He attended 3 out of 3 of the Board of Director's meetings held from the date of his appointment to the end of the financial year ended 31 December 2018. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## YB CHONG ZHEMIN

*Independent and Non-Executive Director, Male, aged 33 years*

YB Chong Zhemin was first appointed to the Board on 10 August 2018. He was also appointed as the Chairman of the Audit Committee and a member of the Remuneration Committee on 10 August 2018.

He graduated with a first class honours degree in Bachelor of Commerce (Hons) Accounting from Tunku Abdul Rahman University in 2007. In 2008, he obtained a Master of Science (MSc) in Accounting and Finance (Merit) from London School of Economics. He is a member of the Association of Chartered Certified Accountants (ACCA). He is currently the Managing Partner of Chong Zhemin & Co since 2015. He was elected as the state assemblyman for Keranji in the Perak State Legislative Council in 2018.

After graduation, he became a Stock Control Analyst at Danbar International, United Kingdom, for 2 years, until 2010.

He then became a lecturer at Tunku Abdul Rahman University for 3 years.

In 2003, he joined Ernst & Young Singapore as an auditor for 2 years.

He attended 2 out of 3 of the Board of Director's meetings held from the date of his appointment to the end of the financial year ended 31 December 2018. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## YB NG SHY CHING

*Independent and Non-Executive Director, Female, aged 37 years*

YB Ng Shy Ching was first appointed to the Board on 10 August 2018. She was also appointed as a member of the Nomination Committee and Risk Management Committee on 10 August 2018.

She graduated with a Bachelor of Science in Food Studies (HONS) from University Putra Malaysia (UPM) in May 2006. She is currently the State Assembly Member for Teja in the Perak State Legislative Council.

She was a Marketing Manager of Goods News Sdn Bhd, which specializes in alternative media distribution and marketing from 2009 till 2010.

She then went on to serve as an Executive Officer at The People's Justice Party for 3 years until 2013.

Before becoming a state assembly member for Teja, she was a Political Secretary to Member of Parliament for Gopeng.

She attended 2 out of 3 of the Board of Directors meetings held from the date of her appointment to the end of the financial year ended 31 December 2018. She does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the company. She has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## HATIM BIN MUSA

*Independent and Non-Executive Director,*
*Male, aged 65 years*

Hatim bin Musa was first appointed to the Board on 10 August 2018. He was also appointed as the Chairman of the Remuneration Committee and a member of the Audit Committee on 10 August 2018.

He graduated with Bachelor's Degree in Law from Universiti Islam Antarabangsa Malaysia (LLB HONS IIUM).

He is currently an advocate & solicitor, Civil and Syariah counsel in Ipoh, Perak. He is very proficient in handling civil, criminal and Syariah cases. He had previously served in the Legal Aid Bureau from 1992 until 1999 as a Legal Assistant.

In 2000 – 2006, he served as a magistrate at several Magistrates' Court among others, in Parit Buntar, Ipoh, Sungai Siput, Lenggong and Kedah.

Following his time as a Magistrate, he became the Director of the Legal Aid Department of Penang for a year. He then served as an Assistant Legal Advisor of the Perak State Government from 2008-2009.

He attended 3 out of 3 of the Board of Director's meetings held from the date of his appointment to the end of the financial year ended 31 December 2018. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## KHAIRUL ANUAR BIN MUSA

*Independent and Non-Executive Director,*
*Male, aged 33 years*

Khairul Anuar bin Musa was first appointed to the Board on 10 August 2018. He was also appointed as the Chairman of the Risk Management Committee and a member of the Nomination Committee on 10 August 2018.

He graduated with a Bachelor's Degree in Law from Universiti Islam Antarabangsa Malaysia and Diploma Latihan Syariah Amalan from Universiti Teknologi MARA.

He has been with Messrs Ellan & Co since 2011, as an advocate, solicitor and Syarie counsel. He has previously served in the National Union of Malaysian Muslim Students (PKPIM) as Secretary General for two years. He was also the Coordinator People's Tuition from the Paya Jaras Constituency in 2010. He served as an Attachment Officer from 2006 until 2009 at Ipoh Syariah Court & High Court, Perak Islamic Department and at the firm, Kamal, Ansor Hakimi.

He attended 3 out of 3 of the Board of Director's meetings held from the date of his appointment to the end of the financial year ended 31 December 2018. He does not have any family relationship with any director and/or major shareholder and has no conflict of interest with the Company. He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

# Key Senior Management

**MOHAMED SHAFEII BIN ABDUL GAFFOOR**
*Malaysian, Male, aged 56 years*

**Group Chief Executive Officer**
*Date of Appointment:*
10 August 2018

*Academic/Professional Qualification(s)*
~ Master of Business Administration in Oil & Gas Management from University of Dundee, United Kingdom
~ Bachelor Accountant (Hons) Chartered Accountancy/Econ Option from University of Waterloo, Canada
*Directorship in Public Companies and Listed Issuer*
~ Kossan Rubber Industries Bhd
~ Majuperak Holdings Bhd
*Working Experiences*
~ Chairman, Non-Executive Director at Kossan Rubber Industries Bhd, January 2017-Present
~ Director at 2S Consulting (Suri Lifestyle Sdn Bhd), 2013-Present
~ Director at Xian Leng Holdings Berhad, 1998-2008.
*Family Relationship:*
~ He does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.
*Securities holding in the Company:*
~ Nil
*Conviction of offences:*
~ He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**RAMLAN BIN ABDUL RAHMAN**
*Malaysian, Male, aged 53 years*

**Group Chief Financial Officer**
*Date of Appointment:*
10 August 2018

*Academic/ Professional Qualification(s)*
~ Master of Business Administration (Ohio)
~ Chartered Accountant New Zealand
~ Chartered Accountant Malaysia
*Directorship in Public Companies and Listed Issuer*
~ Nil
*Working Experiences*
~ Chief Financial Officer of Animation Theme Park Sdn Bhd
~ Chief Financial Officer of PKEINPK Sdn Bhd
~ Director of Corporate Services of UEM Builders Bhd
~ Senior General Manager Finance of UEM Bhd
~ Senior General Manager Corporate Services of Pharmaniaga Bhd
~ General Manager Reporting of UEM Bhd
*Family Relationship*
~ He does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.
*Securities holding in the Company*
~ Nil
*Conviction of offences*
~ He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**MUKHRIZ BIN CHE MURAD**
*Malaysian, Male, aged 45 years*

**Legal Advisor & Corporate Secretary**
*Date of Appointment:*
27 February 2019

*Academic/ Professional Qualification(s)*
~ Bachelor in Law (LL.B(Hons)) UITM
~ Advocate & Solicitor – High Court of Malaya

*Directorship in Public Companies and Listed Issuer*
~ Nil

*Working Experiences*
~ Director of Legal & Commercial, Animation Theme Park Sdn. Bhd.
~ Vice President of Legal & Secretarial Department at Themed Attractions Resorts & Hotels Sdn. Bhd.
~ Manager of Advisory Unit, Legal Services Department at Companies Commission of Malaysia
~ Legal Assistant at Messrs. Hisham Sobri Kadir Seremban

*Family Relationship*
~ He does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.

*Securities holding in the Company*
~ Nil

*Conviction of offences*
~ He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**SALMAH BINTI MOHAMED ISIMAIL**
*Malaysian, Female, aged 52 years*

**Head, Human Resources & Administration**
*Date of Appointment:*
10 October 2018

*Academic/ Professional Qualification(s)*
~ Diploma In Secretarial Science, UiTM

*Directorship in Public Companies and Listed Issuer*
~ Nil

*Working Experiences*
~ Entrepreneur Development & Socio Economy Manager, Kumpulan Perbadanan Kemajuan Negeri Perak
~ Human Resources Manager, Kumpulan Perbadanan Kemajuan Negeri Perak
~ Human Resources & Administration Manager, MajuPerak Holding Berhad

*Family Relationship*
~ She does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.

*Securities holding in the Company*
~ Nil

*Conviction of offences*
~ She has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**MOHD FADIRUL HISYAM BIN ABDUL HAMED**
*Malaysian, Male, aged 33 years*

**Head of Risk Management**
*Date of Appointment:*
1 March 2019

*Academic/ Professional Qualification(s)*
~ Certified Enterprise Risk Technician (ERT) Qualification, (IERP)
~ Associate Member, Institute of Internal Audit (AIIA)
~ Bachelor of Commerce and Administration (BCA) (Accounting), University of Wellington, New Zealand

*Directorship in Public Companies and Listed Issuer*
~ Nil

*Working Experiences*
~ Manager of Internal Audit, Animation Theme Park Sdn. Bhd.
~ Senior Internal Auditor, UEM Edgenta Berhad
~ Senior Internal Auditor, Boustead Holdings Berhad

*Family Relationship*
~ He does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.

*Securities holding in the Company*
~ Nil

*Conviction of offences*
~ He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

**ANNAS ASQALANEE BIN AB GHAFAR**
*Malaysian, Male, aged 34 years*

**Head of Internal Audit**
*Date of Appointment:*
1 March 2019

*Academic/ Professional Qualification(s)*
~ Bachelor of Accounting (Honours), IIUM

*Directorship in Public Companies and Listed Issuer*
~ Nil

*Working Experiences*
~ Manager of Internal Audit, Animation Theme Park Sdn. Bhd.
~ Manager of  Internal Audit, PUSPAKOM
~ Assistant Manager of Internal Audit, Boustead Holdings Berhad
~ Audit Associate, Deloitte

*Family Relationship*
~ He does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.

Securities holding in the Company
~ Nil

*Conviction of offences*
~ He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## MUBARAK ALI BIN GULAM RASUL

*Malaysian, Male, aged 51 years*

**Chief Executive Officer**
***Lumut Maritime Terminal Sdn. Bhd.***
*Date of Appointment:*
1 March 2015

*Academic/ Professional Qualification(s)*
~ Master of Business Administration in General Management,
~ University of Greenwich
~ LCCI in Accounting – Inter and Higher

*Directorship in Public Companies and Listed Issuer*
~ Nil

*Working Experiences*
~ Director of Special Projects, National Air Cargo Middle East
~ Director Abel (M) Sdn. Bhd.
~ Senior Vice President, Business Development, Konsortium Logistik Berhad
~ General Manager Commercial, Spanco Sdn. Bhd.
~ Senior Manager, Alam Flora Sdn. Bhd.
~ Resources Management Manager, Malaysia Airlines
~ Operations Manager, United Parcel Service

*Family Relationship*
~ He does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.
~ *Securities holding in the Company*
~ Nil

*Conviction of offences*
~ He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## AZMAN BIN MOHD ISA

*Malaysian, Male, aged 55 years*

**Chief Operating Officer**
***PCB Development Sdn Bhd***
*Date of Appointment:*
29 October 2018

*Academic/ Professional Qualification(s)*
~ Bachelor of Applied Science in Quantity Surveying, Canberra College of Advanced Education (University of Canberra)

*Directorship in Public Companies and Listed Issuer*
~ Nil

*Working Experiences*
~ Senior Manager, Terra Projects Partners Sdn. Bhd.
~ Senior General Manager, Seleksi-Worthy Builders Sdn Bhd
~ Senior General Manager/Senior Manager, Kumpulan WB, Group of Companies
~ Contract Engineer, Malaysian- Japanese Airport Consortium
~ Associate/Senior Quantity Surveyor, Jurukur Bahan Bersama

*Family Relationship*
~ He does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.

*Securities holding in the Company*
~ Nil

*Conviction of offences*
~ He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## NOORSHAZRIN HAZRIANA BINTI MD DIN

*Malaysian, Female aged 42*

**Chief Executive Officer**
***PCB Leisure Sdn Bhd***
*Date of Appointment:*
29 October 2018

*Academic/ Professional Qualification(s)*
~ Bachelor of Commerce : Commercial Law & Marketing, Curtin University of Technology, Perth, Australia

*Directorship in Public Companies and Listed Issuer*
~ Nil

*Working Experiences*
~ Director of Strategic Marketing, Sales & Branding, Perak Corporation Berhad
~ Senior Manager of Digital Malaysia, Planning & Strategy, Malaysia Digital Economy Corporation Sdn. Bhd. (MDEC)
~ Regional Account Manager, Affiliated Computer Services (a Xerox Company)
~ Client Account Manager, VADS Berhad

*Family Relationship*
~ She does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.

*Securities holding in the Company*
~ Nil

*Conviction of offences*
~ She has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

## RADZMAN BIN MOHD TAJUDIN

*Malaysian, Male, aged 51 years*

**General Manager**
***Casuarina Meru Sdn Bhd***
*Date of Appointment:*
1 February 2016

*Academic/ Professional Qualification(s)*
~ Certificate Teacher's Training College Mohd Khalid, Johor Bahru in TESL
~ Diploma Hotel Management from Malaysian Association of Hotel (MAHTEC) and Singapore Hotel Association (SHATEC)
~ Certificate in Yield Management Module Professional Development Programme from Lausanne Hospitality Consulting, Switzerland in collaboration with Ecole Hoteliere De Lausanne

*Directorship in Public Companies and Listed Issuer*
~ Nil

*Working Experiences*
~ General Manager at Best Western Petaling Jaya
~ General Manager at Swiss-Inn Sungai Petani
~ General Manager at Swiss Garden Golf Resort & Spa Damai Laut

*Family Relationship*
~ He does not have any family relationship with any director and/ or major shareholder and has no conflict of interest with the company.

*Securities holding in the Company*
~ Nil

*Conviction of offences*
~ He has no conviction for any offence within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

# Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Perak Corporation Berhad for the financial year ended 31 December 2018 ("FY2018").

Firstly, I would like to give a warm welcome to our new board members and look forward to their contribution for the betterment of Perak Corporation Berhad.

## EXECUTIVE SUMMARY

FY2018 was a challenging transformative year for both Malaysia and Perak Corporation Berhad ("Perak Corp"). In November 2018, Perak Corp completed a bold restructuring plan by decentralising of shared services within Kumpulan Perbadanan Kemajuan Negeri Perak ("PKNP").

Perak Corp remains committed to its strategic initiatives that were introduced since 2014. Focus will continue on the three (3) core businesses, namely ports and logistics, property development as well as hospitality and tourism.

The ports and logistics segment continue to perform very well as the leading contributor to the group's revenue as in the previous financial year. Lumut Maritime Terminal Sdn Bhd ("LMT") is on track to achieve its 10 years Business and Strategic Plan 2016-2026. For 2018, the throughput handled by LMT grew 18% from 2017.

# *Penyata Pengerusi*

***Pemegang Saham yang dihormati,***

*Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan Perak Corporation Berhad bagi tahun kewangan berakhir 31 Disember 2018 ("FY2018").*

*Pertamanya, saya mengalu-alukan penyertaan ahli-ahli lembaga baru dan menjangka sumbangan mereka akan membawa kemajuan untuk Perak Corporation Berhad.*

## *RINGKASAN EKSEKUTIF*

*FY2018 ialah tahun transformasi yang mencabar untuk Malaysia dan Perak Corporation Berhad. ("Perak Corp"). Pada November 2018, Perak Corp telah melaksanakan satu pelan penstrukturan semula untuk memisahkan perkhidmatan berpusat dalam Kumpulan Perbadanan Kemajuan Negeri Perak ("PKNP").*

*Perak Corp kekal komited kepada inisiatif strategi yang diperkenalkan sejak 2014. Tumpuan kepada tiga (3) perniagaan utama akan diteruskan, iaitu pelabuhan dan logistik, pembangunan hartanah serta hospitaliti dan pelancongan.*

*Segmen pelabuhan dan logistik terus berjaya dengan sungguh baik sebagai penyumbang utama kepada pendapatan kumpulan seperti tahun kewangan terdahulu. Pelaksanaan Pelan Perniagaan dan Strategik 10 Tahun 2016-2026 Lumut Maritime Terminal ("LMT") masih mengikut jadual. Dalam 2018, kendalian LMT telah berkembang sebanyak 18% daripada 2017.*

The property development segment contributed 13% of total Group's revenue. However, this is 41% lower compared to previous year. Sale of land under the segment was lower for the year and in addition, the current ongoing Joint Venture projects are near completion. We are also pleased to inform that the two housing projects in Bandar Meru Raya which include Taman Suria @ Meru and Casa Kayangan @ Meru have received the certificate of completion and compliance ("CCC") on 21 August 2018 and 14 November 2018 respectively.

One of the key touch points was the discontinuance of the License Agreement dated 1 January 2013, entered with DreamWorks Animation L.L.C. ("DreamWorks") for the establishment and operations of DreamWorks' attractions within the Movie Animation Park Studios ("MAPS") effective 1 August 2018. The discontinuance was done after detailed consideration to ensure the full opening of the park as soon as possible. Consequently, the park was fully accessible on 31 August 2018.

The Perak Corporation Berhad 2018 Annual Report and the essence of the Management Discussion and Analysis is all encompassing, namely, its core businesses and divisions which carries out business and development activities, as well as those that implement its corporate responsibility agenda. This report also puts forth the challenges; prospects and planning that are to be shared with all our stakeholders.

**FINANCIAL REVIEW**

For FY 2018, the Group recorded revenue of RM196.6 million, an increase by 6%, as compared to the previous financial year revenue of RM185.8 million. The Group's pre-tax loss improved to RM147.2 million for the financial year as compared to the pre-tax loss of RM320.1 million recorded in the previous financial year.

Loss per share attributable to ordinary equity holders of the Company achieved for the financial year under review was a loss of 104.88 sen (2017: 174.96 sen) while the net assets per share as at 31 December 2018 was RM2.81 (2017: RM3.86) based on the ordinary shares in issue of 100 million (2017: 100 million) units.

*Segmen pembangunan hartanah telah menyumbangkan 13% daripada jumlah pendapatan Kumpulan. Walau bagaimanapun, nilai ini kurang 41% berbanding tahun sebelumnya. Jualan tanah oleh segmen ini telah berkurangan dalam tahun itu dan selain itu, projek-projek usaha sama terkini telah hampir lengkap. Kami juga dengan sukacita memaklumkan penerimaan sijil perakuan siap dan pematuhan ("CCC") pada 21 Ogos 2018 dan 14 November 2018 bagi dua projek perumahan di Bandar Meru Raya, iaitu termasuk Taman Suria@ Meru dan Casa Kayangan@Meru.*

*Salah satu perkara penting ialah penghentian Perjanjian Pelesenan bertarikh 1 Januari 2013, dengan DreamWorks Animation L.L.C. ("DreamWorks"), mengenai penubuhan dan operasi tarikan-tarikan DreamWorks di dalam Movie Animation Park Studios ("MAPS") yang dikuatkuasakan pada 1 Ogos 2018. Penghentian itu dilaksanakan selepas pertimbangan terperinci untuk memastikan pembukaan MAPS sepenuhnya dengan kadar secepat mungkin. Selanjutnya, MAPS telah mula untuk digunakan penuh dari 31 Ogos 2018.*

*Laporan Tahunan Perak Corporation Berhad 2018 ini dan dasar Perbincangan dan Analisis Pengurusan adalah merangkumi keseluruhan, iaitu, teras perniagaan dan bahagian-bahagian yang mengendalikan perniagaan dan aktiviti-aktiviti pembangunan, termasuk bahagian yang melaksanakan agenda tanggungjawab korporat. Laporan ini juga membentangkan cabaran; prospek dan perancangan yang perlu dimaklum kepada semua pihak yang berkepentingan.*

***TINJAUAN KEWANGAN***

*Dalam FY 2018, Kumpulan merekodkan pendapatan RM196.6 juta, iaitu penambahan 6% berbanding RM185.8 juta dalam tahun sebelumnya. Kerugian sebelum cukai Kumpulan telah berkurangan kepada RM147.2 juta dalam tahun kewangan itu berbanding RM320.1 juta yang direkodkan dalam tahun kewangan sebelumnya.*

*Kerusian sesaham kepada pemegang ekuiti biasa Syarikat untuk tahun kewangan dalam tinjauan mencapai 104.88 sen (2017: 174.96 sen) manakala aset bersih sesaham pada 31 Disember 2018 ialah RM2.81 (2017: RM3.86) berdasarkan saham biasa dalam terbitan sebanyak 100 juta (2017: 100 juta) unit.*

Further analysis of the financial performance of the Group is contained in the Management Discussion and Analysis section of this Annual Report.

*Analisis prestasi kewangan selanjutnya untuk Kumpulan terdapat di dalam bahagian Perbincangan dan Analisis Pengurusan Laporan Tahunan ini.*

## CORPORATE REVIEW

On 8 August 2018, the Company had announced the discontinuance of the License Agreement dated 1 January 2013, entered with DreamWorks for the establishment and operations of DreamWorks' attractions within the MAPS effective 1 August 2018.

The related intellectual property rights acquired under the License Agreement which are classified under the Intangible Asset has been written off in Animation Theme Park Sdn Bhd's ("ATP") accounts. As at the reporting period, the intangible asset relating to DreamWorks is Nil.

On 23 October 2018, ATP, a 51% owned subsidiary of PCB Development Sdn Bhd which in turn is a wholly owned subsidiary of the Company, has mutually agreed to terminate the Heads of Agreement ("HOA") with Only World Group Holdings Berhad ("OWG"). The HOA was entered into on 24 January 2018 between ATP and OWG to negotiate for a potential collaboration to manage and operate the theme park, MAPS.

On 28 February 2012, the Company has entered into a conditional settlement agreement ("Settlement Agreement") with Perak Equity Sdn Bhd ("PESB") to partially settle the total debt of RM104.62 million ("PESB Debt") owing at 31 December 2011 by PESB to the Company by way of set-off against the total purchase consideration of RM70.27 million for two (2) properties to be acquired by the Company from PESB ("Proposed Settlement"). The resolution with respect to the Proposed Settlement were duly approved by the shareholders of the Company on 26 July 2012.

On 12 February 2015, the Company has entered into a supplementary agreement to the Settlement Agreement with PESB to vary certain pieces of land located at Perak Hi-Tech Park which resulted in a revised acreage and total purchase consideration of 959.87 acres and RM70.36 million respectively.

## *TINJAUAN KORPORAT*

*Pada 8 Ogos 2018, Syarikat mengumumkan penghentian Perjanjian Pelesenan bertarikh 1 Januari 2013 dengan DreamWorks, mengenai penubuhan dan operasi tarikan-tarikan DreamWorks di dalam MAPS, yang dikuatkuasakan pada 1 Ogos 2018.*

*Hak harta intelektual berkaitan yang diperoleh bawah Perjanjian Pelesenan telah digolongkan bawah Aset Tak Ketara, telah dihapus kira dalam akaun Animation Theme Park Sdn Bhd. ("ATP"). Pada tempoh pelaporan, aset tak ketara berkaitan DreamWorks ialah sifar.*

*Pada 23 Oktober 2018, ATP, sebuah anak syarikat milikan 51% oleh PCB Development Sdn Bhd, yakni sebuah anak syarikat milikan penuh Syarikat, telah bersama-sama bersetuju menamatkan Perjanjian Hasrat ("HOA") dengan Only World Group Holdings Berhad ("OWG"). HOA itu ditandatangani pada 24 Januari 2018 antara ATP dan OWG untuk merundingkan potensi usaha sama dalam pengurusan dan operasi taman animasi MAPS.*

*Pada 28 Februari 2012, Syarikat menandatangani perjanjian penyelesaian bersyarat ("Perjanjian Penyelesaian") dengan Perak Equity Sdn Bhd ("PESB") untuk menyelesaikan sebahagian hutang PESB berjumlah RM104.62 juta ("Hutang PESB") pada 31 Disember 2011 secara "set-off" terhadap pembelian untuk dua (2) hartanah oleh Syarikat daripada PESB ("Cadangan Penyelesaian") berjumlah RM70.27 juta. Resolusi berkenaan Cadangan Penyelesaian itu telah diluluskan oleh para pemegang saham Syarikat pada 26 Julai 2012.*

*Pada 12 Februari 2015, Syarikat memeterai perjanjian tambahan kepada Perjanjian Penyelesaian dengan PESB untuk meminda beberapa butiran tanah di Perak Hi-Tech Park, dengan keluasan tanah 959.87 ekar setelah dikira semula dan pembelian berjumlah RM70.36 juta.*

The Board has approved in its meeting on 28 November 2018 for the Global Debt Settlement between Perak Corp Group and PKNP Group to clear related inter-company balance between the Groups. Any variance between both Groups will be reduced by certain transfer of development cost and final settlement will be via cash.

*Dalam mesyuarat Lembaga Pengarah pada 28 November 2018 berkaitan Penyelesaian Hutang Global antara Kumpulan Perak Corp dan Kumpulan PKNP, kelulusan telah diberikan untuk menjelaskan imbangan antara syarikat-syarikat berkenaan di dalam kedua-dua Kumpulan. Sebarang varians antara kedua-dua Kumpulan akan dikurangkan dengan pemindahan kos pembangunan tertentu dan dijelaskan akhirnya dengan tunai.*

## CORPORATE GOVERNANCE

The Board is committed to ensuring that good corporate governance compliance is practiced throughout the Group. The Group has adopted and complied with the principles and practices set out in the Malaysian Code on Corporate Governance 2017 throughout FY 2018.

To ensure the good compliance is practiced, Perak Corp has internally set up Risk Management Committee, Board Tender Committee, reviewed and finalised the financial authority limit for operations and set up its own audit department dedicated to focus and ensure that all internal control are being adhered to.

## *URUS TADBIR KORPORAT*

*Lembaga Pengarah komited untuk memastikan amalan yang baik untuk pematuhan tadbir urus korporat di seluruh Kumpulan. Kumpulan telah menerima pakai dan mematuhi prinsip dan amalan yang dinyatakan di dalam Kod Tadbir Urus Korporat Malaysia 2017 sepanjang FY 2018.*

*Demi memastikan amalan untuk pematuhan yang baik, Perak Corp telah menubuhkan Jawatankuasa Pengurusan Risiko dan Jawatankuasa Tender Lembaga di dalamnya, meninjau dan menyiapkan had kuasa kewangan dalam operasi dan menyediakan jabatan audit sendiri yang khusus berfokus untuk memastikan pematuhan kepada semua kawalan dalaman.*

## PROSPECTS FOR THE YEAR 2019

Despite the challenging economic and company overview, the Group remains committed to its restructuring plan that involves both of its organizational and financial. While the Group is aware that the external outlook remains soft, it is timely to persevere with the developmental programs aiming at improving the business capacity and harness the upswing potential once the climate improves.

The Group expects the ports and logistics segment to maintain its performance and consistently contribute to the Group's revenue whilst at the same time will continue to look at various ways in improving property development, and hospitality and tourism segment.

## *PROSPEK UNTUK TAHUN 2019*

*Walaupun gambaran keseluruhan dalam ekonomi dan syarikat terus mencabar, Kumpulan tetap komited kepada pelan penyusunan semula yang melibatkan organisasi dan kewangan. Kumpulan sedar bahawa tinjauan luaran adalah lemah, waktu sekarang sesuai untuk bertekun dalam program pembangunan dengan tujuan menambahbaik keupayaan perniagaan dan bersedia memanfaatkan peningkatan potensi sebaik sahaja suasana bertambah baik.*

*Kumpulan menjangkakan segmen pelabuhan dan logistik tetap berprestasi baik dan akan mengekalkan sumbangan kepada pendapatan Kumpulan. Sementara itu, Kumpulan akan terus mengkaji berbagai haluan untuk menambah baik segmen-segmen pembangunan hartanah, serta hospitaliti dan pelancongan.*

## DIVIDEND

The Board does not recommend the payment of a dividend in respect of FY 2018.

## *DIVIDEN*

*Lembaga Pengarah tidak mencadangkan pembayaran dividen pada FY 2018.*

## APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to all stakeholders for their support. Our sincere thanks goes to our shareholders for their unwavering confidence in Perak Corp all these years. We are also grateful to our clients, suppliers, bankers and financiers, statutory bodies, government agencies, business associates and partners for their support and contribution towards the growth and development of our Company. The Board would also like to extend its appreciation to the management and staff for their dedication and commitment in their work throughout the financial year under review.

The Board also would like to thank the previous management and members of the Board for their contribution and dedication. Additionally, we also record our appreciation to Dato' Wan Hashimi AlBakri Bin Wan Ahmad Amin Jaffri who had resigned from the Board on 1 March 2019.

Lastly, to our shareholders, the Board would like to pledge its commitment in protecting and further enhancing the shareholders' value in the coming years.

***Tuan Mohd Ariff Bin Yeop Ishak***
Chairman
30 April 2019

## *PENGHARGAAN*

*Bagi pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk mengucapkan penghargaan kepada semua pihak berkepentingan atas sokongan mereka. Terima kasih kepada para pemegang saham atas keyakinan mereka pada Perak Corp selama ini. Kami juga merakamkan terima kasih kepada pelanggan, pembekal, bank dan pembiaya, badan-badan berkanun, pihak berkuasa kerajaan, rakan perniagaan dan rakan kongsi atas sokongan dan sumbangan kepada pertumbuhan dan pembangunan Syarikat kami. Lembaga Pengarah juga memberi penghargaan kepada pihak pengurusan dan kakitangan atas dedikasi dan komitment dalam kerja mereka sepanjang tahun kewangan yang ditinjau.*

*Lembaga Pengarah berterima kasih kepada ahli-ahli lembaga dan pihak pengurusan terdahulu atas sumbangan dan dedikasi mereka. Tambahan, kami merakamkan penghargaan kepada Dato' Wan Hashimi AlBakri Bin Wan Ahmad Amin Jaffri yang telah meletak jawatan dari Lembaga Pengarah pada 1 Mac 2019.*

*Akhir sekali, kepada para pemegang saham kami, Lembaga Pengarah ingin menjanjikan komitmen kami dalam melindungi dan mempertingkatkan nilai saham yang dipegang pada tahun-tahun akan datang.*

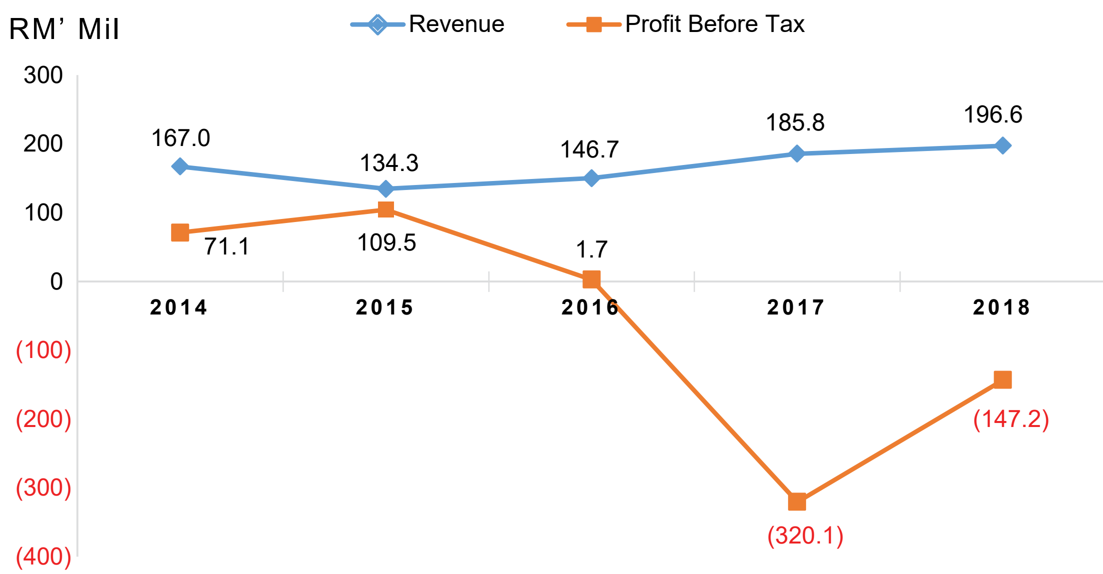
***Tuan Mohd Ariff Bin Yeop Ishak***
*Pengerusi*
*30 April 2019*

# Management Discussion and Analysis

## OVERVIEW

Perak Corporation Berhad ("**Perak Corp"** or "**Company**") is a public listed Malaysian company which together with its subsidiaries ("**Group**") focuses on three (3) core businesses which are ports and logistics, property development as well as hospitality and tourism.

The Group's main contributor during the financial year under review is from the ports and logistics segment ("**PL segment**"). The Group manages Lumut Port, through its subsidiary Lumut Maritime Terminal Sdn Bhd ("**LMT**") which is primarily a bulk cargo terminal owner, operator and port services provider. The PL segment contributed 65% of the Group's total revenue in 2018 (2017: 57%). The property development segment ("**PD segment**") and hospitality and tourism segment ("**HT segment**") contribute 13% (2017: 22%) and 22% (2017: 18%) respectively of the Group's total revenue.

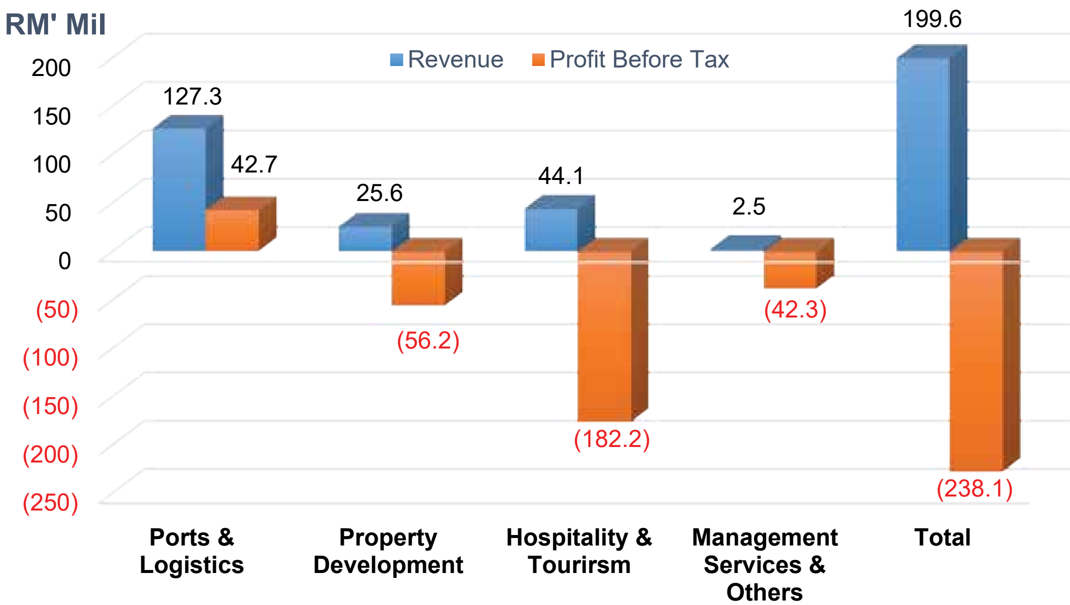



Perak Corp posted pre-tax loss of RM147.2 million for the financial year under review (2017: RM320.1 million). The significant drop in our pre-tax loss was mainly due to lower provisions for impairment made in the PD and HT segments.

The Group's revenue for 2018 has increased by 6% from the previous year's revenue of RM185.8 million. The increase in revenue for the Group is contributed by the better performance in the PL segment as well as the HT segment.

Loss per share attributable to owners of the Company is 104.88 cents per share as at 31 December 2018 compared to previous year of 174.96 cents per share. The net assets per share of the Group as at 31 December 2018 is RM1.26 compared to RM2.99 in 2017.

Contributions from the segments are as follows:




Note:
Revenue and Profit/(Loss) before tax excludes Group elimination amounting at RM3.0 million and RM90.9 million respectively

The Group's revenue for 2018 is more varied, as some of our core businesses recorded revenue growth despite the challenging 2018 market environment.

The Group will continue to build on its strengths in all of its business segments and diversify its revenue base to remain competitive and improve on its financial performance in the future. The performance of the three core businesses under the Group is reviewed below:

**Ports and Logistics**

The Group's revenue is mainly contributed by the PL segment amounting to RM127.3 million in 2018 compared to RM105.3 million in 2017, a 20.9% growth due to an increase in the amount of throughput cargoes handled by Lumut Port in 2018.

This segment has contributed about 65% to the Perak Corp's total revenue in 2018 (2017: 56%). The pre-tax profit of RM42.7 million in 2018 is higher compared to RM41.4 million in 2017 in the previous year.

Ports contribution to the economic growth is significant to the nation's Gross Domestic Product ("**GDP**") that grew at 4.7% from previous year. This economic impact can be further amplified by the availability of well-connected logistics network, including inland depot and freight villages.

The Group manages Lumut Port, through its subsidiary LMT with the vision to be the most efficient bulk cargo terminal operator in South East Asia. LMT provides an integrated port services, inclusive of tuggage, pilotage, berthing, stevedorage, cargo handling, storage and ancillary services. LMT is also the operator and manager of Lekir Bulk Terminal ("**LBT**"), a dedicated terminal to handle coal for Stesen Janakuasa Sultan Azlan Shah in Sri Manjung, Perak.

Since the implementation of phase 1 of LMT's strategic business plan from 2016, LMT has begun to record an increase in cargo handling to 4.25 million MT in 2018 from 3.88 million MT in 2017, 3.26 million MT in 2016 and 3.05 million MT in 2015. LMT has planned for the expansion of Lumut Port in phase 2, located in Batu Undan, Lumut Perak and will be expected to handle clean cargo covering an area of approximately 115 acres. This development plan will increase port capacity from 4.84 million MT per annum to 14 million MT per annum, when completed.

**Property Development**

The revenue from the PD segment derives mainly from sales of land, profits from property development joint ventures ("**JV**") and other ancillary services. For the financial year ended 31 December 2018, the PD segment's revenue decreased by 41% to RM25.6 million from RM43.5 million in the previous financial year. The declining in revenue were mainly due to lower land sale compared to 2017 and lower recognition of revenue from on-going projects undertaken by JV companies.

PD segment recorded a pre-tax loss of RM56.2 million mainly due to provision of impairment on amount owing from subsidiary during the financial year under review compared to pre-tax loss of RM239.5 million in the previous year.

PCB Development Sdn Bhd's ("**PCBD**"), the Company's wholly owned subsidiary is the Group's main contributor of this segment.

During the financial year under review, the Malaysian property market is seeing growth and improved sentiment compared to the "quiet market" in the previous year. However, it is still plagued by issues related to accessibility of loans and financing to potential buyers.

The PD segment capitalised on the local demand and focused tenaciously on managing ongoing projects to ensure delivery of high quality products to its purchasers. Among the affordable housing projects include D'Aman Residensi @ Meru and Casa Kayangan @ Meru. The affordable housing, Taman Suria @ Meru development was completed on 21 August 2018 and only 2 units remain unsold. Sales from land stocks for the financial year under review remain slow, partly impacted by the soft economic sentiment in this particular sector and we expect the scenario to remain challenging in 2019.

Despite the challenges, Bandar Meru Raya ("**BMR**"), a township which has been developed by PCBD, is actively becoming an integrated township with a vibrant community, residential properties, commercial centres, hospitality and tourism attractions and government agencies offices.

Bulatan Sultan Azlan Shah, previously known as Bulatan Amanjaya, is the green lung of BMR equipped with various facilities such as mini wading pool for kids, skating area, playground area and mini wall climbing. It also has open areas for hosting activities and programs. Bulatan Sultan Azlan Shah is filled with green landscape within its 18 acres space in BMR.

The property market sentiment is anticipated to remain subdued in 2019 and continues to be impacted by the economic uncertainties although the local residential property market is expected to be sustained by the implementation of various property-related incentives and strong local demand; particularly in the affordable housing segment.

## Hospitality and Tourism

The HT segment is recorded improvement in its revenue with RM44.1 million in 2018 compared with RM33.0 million in previous year. This is mainly derived from higher demand for accommodations, convention halls, food and beverages ("**F&B**") business in Hotel Casuarina @ Meru, Lanais and Labu Sayong restaurants' products. However, the HT segment posted pre-tax loss of RM182.2 million in 2018 (2017: RM375.1 million) due to provisions for impairment on assets of the theme park made during the financial year under review.

Perak Corp owns and operates Hotel Casuarina @ Meru, Casuarina Houseboat @ Temenggor 1, Restoran Rumah Tradisional Melayu ("**RRTM**") and manages some properties of Perak State, namely Lanai Casuarina @ Pangkor ("**LCP**"), Lanai Casuarina @ Cempaka Sari, Parit and Pasir Salak Eco Resort ("**PSER**"). The Group is also in the restaurant business, namely Labu Sayong Signature @ Meru.

Perak Corp currently is in the midst of completing Hotel Casuarina @ Teluk Intan with a capacity of 60 rooms and Lanai Casuarina @ Kuala Kangsar with a capacity of 46 rooms. Both hotels are targeted to be opened by December 2019 and October 2019 respectively.

HT segment is targeted to provide growing sources of revenue for the Group from development of the two new hotels and the second houseboat that are still under construction. The desired results will only be achieved in a few years' time when these projects achieved maturity.

On 8 August 2018, Perak Corp had announced the discontinuance of the License Agreement dated 1 January 2013, entered with DreamWorks Animation L.L.C ("**DreamWorks**") for the establishment and operations of DreamWorks' attractions within the Movie Animation Park Studios ("**MAPS**") effective 1 August 2018. The discontinuance was done after detailed consideration to ensure the full opening of the park as soon as possible. Consequently, the park was fully accessible on 31 August 2018.

Further to that, attractions that were installed in the Dream Zone such as indoor coaster and Caveteria were taken over by Animosta Studios Sdn Bhd and a virtual reality ("**VR**") attraction will be operating in the building formerly allocated to Mr Peabody and Sherman through collaboration with Robocom V-R SAL (Offshore) with an investment of USD1 million with equal revenue sharing basis of 50:50. The former Dream Zone has been renamed as Trick O Thrill Zone. Additionally, Animation Theme Park Sdn Bhd has collaborated with The Sacred Riana to bring her from Indonesia to perform live and promoting The Rumah Hantu Sacred Riana.

Entrance fee to the park was abolished on 1 March 2019. Visitors now can enter the park free of charge but will be required to pay for rides and attractions.

In the financial year 2019, MAPS will initiate more aggressive marketing campaigns in line with current market trends and continue to leverage on online marketing and digital media advertising to increase its brand awareness among its target visitors.

### Management Services

The management services and other segment ("**MS segment**") recorded RM2.5 million revenue in 2018 (2017: RM6.8 million). This segment recorded pre-tax loss of RM42.3 million, increased by 72.7% compared to RM24.5 million pre-tax loss in the previous year. The increase in the pre-tax loss is mainly due to higher finance costs and operating expenses incurred in 2018.

## FUTURE PROSPECTS

Perak Corp looks forward to achieve better results for the financial year ending 31 December 2019 through continuous commitment to its long-term strategies which will lead to the growth of the Group. As we move forward, we will continue to strengthen our position and build on our strong operational performance, improving further as we progress through the coming years.

More resources and efforts will be put in to explore collaborative opportunities to improve the revenue and profitability of the Group. LMT will continue with its Business & Strategic Plan 2016-2026 to be the most efficient bulk cargo terminal operator in South East Asia. Strategies to achieve its mission are by ensuring business growth, productivity improvement through efficiency and capacity optimization. To ensure the business growth and productivity improvement, LMT is enhancing performance through mechanization and additional barge berth from new customers. With the acquisition of 115-acres land, new investment for second Lumut Maritime Terminal ("**LMT2**") has started and will be financed via external borrowing.

While the PL segment remains the staple contributor to the Group's earnings, HT segment is expected to improve in terms of its revenue as a result of promotional activities for the products available. This will be further enhanced when both Hotel Casuarina @ Teluk Intan and Lanai Casuarina @ Kuala Kangsar become fully operational in 2019 and supported by Casuarina's brand.

PCBD will continue its plan in developing BMR into an integrated township. Infrastructure such as government administration precinct, mixed residential development, water reticulation, road maintenance and landscape will be continued in 2019. PCBD has planned a comprehensive 3 residential and 2 commercial development within BMR.

As the BMR town planning phase reaching its maturity level within few years, the Group is looking into developing new township. In addition, the Group is looking into other new business initiatives relating to building and construction.

MAPS, the catalyst to BMR and a strategic tourism asset for Perak continue to pose challenges for the Group. Financial and corporate restructuring programs are underway to alleviate these risks. The plans are being studied by financial experts before it can be revealed to the shareholders for approval.

The Group recognise it will face a challenging environment in 2019 but is nevertheless confident it is now on a strong platform to persevere and bounce back with a stronger performance in the future.

# Sustainability Statement

## INTRODUCTION

The Board of Directors ("**Board**") of Perak Corporation Berhad ("**Company**" or "**Perak Corp**") is committed to ensure the Company and its subsidiaries ("**Group**") run their businesses in a responsible and sustainable manner so as to achieve a fair balance between profitability and how they impact the economy, environment and society.

Sustainability has always been an integral part of our way of doing business and a guiding principle in our decision making and development processes. Over the years, the Group has undertaken various efforts to ensure top priority in our sustainability initiatives especially towards our three (3) core businesses within the Group, namely Ports and Logistics, Property Development as well as Hospitality and Tourism business.

This Statement incorporates some standard disclosures from Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") on the Sustainability Reporting Guideline and meeting the expectations of Bursa Malaysia's Main Market Listing Requirements covering sustainability reporting. Through this Statement, we aim to provide our stakeholders with a reliable economic, environmental and social ("**EES**") information about our Company and in doing so, strengthen trust and relationship with our stakeholders through increased transparency and disclosure.

## A. ECONOMIC

### Ports and Logistics

Ports play the important role in facilitating internal and external trades. Acting as enablers, ports provide key logistical services thus opening up trades and creating economic opportunities. Ports contribution in the economic growth is significant to the state's and nation's Gross Domestic Product ("**GDP"**). This economic impact can be further amplified by the availability of well-connected logistics network, including inland depot and freight villages.

There is no denial that the Group's main contributor is in the Ports and Logistics segment ("**PL segment**"). The Group manages Lumut Port, through its subsidiary Lumut Maritime Terminal Sdn Bhd ("**LMT**") with the vision to be the most efficient bulk cargo terminal operator in South East Asia. LMT provides an integrated port services, inclusive of tuggage, pilotage, berthing, stevedorage, cargo handling, storage and ancillary services.

Since the implementation of LMT1's strategic business plan from 2016, LMT has begun to record an increment every year in cargo handling to 4.25 million MT in 2018. LMT has also planned a comprehensive development for LMT2 located in Batu Undan, Lumut Perak and will be expected to handle clean cargo covering an area of approximately 115 acres. This development plan will indirectly increase port capacity from 4.84 million MT per annum to 14 million MT per annum (LMT1 & LMT2).

**Property Development**

Recognising the significance of townships and its communities, the Group leads the way in creating integrated townships in identified places to support progressive community needs, to facilitate the creation of values within existing townships and develop plans with the ultimate goal of raising overall socio-economic values in the areas.

Bandar Meru Raya ("**BMR**"), a fast-emerging township dubbed as the "New Heartbeat of Ipoh", has a unique mix of residential, commercial and retail areas. Developed as Ipoh's satellite metropolis, it is designed as the epitome of comprehensive and integrated destination for work, live, play and learn.

As the BMR town planning phase reaching its maturity level within few years, the Group is looking into developing new township. The success of BMR will be a valuable experience and the benchmark for the Group to perform better for the new township. Additionally, the Group will also aim to expand its network and supply chain contacts, and identify potential joint venture partners for entry into the Perak State. Subsequently, this will improve the economics of Perak.

BMR currently houses 6 government buildings with over 20 agencies both in federal and state level in an expanding Government Precinct. With the relocation of several more government agencies in the pipeline, BMR is set to be the main administrative centre of Perak Darul Ridzuan.

Being a key player which takes the driver's seat in propelling economic growth in Perak State, the Group strives to ensure the stakeholders as well as the community within the area feel the development impact.

Moving forward from the success of BMR, the Group also places key emphasis on new township with huge potential development covering industrial estate, agro-tech, residential, commercial and institutions which holds massive opportunities for economic development to the state.

**Hospitality and Tourism**

Perak state will be in a position to capitalise on the positive economic overview, especially in the hospitality and tourism sector. With the current optimistic sentiment of the Malaysian economy, the number of domestic visitors, number of trips and the current spending continue to increase, according to Domestic Tourism Survey ("**DTS**") for the year 2017. Each category recorded increases of 8.5%, 8.8% and 11.1% respectively and the trend is expected to sustain for the following years.

In supporting Perak state and the Group's goals in the tourism industry, Movie Animation Park Studios ("**MAPS**") was fully opened on 31 August 2018.

Perak Corp owns and operates Hotel Casuarina @ Meru, Casuarina Houseboat @ Temenggor 1, Restoran Rumah Tradisional Melayu and manages some properties of Perak State, namely Lanai Casuarina @ Pangkor, Lanai Casuarina @ Cempaka Sari, Parit, and Pasir Salak Eco Resort. The Group is also in the restaurant business, namely Labu Sayong Signature @ Meru.

Perak Corp currently is in the midst of completing Hotel Casuarina @ Teluk Intan with a capacity of 60 rooms and Lanai Casuarina @ Kuala Kangsar with a capacity of 46 rooms. Both hotels are targeted to be opened by December 2019 and October 2019 respectively.

Vibrant and competitive development components such as an integrated township, exceptional tourist attractions, efficient connectivity and the right skills and community mix are key factors to catalyse economic growth.

## B. ENVIRONMENTAL

From the time of our establishment since 1991, Perak Corp Group has always been committed to comply with the legal and regulatory requirements of the Malaysian Department of Environment ("**DOE**") and other regulators and authorities. To this end, environmental protection measures and considerations have long been embedded in our organisation.

*Consumption of Resources*

Perak Corp is committed to reducing the consumption of water and electricity. Recognising that Perak Corp could not work in isolation but required a whole-of-organisation approach, the Group promoted environmental awareness among the employees through various initiatives and encouraged them to adopt environment-friendly working methods.

As such, since the completion in 2013, Hotel Casuarina@Meru ("**HCM**") is designed to continuously harvest rain water. HCM have implemented the green program to save the earth for various activities such as watering plants, cleaning drain etc.

Apart from water consumption, Perak Corp is also strict when it comes to the electricity usage. The headquarters is installed with centralized air conditioner unit allowing it to be controlled and running only when necessary. Additionally, energy saving light bulbs are used.

Perak Corp also encouraged their employees to reduce the consumption of paper. Printing is widely discouraged unless necessary. Moving forward, Perak Corp intends to be a fully digital organization.

*Environmental Impact Assessment*

As a property developer, the Group recognise that some of its activities involve the clearing of natural flora and fauna in preparation for construction and development. In the efforts to mitigate the impact on the environment, Perak Corp had initiated Environmental Impact Assessment ("**EIA**") study to ensure the development will elevate ecosystem of the surrounding.

*LMT Certified to ISO 9001:2015*

Lumut Port endeavours to control and mitigate the impacts of LMT's activities on the environment through responsible business activities. It adopts initiatives to conserve biodiversity via various programs in partnership with local groups, community and associations.

On 24 August 2016, LMT has been certified with ISO 9001:2015. This certification shows LMT has established a systematic approach to instil quality by ensuring that its products meet customer requirements.

## C. SOCIAL

Perak Corp has always believed that the way to build a great and enduring company is to strike a balance between profitability and fulfilling its social responsibilities. In today's inter-connected world, no business can operate as an entity onto itself. Companies are also measured in terms of their standing in the eyes of the community. Throughout the year 2018, Perak Corp continued to make progress to operate responsibly and with care to meet the changing expectations not limited to employees but also society.

*Affordable Housing*

Perak Corp always embrace opportunities and address unforeseen market challenges, maintaining a good balance between growth and stability. The Group will continue strengthening its business fundamentals, operationally and financially and deliver a steady and sustainable performance over the long term. Housing demand will continue to be underpinned by the improving economy. House ownership will be spurred by strong demographics, improvement of transport infrastructure and the government's initiatives to facilitate easy ownership, especially for first-time buyers. The Group will also continue to respond to the growing demand for the affordable and midrange segment of the residential sector.

Perak Corp through its subsidiary, PCB Development Sdn Bhd, has established JV companies for the development of affordable housing projects in BMR. Among the affordable housing projects are D'Aman Residensi @ Meru and Casa Kayangan @ Meru. The affordable housing, Taman Suria @ Meru development was completed on 21 August 2018 and only 2 units remain unsold.

*Boosting Teamwork*

Perak Corp understand that the employees spend a large portion of their time at work. Recognising this, efforts have been made to reshape the workplace for the benefit of the employees and attract new talent, especially those from the millennial generation.

In order to boost teamwork across all departments and levels, employees of Perak Corp are members of Kelab Warga Kumpulan PKNP ("**Kelab Warga**") which provide an avenue for our staff to participate in non-work related activities. The Kelab Warga essentially acts as an avenue to strengthen team spirit, promote worklife balance and also energise employees with a wide range of interesting events. Kelab Warga is participated by all PKNP Group employees.

True to our belief that "health is wealth", Kelab Warga introduced a more robust health carnival in 2018 that addresses health in a more holistic manner. In short, instead of just taking the usual approach of health and fitness, we broadened our efforts to include activities that promoted a healthy body, mind and soul known as the Jom Sihat Dan Cantik". Activities under the carnival included:

- Free health screening
- Cardiopulmonary
- Health service counselling
- Pap Smear
- "Women Health Talk on Uterine Fibroid & Ovarian Cyst" by Pantai Hospital Gynaecologist

*Voluntary for State Activities*

The Group believes fulfilling our dues to society should not solely be driven by the Company, but also from individuals as well. Perak Corp has always encouraged its management and staffs to be involved in welfare work and charity and we are pleased that the spirit of giving is very much alive within the Group.

2018 is the year Perak State hosted the 19th biannual national multi-sport games ("**SUKMA**"). The event was held from 11 to 22 September 2018. PKNP Group was appointed by Perak State as food and accommodation secretariat. There are total of 29 games contested on all the 12 districts of Perak State. Around 170 employees had volunteered to complete this activities.

*Perak State Aildifitri Open House*

The first day of Adilfitri, on 15 June 2018, Perak State Government hosted Aidilfitri open house at MAPS. Over 50,000 visitors thronged the open house together with Chief Minister of Perak. The event was extended by 3 hours due to overwhelming response from the public.

*PKNP Aidilfitri Open House*

On 8 July 2018, PKNP Group hosted its Aidilfitri open house at its CEO's residence. Tn Mohd Ariff Yeop Ishak who is also the Chairman of Perak Corp entertained over 1,200 guests including State's official.

*In-House Training Programme*

In order to move forward to betterment, Perak Corp needs a team that is constantly in-the-know and aware of the latest trends. Recognising the need to amplify the learning and development programmes, the Group also have introduced in-house training programmes that help the employees develop the necessary competencies for their personal and professional development.

The employees been given the flexibility to select the programmes they wish to attend after discussion with their supervisor and in accordance with their career development plan. As such, competency-based training programmes have been introduced to allow the employees to gain a better foothold in the technical skills, gain perspectives on leadership skills and strategic thinking as these would benefit them in their personal and professional lives.

*Diversity and Equal Opportunity*

Perak Corp value diversity of thought, experience and culture to make the Group stronger. We have always aspired to create an inclusive and inspiring workplace that fosters diversity and appreciate the differences in our values as we support the participation of all employees.

All people should be treated equally and we do not tolerate discrimination. The Group policy is to practise equal opportunities and foster diversity in employment, development and advancement for those qualified. The Group do not discriminate on the grounds of gender, age, religion, political opinion, union affiliation, disability, national origin, ethnicity or other relevant characteristics in the hiring or employment. We believe that everyone should have access to the same rewards and opportunities.

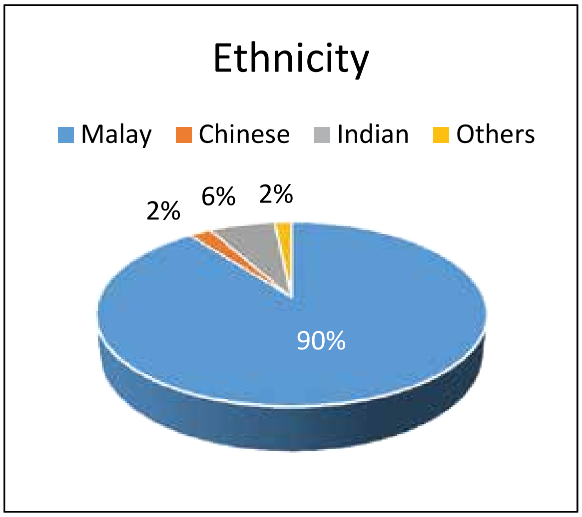



*Chart 1: Perak Corp Group's employees by ethnicity as at 31 December 2018*

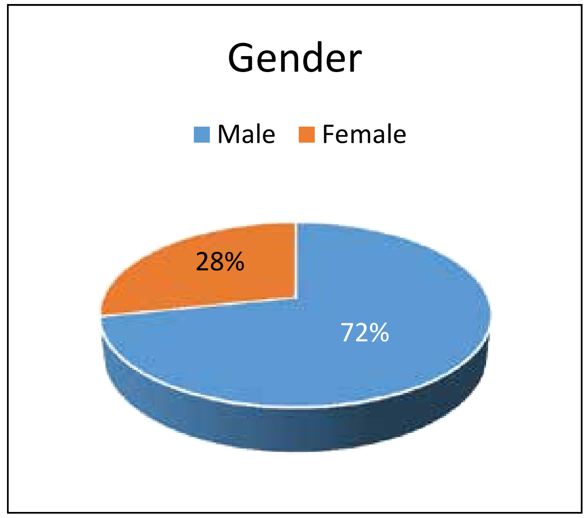



*Chart 2: Perak Corp Group's employees by gender as at 31 December 2018*

*Relationship with Suppliers and Contractors*

Perak Corp open relationship with suppliers ensures that anything can be discussed. We work with preferred suppliers who can provide proven efforts and innovations that meet our sustainability requirements. The extent to which a supplier meets our requirements for quality, innovation, continuity of supply and service is translated into a long-term relationship for added value for all parties.

Suppliers and contractors must comply with all relevant national laws and statutes at all times and must also minimise the negative impact on society and the environment such as noise, dust and other pollution. Illegal workers must never be employed.

# Corporate Governance Overview Statement

Perak Corporation Berhad fully support the Malaysian Code on Corporate Governance 2017 ("**MCCG 2017**") which sets out the principles, intended outcomes and practices for good corporate governance that should apply towards achieving the optimal framework to protect and enhance shareholders value and the financial performance of the Company and its subsidiaries ("**Group**").

The Board of Directors ("**Board**") is responsible for delivering shareholders value over the long- term, through the Group's culture, strategy, values and governance. This Statement provides an overview of the Company's commitment to apply the three principles and the practices with reference to the principles set out in the MCCG 2017, except where stated otherwise, during the financial year ended 31 December 2018 under the leadership of the Board. The extent of the application of each practice encapsulated in the principles of the MCCG 2017 is further presented in the Corporate Governance Report which can be viewed on the Company's website at www.perakcorp.com.my.

## SECTION 1: BOARD LEADERSHIP AND EFFECTIVENESS

### Board Charter

The Company has formalised a Board Charter which clearly set out the composition, roles and responsibilities of the Board and Board committees and the processes and procedures for convening their meetings. The Board Charter serves as a reference providing prospective and existing members of the Board and management insight into the fiduciary duties of directors.

The Board reviews the Board Charter on a regular basis to keep up to date with changes in Bursa Malaysia Securities Berhad's ("**Bursa Malaysia**") Main Market Listing Requirements ("**Listing Requirements**"), other regulation and best practices and ensure its effectiveness and relevance to Board's objectives.

The details of the Board Charter are available for reference on the Company's website at www.perakcorp.com.my.

### Board Roles and Responsibilities

The Board has seven (7) members as at the date of this Statement, comprising one (1) executive director who is the Group Chief Executive Officer (**"GCEO"**), one (1) non-executive non- independent director and five (5) independent directors. More than half of the Board members are independent directors.

The profile of the Board members is set out on pages 10 to 13 of this Annual Report.

The Board retains full and effective control of the Company. This includes responsibility for determining the Company's overall strategic direction as well as development and control of the Group. No individual or group of individuals dominates the Board's decision making and the number of directors fairly reflects the nominees of each of the Company's major shareholders. The Company considers that its complement of non-executive directors provides an effective Board with a mix of industry-specific knowledge and business and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgement to many aspects of the Company's strategy and performance so as to ensure that the Company maintains the highest standard of conduct and integrity.

The functions reserved for the Board are clearly stated in the Board Charter besides the discharge of the directors' fiduciary duties.

In order to assist the Board in the discharge of its responsibilities, the Board has delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. The Board Committees are the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. The respective Committees report to the Board on the matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

**The Board Chairman**

Encik Mohd Ariff bin Yeop Ishak is the non-independent non-executive Chairman of the Board. The Chairman is responsible for the oversight, leadership, effectiveness, conduct and governance of the Board.

Although the Chairman is not an independent director, all decisions of the Board are based on the decision of the majority of the Board members and matters are deliberated with active participation of the independent directors.

The majority of the Board members are independent directors since the Company recognises the contribution of independent directors as equal Board members in the development of the Company's strategy, the importance of representing the interest of public shareholders and providing a balanced and independent view to the Board. The independent directors are independent of management and free from any relationship that could interfere with their independent judgement.

**Separation of Roles between the Chairman and the Group Chief Executive Officer**

Encik Mohamed Shafeii bin Abdul Gaffoor, the GCEO and a Board member, leads the executive management team. There is a clear division of responsibility between the Chairman and the GCEO and between the independent Board members and the GCEO together with his executive management team to ensure a balance of power and authority.

The GCEO has the overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The GCEO is responsible to ensure due execution of strategic goals, effective operation within the Group and to explain, clarify and inform the Board on matters pertaining to the Group. The GCEO is supported by the executive management team with their respective scope of responsibilities. The executive management team's performance is assessed by the GCEO based on the key performance indexes.

**Company Secretary**

The Board is supported by an experienced and competent Company Secretary who is qualified to act as company secretary under Section 235(2) of the Companies Act 2016. The Company Secretary reports directly to the Board and plays an advisory role to the Board and Board Committees, particularly with regard to their policies and procedures and the Company's compliance with regulatory requirements, rules, guidelines and legislation, as well as the best practices of corporate governance.

All directors have access to the advice and services of the Company Secretary and are updated on the changes in the regulatory framework and corporate governance practices. The Company Secretary provides support to the Board in ensuring that the applicable rules and regulations are complied with as well as that the governance structure of the Group remains relevant and effective.

The Company Secretary attends all meetings of the Board and Board Committees and ensures that meeting procedures are followed and deliberations and proceedings at the meetings are accurately recorded and well-documented.

**Supply of Information**

Each Board member receives quarterly interim financial reports, including comprehensive review and analysis. Prior to each Board meeting, directors are sent an agenda of the meeting and a full set of Board papers for each agenda item prepared and presented in a concise and comprehensive manner so that the directors have a proper and relevant depiction of the issues to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary.

Directors have access to all information within the Company whether as full board members or in their individual capacity, in furtherance to their duties. Directors have also direct access to the services of the Company Secretary who is responsible for ensuring the Board procedures are followed. Directors are entitled to obtain independent professional advice, where necessary, in the course of discharging their duties at the Company's expense.

**Code of Conduct**

The Board has formalised a Code of Conduct ("**Code**") which is based on the principles in relation to integrity sincerity, honesty, responsibility, social responsibility and accountability in order to enhance the standard of corporate governance and behaviour.

The Board is committed to create a corporate culture within the Group to operate the businesses of the Group in an ethical manner and to uphold the highest standards of professionalism and exemplary corporate conduct.

The Code is to assist the directors and all personnel of the Group in defining the ethical standards and conduct at work and extent beyond normal working hours which they should possess in discharging their duties and responsibilities.

The Board reviews the Code when deemed necessary to ensure it remains relevant and appropriate and the Code can be viewed on the Company's website at www.perakcorp.com.my.

**Whistle Blowing Policy**

The Board has established a Whistle Blowing Policy to improve the overall organisational effectiveness and to uphold the integrity of the Group which acts as a formal internal communication channel, where the staff may communicate in cases where the Group's business conduct is deemed to the contrary to the common values of the Group.

The Group is committed to maintain the highest possible standards of integrity, openness and accountability in the conduct of its businesses and operations within the Group and aspires to conduct its affairs in an ethical, responsible and transparent manner. The policy is intended to provide and facilitate a mechanism for any persons to report concerns related to any suspected and/or known misconduct, wrongdoing, corruption, fraud, waste and/or abuse of which they become aware, and to ensure that the reporting person can report allegation of such malpractice or misconduct in an appropriate manner and without fear of retaliation.

All reports will be investigated promptly and dealt with fairly and equitably. Actions will be taken based on the nature of the allegation and may be resolved by agreed action.

The Board reviews the policy when deemed necessary to ensure it remains relevant and appropriate and the policy can be viewed on the Company's website at www.perakcorp.com.my.

**Tenure of Independent Directors**

In determining the independence of individual directors, the Board, through the Nomination Committee, conducts assessment on the independent directors of the Company annually. However, the annual assessment on the independent directors was not conducted for the financial year 2018 as all of the current independent directors were appointed during the year.

The independent directors, namely YB Chong Zhemin, YB Ng Shy Ching, Encik Mohamed Azni bin Mohamed Ali, Encik Hatim bin Musa and Encik Khairul Anuar bin Musa, were appointed to the Board on 10 August 2018 and have declared their independence.

The Board noted that the MCCG 2017 recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years. The Board believes that the length of service of the independent director on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their roles. Nevertheless, the Board will undertake further assessment on independence of its independent directors should their tenure reaches the cumulative term of nine (9) years.

**Board Diversity Policy**

The Board recognises the importance of diversity in determining the optimum composition of the Board and amongst its workforce, including but not limited to race, ethnicity, age, gender, skills, experience, exposure and competencies. The ultimate decision will be based on the competency, ability, leadership quality and qualification, particularly candidates with specialised knowledge, that meet the Group's needs.

The Board considers that gender diversity contributes positively to the performance of the Board which is vital to the sustainability of the Group's businesses. Currently, the Board has one female director out of a total of seven directors, representing approximately 14.3% of women participation in the boardroom. The Board will actively work towards identifying suitably female directors to be appointed to the Board. The Board recognises that the evolution of the diversity is a long process and weighs the various factors relevant to board balance and diversity when vacancies arise.

Overall, the Board is satisfied with the existing number and composition of the members and is of the view that the Board comprises a good mix of members with diverse experiences background to provide for a collective range of skills, expertise and experience which are relevant to support the growth and cope with the complexities of the Group's businesses.

**Sourcing and nomination of Board members**

The Board, through the Nomination Committee, continuously reviews the composition of the Board and source for suitable directors considering the diversity in business background, area of expertise, skills, educational background, gender, and ethnicity as well as other factors that may provide the Board with a boarder range of viewpoints and perspectives.

The Nomination Committee is responsible for considering nominees for appointment to the Board, and recommends to the Board for approval on the appointment, re-appointment, re- election and annual assessment of directors.

The Nomination Committee considers and recommends to the Board candidates of sufficient calibre, knowledge, integrity, reliability, professionalism and experience to fulfill the duties of a director. This Committee also considers the ability of the candidate to attend Board and Board committees' meetings regularly and devote sufficient time and effort to carry out their duties and responsibilities effectively, and be committed to serve on the Board for an extended period of time.

**Directors' Training**

All directors are encouraged to continuously undertake training and regularly update and refresh their skills and knowledge to enable them to effectively discharge their duties. In this connection, the Board had adopted the Guideline for Directors' Training Needs as recommended by the Nomination Committee. The guideline requires each director to attend at least one (1) seminar/course/workshop during the year. The Board has reviewed the guideline and, as recommended by the Nomination Committee, agreed that each director is required to attend at least two (2) seminars/courses/workshops from the year 2019 onwards.

From time to time, directors also receive training organised by the Company on developments which may have a bearing on their duties and contribution to the Board, from professional bodies, regulatory institutions and corporations.

In general, all directors have complied with the Guideline for Directors' Training Needs for the year 2018 as they have attended at least one (1) seminar/workshop during the year.

The directors who have attended the training programmes are as follows:

| | |
|---|---|
| Mohd Ariff bin Yeop Ishak | ~ Mandatory Accreditation Programme |
| Mohamed Shafeii bin Abdul Gaffoor | ~ Directors' duties and responsibilities under<br>~ Companies Act 2016 and Main Market Listing<br>~ Requirements of Bursa Malaysia Securities Berhad |
| Mohamed Azni bin Mohamed Ali | ~ Mandatory Accreditation Programme Directors' duties and responsibilities under<br>~ Companies Act 2016 and Main Market Listing<br>~ Requirements of Bursa Malaysia Securities Berhad |
| YB Chong Zhemin | ~ Mandatory Accreditation Programme |
| YB Ng Shy Ching | ~ Mandatory Accreditation Programme |
| Hatim bin Musa | ~ Mandatory Accreditation Programme Directors' duties and responsibilities under<br>~ Companies Act 2016 and Main Market Listing<br>~ Requirements of Bursa Malaysia Securities Berhad |
| Khairul Anuar bin Musa | ~ Mandatory Accreditation Programme Directors' duties and responsibilities under<br>~ Companies Act 2016 and Main Market Listing<br>~ Requirements of Bursa Malaysia Securities Berhad |

## Nomination Committee

The Board has separated the previously constituted Nomination and Remuneration Committee into two (2) separate committees, namely Nomination Committee and Remuneration Committee, on 10 August 2018.

The Nomination Committee comprises three (3) independent directors. The Nomination Committee is headed by Encik Mohamed Azni bin Mohamed Ali, the designated Senior Independent Director, and the other members are YB Ng Shy Ching and Encik Khairul Anuar bin Musa. The Nomination Committee is empowered to bring to the Board recommendations as to the appointment of any new executive or non-executive director upon evaluation of the candidate's ability to discharge the expected responsibilities.

In 2018, the Nomination Committee held one (1) meeting on 29 August 2018 while the previous Nomination and Remuneration Committee held two (2) meetings on 28 February 2018 and 26 June 2018.

The attendance of the members of the Nomination Committee is as follows:

| | *Meeting attendance in 2018* |
|---|---|
| Encik Mohamed Azni bin Mohamed Ali (Chairman) | 1/1 |
| YB Ng Shy Ching | 1/1 |
| Encik Khairul Anuar bn Musa | 1/1 |

The attendance of the members of the previous Nomination and Remuneration Committee is as follows:

| | *Meeting attendance in 2018* |
|---|---|
| Dato' Abd Karim bin Ahmad Tarmizi<br>*(resigned on 10 August 2018)* | 2/2 |
| Dato' Dr Vasan a/l Sinnadurai<br>*(retired on 27 June 2018)* | 2/2 |
| Datuk Dr Wan Norashikin binti Wan Noordin<br>*(retired on 27 June 2018)* | 2/2 |
| Dato' Wan Hashimi Albakri bin W.A.A Jaffri<br>*(resigned on 1 March 2019)* | 2/2 |

The activities of the Nomination Committee during the year 2018 included the recommendations to the Board on the following matters:

(a) Affirmation of the Terms of Reference of the Nomination Committee;
(b) Assessment of Encik Ibrahim bin Mohd Hanafiah for his appointment as a director of the Company; and
(c) Assessment of Encik Mohamed Shafeii bin Abdul Gaffoor for his appointment as a Chief Executive Officer of Animation Theme Park Sdn Bhd, a 51% owned subsidiary of the Company.

The activities of the previous Nomination and Remuneration Committee during the year 2018 included recommendations to the Board on the following matters:

(a) Re-appointment and re-election of directors at the Annual General Meeting ("**AGM**") of the Company;
(b) Assessment of the Directors' training needs to ensure all directors receive appropriate continuous training; and
(c) Assessment of Encik Mohd Ariff bin Yeop Ishak and Encik Mohamed Shafeii bin Abdul Gaffoor for their appointment as directors of the Company.

**Board, Audit Committee and Individual Director Assessment**

The Nomination Committee normally conduct annual assessment of each individual director and the collectively as a Board under the evaluation process to ensure the effectiveness of the Board as a whole. The assessment of the directors is an examination of each director's ability to contribute to the effective decision making of the Board.

The Nomination Committee also normally conduct annual review of the term of office performance of the Audit Committee's members annually and assess whether the Audit Committee as a whole carried out their duties in accordance with its terms of reference.

However, the Nomination Committee has not conducted annual assessment of the individual directors and the collectively as a Board and the performance of the Audit Committee and its members as all of the current members of the Board and Audit Committee were appointed during the year 2018.

**Board Meetings**

In 2018, the Board held eleven (11) meetings on the following dates: 5 January, 26 January, 28 February, 4 April, 25 April, 23 May, 26 June, 10 August, 29 August, 25 September and 28 November 2018.

The details of meeting attendance of each individual director are as follows:

| | *Meeting attendance in 2018* |
|---|---|
| Mohd Ariff Bin Yeop Ishak (Chairman)<br>*(appointed on 28 June 2018)* | 3/4 |
| Mohamed Shafeii bin Abdul Gaffoor<br>*(appointed on 28 June 2018)* | 4/4 |
| Mohamed Azni bin Mohamed Ali<br>*(appointed 10 August 2018)* | 3/3 |
| YB Chong Zhemin<br>*(appointed on 10 August 2018)* | 2/3 |
| YB Ng Shy Ching<br>*(appointed on 10 August 2018)* | 2/3 |
| Hatim bin Musa<br>*(appointed on 10 August 2018)* | 3/3 |
| Khairul Anuar bin Musa<br>*(appointed on 10 August 2018)* | 3/3 |
| Ibrahim bin Mohd Hanafiah<br>*(appointed on 20 August 2018<br>and resigned on 15 November 2018)* | 2/2 |
| Dato' Wan Hashimi Albakri Bin W.A.A Jaffri<br>*(resigned on 1 March 2019)* | 6/11 |
| YB Dato' Nasarudin bin Hashim<br>*(resigned on 10 August 2018)* | 7/8 |
| Dato' Abd Karim bin Ahmad Tarmizi<br>*(resigned on 10 August 2018)* | 7/8 |
| Tuan Haji Ab Rahman bin Mohammed<br>*(retired on 27 June 2018)* | 7/7 |
| Dato' Dr Vasan a/l Sinnadurai<br>*(retired on 27 June 2018)* | 5/7 |

| | *Meeting attendance in 2018* |
|---|---|
| Datuk Dr Wan Norashikin binti Wan Noordin *(retired on 27 June 2018)* | 7/7 |
| Dato' Aminuddin bin Md Desa *(resigned on 28 May 2018)* | 6/6 |

**Remuneration Committee**

The Board has separated the previously constituted Nomination and Remuneration Committee into two (2) separate committees, namely Nomination Committee and Remuneration Committee.

The Remuneration Committee comprises three (3) non-executive directors, two (2) of whom are independent. The Remuneration Committee is headed by Encik Hatim bin Musa and the other members are YB Chong Zhemin and Encik Mohd Ariff bin Yeop Ishak. The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing policy on the remuneration packages of the executive and non-executive directors of the Company and key senior management.

In 2018, the Remuneration Committee held one (1) meeting on 28 November 2018.

The attendance of the members is as follows:

| | *Meeting attendance in 2018* |
|---|---|
| Hatim bin Musa *(Chairman)* | 1/1 |
| YB Chong Zhemin | 1/1 |
| Mohd Ariff bin Yeop Ishak | 1/1 |

The activities of the Remuneration Committee during the year 2018 included the recommendations to the Board on the following matters:

(a) Affirmation of the Terms of Reference of the Remuneration Committee; and
(b) Proposed directors' fees and benefits for executive and non-executive directors.

**Remuneration Policy and Procedure**

For the remuneration policy, the Remuneration Committee reviews the salaries, annual fees, attendance allowance and other benefits for the executive and non-executive directors of the Company and key senior management bench marked against industry standards and market competitiveness in light of the performance of the Group in the industry. The decision to determine the level of remuneration will be the responsibility of the Board as a whole after considering recommendations from the Remuneration Committee. In addition, the annual fees of non-executive directors will be subject to the ultimate approval of the shareholders at the AGM.

## Directors' Remuneration

The remuneration of the current directors of the Company on a named basis for the financial year ended 31 December 2018 is as follows:

### Company

| Name of directors | Fees RM | Salaries RM | Other emoluments RM | Benefit-in-kind RM | Total RM |
|---|---|---|---|---|---|
| Mohd Ariff bin Yeop Ishak | 28,000.00 | - | 3,000.00 | - | 31,000.00 |
| Mohamed Shafeii bin Abdul Gaffoor | 20,000.00 | 164,839.71 | 4,000.00 | - | 188,839.71 |
| YB Chong Zhemin | 20,000.00 | - | 2,000.00 | - | 22,000.00 |
| YB Ng Shy Ching | 20,000.00 | - | 2,000.00 | - | 22,000.00 |
| Mohamed Azni bin Mohamed Ali | 20,000.00 | - | 3,000.00 | - | 23,000.00 |
| Hatim bin Musa | 20,000.00 | - | 3,000.00 | - | 23,000.00 |
| Khairul Anuar bin Musa | 20,000.00 | - | 3,000.00 | - | 23,000.00 |
| Wan Hashimi Albakri Bin W.A.A Jaffri | 48,000.00 | - | 7,000.00 | - | 55,000.00 |
| Ibrahim bin Mohd Hanafiah | 10,000.00 | - | 1,000.00 | - | 11,000.00 |
| Dato' Abd Karim bin Ahmad Tarmizi | 29,290.00 | - | 8,000.00 | - | 37,290.00 |
| Tuan Haji Ab Rahman bin Mohammed | 23,600.00 | - | 9,000.00 | - | 32,600.00 |
| Dato' Dr Vasan a/l Sinnadurai | 23,600.00 | - | 8,000.00 | - | 31,600.00 |
| Datuk Dr Wan Norashikin binti Wan Noordin | 23,600.00 | - | 10,000.00 | - | 33,600.00 |
| Dato' Aminuddin bin Md Desa | 19,733.00 | 23,081.65 | 273,494.85 | - | 316,308.50 |

### Group

| Name of directors | Fees RM | Salaries RM | Other emoluments RM | Benefit-in-kind RM | Total RM |
|---|---|---|---|---|---|
| YB Dato' Nasarudin bin Hashim | 29,290.00 | 91,532.26 | 7,000.00 | - | 127,822.26 |

## Senior Management' Remuneration

The remuneration component including salary, bonus, benefits in-kind and other emoluments of the current top five senior management of the Company on a named basis for the financial year ended 31 December 2018 is as follows:

| Name of senior managements | Designation | Remuneration (RM) |
|---|---|---|
| Mubarak Ali bin Gulam Rasul | Chief Executive Officer, Lumut Maritime Terminal | 732,640.00 |
| Mohammad Farid bin Abdul Aziz | Chief Operating Officer, Animation Theme Park Sdn Bhd | 412,740.00 |
| Rozahan bin Osman *[1.1.2018 – 10.8.2018]* | Group Chief Financial Officer | 335,500.00 |
| Ramlan bin Abdul Rahman *[10.8.2018 – 31.12.2018]* | Chief Financial Officer | 131532.00 |
| Radzman bin Mohd Tajudin | General Manager, Casuarina@Meru Hotel | 317,100.00 |

| Name of senior managements | Designation | Remuneration (RM) |
|---|---|---|
| Mukhriz bin Che Murad | Legal Advisor & Corporate Secretarial | 251,600.00 |

## SECTION 2: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Audit Committee

The Audit Committee comprises three (3) independent directors. The Audit Committee is headed by YB Chong Zhemin, and the other members are Mohamed Azni bin Mohamed Ali and Hatim bin Musa. The Committee provides assistance to the Board in fulfilling its oversight responsibilities of the financial reporting process, the system of internal controls, the audit process and the process of monitoring compliance with laws and regulations.

The role and summary of the activities of the Audit Committee are described in more detail in the Audit Committee Report set out on pages 54 to 56 of this Annual Report.

### Financial Reporting

For financial reporting through quarterly interim financial reports to Bursa Malaysia and the audited annual financial statements to the shareholders, the Board has a responsibility to present a balanced and fair assessment of the Group's financial position, performance and future prospects.

The Statement of Directors' Responsibility in relation to the preparation of the annual audited financial statements of the Company and the Group is set out on page 61 of the Annual Report.

The Audit Committee assists the Board in scrutinising the financial reporting processes and quality of the financial reporting of the Group. This Committee, on a quarterly basis, reviews the quarterly interim financial reports and yearly financial statements to ensure accuracy, adequacy and completeness as well as to comply with applicable financial reporting standards and other regulatory and legal requirements.

### Assessment of Suitability and Independence of External Auditors

Through the Audit Committee, the Board has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with applicable financial reporting standards in Malaysia. This Committee is accorded the power to communicate directly with the external auditors.

The Audit Committee conducts an annual assessment of the suitability, objectivity and independence of the external auditors by considering among other –

~ the competence, audit quality and resource capacity of the external auditor in relation to the audit;
~ the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
~ obtaining written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Messrs Ernst & Young has confirmed that they were and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements, including the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

Based on the annual assessment, the Audit Committee is satisfied with the independence, objectivity, technical competency and professionalism demonstrated by Messrs Ernst & Young.

**Risk Management and Internal Control**

The Board takes responsibility for the Group's risk management and internal control system and for reviewing its adequacy and integrity and has established a Risk Management Committee on 10 August 2018.

The Risk Management Committee comprises two (2) independent directors and one (1) executive director. The Risk Management Committee is headed by Encik Khairul Anuar bin Musa and the other members are YB Ng Shy Ching and Encik Mohamed Shafeii bin Abdul Gaffoor. The role of the Risk Management Committee is to evaluate and assess the impact of the risks faced by the Group that have been identified by the Risk Management Working Committees established for each of the active companies within the Group and then consider the actions taken or that are required to be taken to manage and mitigate the identified risks.

In 2018, the Risk Management Committee held one (1) meeting on 28 November 2018.

The attendance of the members is as follows:

| | *Meeting attendance in 2018* |
|---|---|
| Khairul Anuar bin Musa (Chairman) | 1/1 |
| YB Ng Shy Ching | 0/1 |
| Mohamed Shafeii bin Abdul Gaffoor | 1/1 |

The Board is of the view that the current system of risk management and internal control in place throughout the Group is sufficient to safeguard the Group's assets and shareholders' investment. The Statement on Risk Management and Internal Control as set out on pages in this Annual Report provides an overview of the state of risk management and internal controls within the Group.

**Internal Audit Function**

The Board recognises that effective monitoring on a continuous basis through the internal audit function is a vital component of a sound internal control system. During the year, the Group has initially in place an adequately resourced internal audit department of the Company's ultimate holding corporation who conduct regular reviews of the internal controls and report to the Audit Committee. The Company subsequently established its own internal audit department to carry out the internal audit function which is independent of the activities of the Group it audits.

## SECTION 3: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Communication with Shareholders and other Stakeholders

The Board acknowledges the importance of effective, transparent and timely dissemination of material information and has in place internal corporate disclosure procedures which enable comprehensive, accurate and timely disclosures relating to the Company to the shareholders, regulators and other stake stakeholders. These procedures also set out the authority and responsibility to approve such disclosure. In formulating these procedures, the Board is guided by the Corporate Disclosure Guide issued by Bursa Malaysia whilst adhering with the corporate disclosure requirements as set out in the Listing Requirements.

Announcements via Bursa LINK of Annual Reports which include the audited financial statements, quarterly interim financial reports, business acquisitions and disposals and other material information provide the shareholders and investing public with an overview of the Group's performance, operations and directions. Members of the public can obtain the Annual Reports, quarterly interim financial reports and the Company's announcements on the Company's website at www.perakcorp.com.my. Notices of general meetings and minutes of general meetings are also available on the Company's website.

The Board has designated Encik Mohamed Azni bin Mohamed Ali as the Senior Independent Director of the Company to whom shareholders may address their concerns relating to the Group. In addition, nominees of the Company's substantial shareholders sit on the Board. This provides a platform for interactions and direct communications between the Board, management and shareholders. At all times, any queries from other shareholders may be communicated through the Company Secretary.

### Conduct of General Meetings

The AGM is the principal forum for dialogue with the shareholders. Notice of the AGM together with the Annual Report are sent out to shareholders at least twenty eight (28) days before the date of meeting.

The Board encourages participation from the shareholders by having a question and answer session during the AGM. The directors and key senior management are available to provide responses to questions from the shareholders during the meeting.

All resolutions set out in the notice of meetings of members of the Company, including the AGM, are to be conducted by poll and an independent scrutineer is appointed to monitor the conduct of polling for each meeting.

At the AGM held on 27 June 2018, poll voting was conducted in respect of all resolutions by way of e-polling process and Symphony Corporatehouse Sdn Bhd was appointed as Scrutineers to verify the poll results. The outcome of the poll in relation to the resolutions was announced at the same meeting and detailed results stating the votes cast were announced via Bursa LINK.

# Statement on Risk Management and Internal Control

## INTRODUCTION

**Pursuant to paragraph 15.26 (B) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR), the Board is pleased to provide the statement on risk management and internal control for financial year ended 31 December 2018 which was prepared in accordance with Practice 9.1 and 9.2 of the Malaysian Code of Corporate Governance (MCCG) and the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers".**

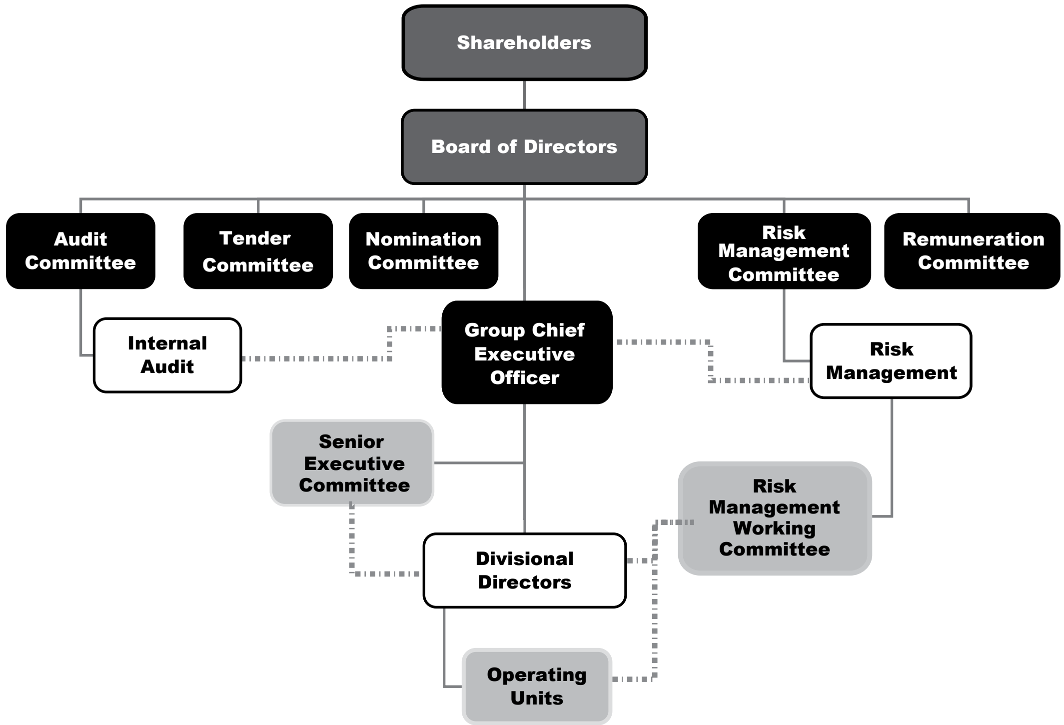
## RESPONSIBILITY OF THE BOARD

The Board acknowledges the importance of maintaining a sound framework in managing risks to safeguard the shareholders' investments and the Group's assets. The Board is constantly and actively identifying the Group's level of risk tolerance, assessing and monitoring the key business risks. These include updating the internal control systems of the Group. The Board however, acknowledges that the system of internal control is designed to manage and reduce the risk of not achieving business objectives and only provide reasonable and not absolute assurance of effectiveness against material misstatement of management and financial information and records or against financial losses or fraud.

The Group's system of internal control covers risk management and financial, operational and compliance controls. The Board does not regularly review internal control systems of associates and joint ventures, as the Board does not have direct control over their operations. Notwithstanding the above, the Group's interests are served through representation on the boards of the respective companies and the receipt and review of management accounts and enquiries thereon. Such representation also provides the Board with information for timely decision making on the continuity of the Group's investments based on the performance of the associates and joint ventures. The representation report to the Group in the event that these associates or joint ventures do not appropriately manage significant risks.

Except for insurable risks where insurance covers are purchased, other significant risks faced by the Group (excluding associates and joint ventures) are reported to and managed by the respective boards within the Group.

The internal control system of the Group is supported by an appropriate organisation structure with clear reporting lines, defined lines of responsibilities and authorities from respective business units up to the Board level as follows:




## MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board recognises the importance of key risk management and internal control system that sets the tone for the Group. In recognising the importance of risk management and internal control system in the overall governance process, the Board of the Group has instituted the following:

### Board and Board Committees

- For the financial year under review, there are seven (7) Directors on the Board comprising one (1) Group Chief Executive Officer, one (1) Non-Independent Non-Executive Director and five (5) Independent Non-Executive Directors.
- The Board has established the Risk Management Committee ("RMC"), Audit Committee ("AC"), Nomination Committee ("NC"), Tender Committee ("TC") and Remuneration Committee ("RC") with specific Terms of Reference, which have the authority to examine all matters within its scope of responsibilities and report to the Board with its recommendations for the Board's decision.
- The responsibilities and functions of the Board, each of its committees and the individual directors are specified in its respective Terms of Reference.

### Senior Executive Committee

- The Senior Executive Committee ("SEC") is chaired by the Group Chief Executive Officer and comprises the senior management team members from respective divisions.
- The key role of SEC is to deliberate and resolve the Group's key strategic and operational issues in a timely manner and keep track of key business developments.
- The SEC also serves as a platform for members to report on their respective business and operation plans to the Chief Executive Officer and to address other matters as directed by the Board and/or the Chief Executive Officer.

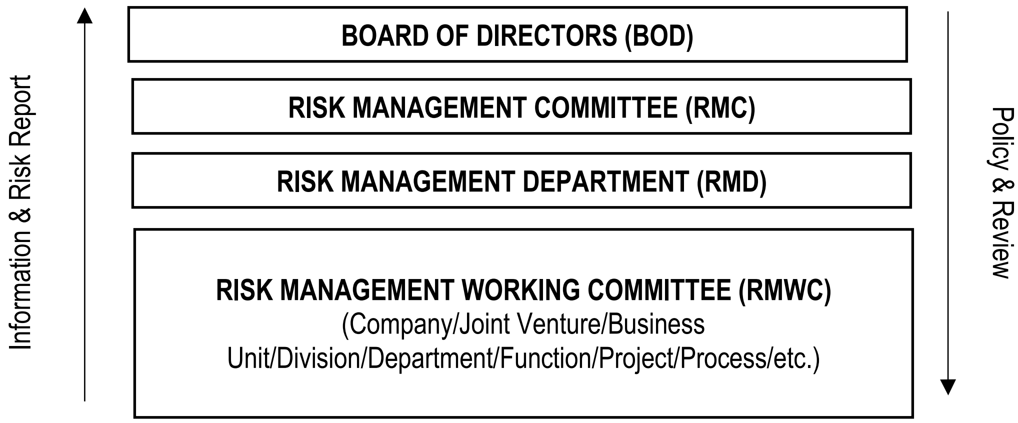
**Risk Management Committee**

- Risk Management Committee ("RMC") assists the Board in ensuring sound and robust Risk Management Policy ("RMP") to achieve the Group's strategic objectives, safeguard shareholders' investments and its assets. Terms of Reference was established and endorsed by the Board to govern its responsibilities and activities.
- The RMC is chaired by Independent Non-Executive Director and majority of members are Independent Directors.
- The RMC undertakes the following responsibilities:
  - Review and recommend risk management policies and procedures for the approval or acknowledgement of the Board;
  - Act as Primary Champion of risk management at strategic and operational levels;
  - Review the on–going adequacy and effectiveness of risk management process;
  - Review the consolidated risk registers to identify significant risks and whether these are adequately managed; and
  - Ensure that Board receive adequate and appropriate information for review and decision-making respectively
- The RMC is assisted by the Risk Management Department ("RMD"), which is primarily responsible for the implementation of RMP and operationalisation of risk management processes and practices. A RMP, which defines RMD's responsibilities, scope and authority for the Group has been established and endorsed by the RMC and Board.
- The RMC convenes on quarterly basis to review the key risk profiles and submit a summary report to the Board. Amidst delivering growth for its stakeholders, the Group will continue its focus on sound risk assessment practices and internal control to ensure that the Group is well equipped to manage the various challenges arising from the dynamic business and competitive environment.

**Risk Management Working Committee**

- Risk Management Working Committee ("RMWC") assists the RMD in ensuring sound and robust RMP to achieve the Group's strategic objectives, safeguard shareholders' investments and its assets. Terms of Reference was established and endorsed by the RMC to govern its responsibilities and activities.
- There are five (5) RMWC chaired by the Group Chief Executive Officer and subsidiaries' Chief Executive Officer/ Chief Operating Officer and consists of Head of Departments.
- The RMWC undertakes the following responsibilities:
  - Identification and assessment of risks, implementation and monitoring of risk action plans and key risk indicators.
  - Prepare and report the risk management report on identified risks and risk action plans update to RMD in timely manner.
  - Maintain highest alert on both internal and external activities or circumstances that may have adverse risk impacts and consequences to the Group and subsidiaries.

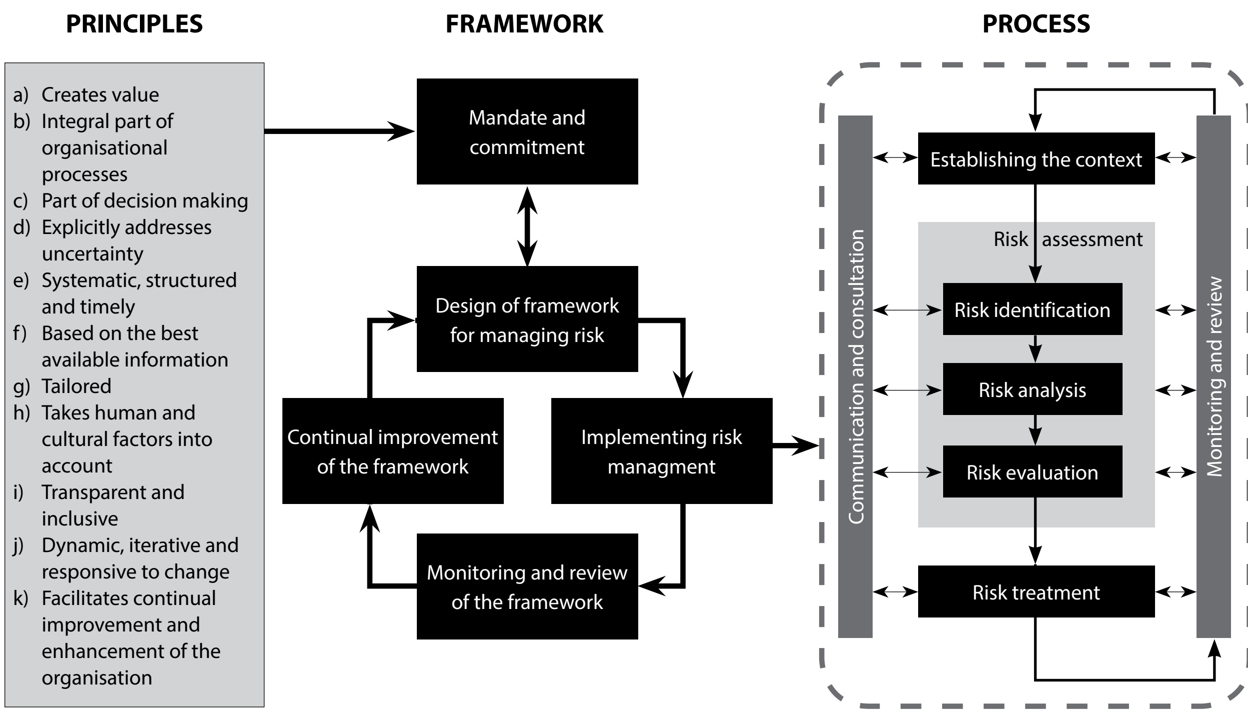
The risk management system of the Group is supported by an appropriate organisation structure with clear reporting lines, defined lines of responsibilities and authorities from respective business units up to the Board level as follows:




**Risk Management Policy**

- The RMP provides the foundation and organisational arrangement for managing risk across the Group. It illustrates how risk management is embedded in the organisational systems and integrated at all levels and work contexts, making risk consideration part of our day-today decision-making and business practices.
- Principally aligned with MS ISO31000:2010, the RMP include scope and objectives, emphasis on enterprise-wide risk assessment and management and Key Risk Indicators ("KRI"), which measure the appropriateness and effectiveness of risk countermeasures based on demonstrated/observed improvements on key business, operating and financial parameters.
- The RMP aims to:
  - ➢ Establish common risk language, modus operandi and direction with regard to risk management;
  - ➢ Convey the Group policy and attitude to risk management;
  - ➢ Set the policy, methodology, scope and application of risk management;
  - ➢ Detail the process for escalating and reporting risks;
  - ➢ Establish the roles and responsibilities for managing risk;
  - ➢ Facilitate open communication between management and the Board with respect to risk;
  - ➢ Encourage proactive decision making;
  - ➢ Build an appropriate culture of integrity and risk awareness;
  - ➢ Safeguard PCB from significant risks in the pursuit of PCB's business goals and objectives;
  - ➢ Encourage proactive rather than reactive risk management;
  - ➢ Increase shareholders' value through a more effective risk management function; and
  - ➢ Ensure legal and regulatory compliance.

## Risk Management Principles, Framework and Process




- **Risk identification, analysis and evaluation:**
  Mechanisms for identification of risks include annual risk surveys across the Group, industry benchmarking, periodic assessments of the business environment, incident analysis, findings of internal audits, discussions with the Risk Management Committee and analysis of the Group's performance relative to the corporate scorecard goals. Risk analysis and evaluation are carried out using scenario-based assessments to decide the potential impact, likelihood of occurrence and in some cases, the detectability of the risk. Estimated risks are compared with established risk criteria and thresholds to determine the priority and method of risk treatment.

- **Risk treatment:**
  Risk treatment is the process of selecting and implementing measures to alleviate the impact of identified risks;
  - **Avoid:** A decision to nullify the risk by refraining from the activities that cause it
  - **Transfer:** A decision to transfer the specific risk to another entity
  - **Reduce:** A decision to reduce the level of risk through targeted mitigation, if not to completely nullify it
  - **Accept:** A decision to allow the risk to remain as is, irrespective of its severity
  - **Escalate:** A decision to escalate the risk to senior management

- **Risk mitigation and monitoring:**
  Mitigation plans are finalized, owners are identified, and the progress of mitigation actions are monitored and reviewed. The Risk Management Committee periodically do a deep dive into understanding the scope and effectiveness of mitigation plans and provides feedback to mitigation teams.

- **Risk reporting and disclosures:**
  Dashboards help track external and internal indicators for each identified risk and assess its severity. The trend line assessment of top risks, analysis of exposure and potential impact are carried out periodically, presented and discussed with the RMC. Risks relating to client project execution and client account-level risks are reported and discussed at appropriate levels within the Group. Periodic updates are provided to the Board highlighting key risks, their impact and mitigation actions.

**Summary of Risk Management Activities**

- Assessed and strengthened the enterprise risk management framework for further standardization of risk identification, assessment and governance of risks across the organization.
- Assessment of our business momentum relative to competition and competitive position in key market segments comprising geographies, industries and service lines were conducted and actioned.
- Periodic risk awareness briefing, risk identification and mitigating action plan workshops are conducted as continuous efforts to inculcate proactive risk-aware culture within the Group.
- Risk Management Status Reports are produced quarterly at the minimum and are presented to the RMC and Board of Directors for deliberation and approval.
- Quarterly review and monitoring implementation of risk action plans by the risk management team.
- Provides risk management consultation and advisory services to projects, investment and potential business leads.

**Risk management highlights for the year**

During the year, the Board has newly established the RMC and RMD. Two (2) RMC meetings were held for the year whereby Risk Management Policy, RMC's Term of Reference and Risk Management Report were endorsed. Risk management practices were primarily focused on the effectiveness of strategic programs in improving our competitive position and differentiation in market segments, the momentum of new initiatives to achieve our long-term business aspirations, our preparedness to address any incidents that may cause business disruptions to our physical and technological infrastructure, strengthening internal controls to detect fraudulent activity, leadership development, leadership succession planning and monitoring possible impact of changes in our regulatory environment.

## KEY ELEMENTS OF INTERNAL CONTROL

Internal control is embedded in the Group's operations as follows:

- Clear organisation structure with defined reporting lines. There is a defined organisational structure within the Group with each division having clearly defined roles and responsibilities, levels of authority and lines of accountability.
- Each operating unit is responsible for the conduct and performance of business units, including the identification and evaluation of significant risks applicable to their respective business areas, the design and operation of suitable internal control and in ensuring that an effective system of internal control is in place.
- Defined level of authorities and lines of responsibilities from operating units up to the Board level to ensure accountabilities for risk management and control activities.
- The Group has various support functions comprising secretarial, legal, human resource, administration, internal audit, risk management, finance and accounts.
- The Board is supported by a qualified Company Secretary. The Company Secretary plays an advisory role to the Board, particularly on issues relating to compliance with the MMLR, the Companies Act 2016 and other relevant laws and regulations.
- RMC chaired by the Independent Director sits quarterly to review and recommend the risk management policies, strategies, major risks review and risk mitigation actions for the Group as well as reporting to the Board on quarterly basis.
- Code of Conducts of Perbadanan Kemajuan Negeri Perak ("PKNP") to be adopted for the Board and all employees in the Group to ensure high standards of conduct and ethical values in all business practices.

- Remuneration and Disciplinary Committee established to provide an avenue for employees to report any breach or suspected breach of any law or regulation, including business principles and the Group's policies and guidelines in a safe and confidential manner.
- Regular Board and Management meetings to assess the Group's performance and controls.
- The internal audit function provides assurance of the effectiveness of the system of internal control within the Group. Regular internal audit visits to review the effectiveness of the control procedures and ensure accurate and timely financial management reporting. Internal audit efforts are directed towards areas with significant risks as identified by Management.
- Review of internal audit reports and follow-up on findings by the Management. The internal audit reports are deliberated by the Audit Committee and are subsequently presented to the Board on a quarterly basis or earlier, as appropriate.
- Review and award of major contracts by the Tender Committee. A minimum of three quotations is called for and tenders are awarded based on criteria such as quality, track record and speed of delivery.
- Tender Committee comprising members of the Board which ensures transparency in the award of contracts.
- Clearly documented standard operating procedure manuals set out the policies and procedures for day to day operations to be carried out. Regular reviews are performed to ensure that documentation remains current, relevant and aligned with evolving business and operational needs.
- Consolidated quarterly management accounts and forecast performance which allow Management to focus on areas of concern.
- Strategic planning, target setting and detailed budgeting process for each area of business which are approved both at the operating level and by the Board.

## CONCLUSION

For the financial year under review and up to the date of issuance of the audited financial statements, the Board is satisfied that the system of risk management introduced Group wide during the year to be adequate in order to capture and assess the risks within the context of the Group's business environment. The risk management system will also assess the adequacy of the internal controls that are in place to mitigate the identified risks to acceptable levels.

The Board has received assurance from the Group Chief Executive Officer and Group Chief Financial Officer who, in the absence of any breach of internal controls highlighted by the Group Internal Audit and external auditors, are satisfied with the adequacy, integrity and effectiveness of the Group's system of internal controls in place and will ensure the completion of the implementation of the risk management system throughout the Group in 2019.

No material losses, contingencies or uncertainties have arisen from any inadequacy or failure ofthe Group's system of internal control, except for a number of weaknesses which were identified and addressed during the year, that would require disclosure in the Annual Report.

This statement is made in accordance with a resolution of the Board of Directors dated 30 April 2019.

# Audit Committee Report

Audit Committee is a committee of the Board of Directors responsible with the oversight of financial reporting and disclosure, as well as corporate governance and overseeing responsibilities in relation to the Group's internal control and internal and external audit functions.

**Members and meeting**

The Audit Committee comprises of three (3) independent non-executive directors.

The Audit Committee shall meet at least four (4) times a year, although additional meetings may be called at any time at the Chairman's discretion and if requested by any member of the Committee or internal or external auditors. The Committee may meet with the external auditors, internal auditors or both without the attendance of other directors and employee of the Company, whenever deemed necessary. The Committee may invite any person to be in attendance at each meeting.

A total of five (5) meeting were held during the financial year. Details of composition of the Committee and attendance by each member of the Committee are set below:

| **Name** | **Status of Directorship** | **Attendance of Meetings** |
|---|---|---|
| Y.B. Chong Zhemin **(Chairman)**<br>*Appointed on 10 August 2018* | Independent Non-Executive | 1/2 |
| Mohamed Azni bin Mohamed Ali<br>*Appointed on 10 August 2018* | Senior Independent Non-Executive | 2/2 |
| Hatim bin Musa<br>*Appointed on 10 August 2018* | Independent Non-Executive | 2/2 |
| Tuan Haji Ab Rahman bin Mohammed<br>*Retired on 27 June 2018* | Senior Independent Non-Executive | 3/3 |
| Dato' Dr Vasan a/l Sinnadurai<br>*Retired on 27 June 2018* | Independent Non-Executive | 3/3 |
| Datuk Dr Wan Norashikin binti Wan Noordin<br>*Retired on 27 June 2018* | Independent Non-Executive | 3/3 |

The meetings have been appropriately and adequately structured with each member of the Committee receiving notices, agendas and papers sufficiently in advance prior to the meetings.

The Chairman of the Audit Committee reports to the Board on principal matters deliberated at the Audit Committee meetings. The Chairman of the Audit Committee also deliberates to the Board on matters of significant concern as and when reported by the external auditors and internal auditors.

## Activities during the financial year

During the financial year, the Audit Committee carried out its duties as set out in its Terms of Reference. The summary of key activities are as follows:

*Financial Reporting*

In its oversight of the financial reporting process, for the financial year under review, the Audit Committee obtained assurance from the Group Chief Financial Officer on the followings:

1. Reviewed the quarterly unaudited financial results and audited annual financial statements of the Group to ensure compliance with applicable accounting standards and other statutory and regulatory requirements prior to recommending for approval by the Board of Directors and subsequently for the quarterly announcements made to Bursa Malaysia Securities Berhad.
2. Reviewed the impact of any changes to the accounting policies and adoption of new accounting standards as well as accounting treatments used in the financial statements.
3. Reviewed the annual audited financial statements and the audit report thereon as presented by the external auditors covering the following areas with management prior to submission with its recommendation to the Board of Directors for approval:
   ~ Appropriate accounting policies that have been adopted and applied consistently;
   ~ Key audit issues which arose during the audit and their subsequent resolution;
   ~ Key significant audit findings; and
   ~ External auditors' management letter and management's response thereto.

*External Audit*

During the financial year, the Audit Committee together with the Messrs Ernst & Young:

1. Reviewed the audit plan in respect of the audit for the financial year ended 31 December 2018, outlining the nature and scope of the audit work and the proposed fees for the statutory audit, as well as the audit procedures to be undertaken.
2. Reviewed the number and experience of audit staff assigned to the audit engagement, resource capacity and effectiveness as well as the suitability, objectivity and independence of the external auditors.
3. Reviewed major audit finding and observations arising from the interim and final audits, significant accounting issues and any other matter.

The amount of audit fees and non-audit fees payable to Messrs. Ernst & Young for the financial year ended 31 December 2018, are as follows:

| | Audit fees (RM) | Non-Audit fees (RM) |
|---|---|---|
| Company | 117,500 | 20,000 |
| Group | 587,000 | 91,500 |

The non-audit fees included assurance services rendered comprise annual review of the Statement on Risk Management and Internal Control.

*Internal Audit*

During the financial year, the Audit Committee has:

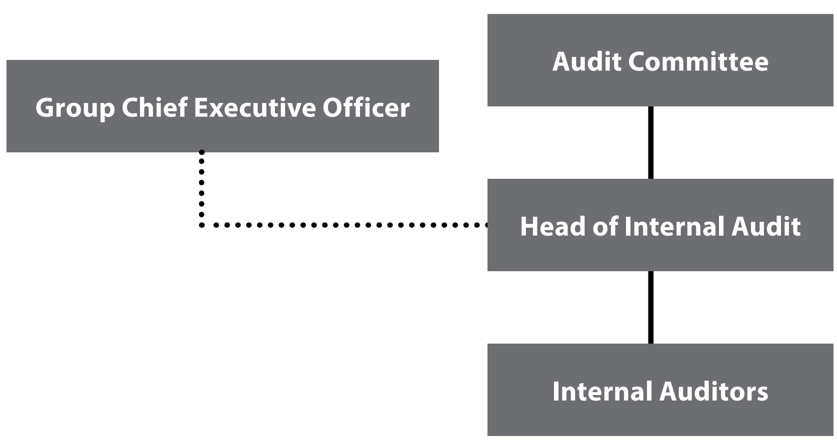
1. Reviewed and approved the annual internal audit plan based on risk-based approach as presented by the internal auditors and discussed with them on the scope of work, adequacy of resources and coordination with the external auditors.
2. Reviewed and deliberated internal audit reports and corrective action taken by the Management in order to resolve the issues highlighted in the internal audit reports.
3. Reviewed the adequacy of internal audit process and resources allocated to the Group Internal Audit.
4. Instructed internal auditors to carry out special audit on the construction and development of the Movie Animation Park Studios. The report has been presented to the Audit Committee on 27 February 2019.

*Related Party Transactions*

During the financial year, the Audit Committee has reviewed the related party transactions entered by the Company and the Group as well as the disclosure and the procedures relating to related party transactions.

**Internal Audit Function**

The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. In this respect, since the beginning of the financial year until October 2018, the Audit Committee is supported adequately by the internal audit department from the Company's ultimate holding corporation in which the personnel have the relevant experience, competency and resources as well as able to access the necessary information to carry out their function and role effectively. Subsequent to that, on November 2018, the Group has established its own internal audit department. The main role of internal auditors is to review the effectiveness of internal control, and this is performed with impartiality, proficiency and due professional care. Functionally, the internal auditors report directly to the Audit Committee on audit matters and administratively to the Group Chief Executive Officer. The structure of Group Internal Audit is as follows:




The internal audit activities have been carried out according to the internal audit plan based on risk-based approach, which has been approved by the Audit Committee. During the financial year, the internal auditors have conducted a series of audit reviews on the operating units including subsidiaries of the Group. The internal auditors ensured, on a follow up basis, that recommendation to improve internal controls are implemented by the Management. These initiatives, together with the Management's adoption of the external audit's recommendations for the improvement of internal control noted during their annual audit, provide reasonable assurance that control procedures are in place.

# Additional Compliance Information

## RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE NATURE

The RRPT of revenue nature conducted during the financial year is as follows:

| *Type of RRPT* | *Name of related party* | *Relations with the Company* | *Actual value 1/1/2018 – 31/12/2018 (RM)* |
|---|---|---|---|
| Procure and purchase of merchandise by Animation Theme Park Sdn Bhd ("**ATP**") | Nexus Jade Sdn Bhd ("**NJSB**") | See Note 1 below | 534,308 |
| Operation and maintenance contract provided by Lumut Maritime Terminal Sdn Bhd ("**LMTSB**") | Lekir Bulk Terminal Sdn Bhd ("**LBTSB**") | See Note 2 below | 54,241,228 |

Note:

1. Perbadanan Kemajuan Negeri Perak holds 55.12% equity interest in Majuperak Holdings Berhad which in turn holds 51% equity interest in NJSB through two intermediate wholly owned subsidiaries. Perbadanan Kemajuan Negeri Perak holds 52.9% equity interest in Perak Corporation Berhad which in turn holds 51% equity interest in ATP through its wholly owned subsidiary.

2. Integrax Berhad holds 100% equity interest in Pelabuhan Lumut Sdn Bhd which in turn holds 50% minus 1 share equity interest in LMTSB and 100% equity interest in LBTSB.

## UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate exercise during the financial year ended 31 December 2018.

## MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiary involving the interest of the directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year, except as disclosed in notes 37 and 38 of the financial statements of the Company for the financial year ended 31 December 2018.

# Analysis of Shareholdings AS AT 29 MARCH 2019

| | | |
|---|---|---|
| Total number of issued shares | : | 100,000,000 |
| Class of Shares | : | Ordinary shares |
| Voting Rights | : | One (1) vote per ordinary share held |

## DISTRIBUTION OF SHAREHOLDERS

| Size of shareholdings | No. of holders | % | Total shareholdings | % |
|---|---|---|---|---|
| Less than 100 | 259 | 11.52 | 11,513 | 0.01 |
| 100 to 1,000 | 232 | 10.31 | 144,399 | 0.14 |
| 1,001 to 10,000 | 1,348 | 59.94 | 4,780,761 | 4.78 |
| 10,001 to 100,000 | 356 | 15.83 | 11,077,374 | 11.08 |
| 100,001 to 4,999,999 | 52 | 2.31 | 26,354,703 | 26.36 |
| 5,000,000* and above | 2 | 0.09 | 57,631,250 | 57.63 |
| | 2,249 | 100.00 | 100,000,000 | 100.00 |

*Note:* * Denotes 5% of the issued capital

## SUBSTANTIAL SHAREHOLDERS

| | | No. of shares held | | | |
|---|---|---|---|---|---|
| No. | Name of holders | Direct | % | Indirect | % |
| 1 | Perbadanan Kemajuan Negeri Perak | 52,271,253 *1 | 52.27 | 627,150 *2 | 0.63 |
| 2 | Sime Darby Property Berhad | 6,125,000 | 6.13 | - | - |

*Note :*

*1 Including 51,506,250 shares held under CIMB Group Nominees (Tempatan) Sdn Bhd

*2 Deemed interest through its direct and indirect wholly owned subsidiaries, namely Fast Continent Sdn Bhd, Cherry Blossom Sdn Bhd and Perak Equity Sdn Bhd

## DIRECTORS' SHAREHOLDINGS

| | | No. of shares held | | | |
|---|---|---|---|---|---|
| No. | Name of holder | Direct | % | Indirect | % |
| 1 | Mohd Ariff bin Yeop Ishak | - | - | - | - |
| 2 | Mohamed Shafeii bin Abdul Gaffoor | - | - | - | - |
| 3 | YB Chong Zhemin | - | - | - | - |
| 4 | YB Ng Shy Ching | - | - | - | - |
| 5 | Mohamed Azni bin Mohamed Ali | - | - | - | - |
| 6 | Hatim bin Musa | - | - | - | - |
| 7 | Khairul Anuar bin Musa | - | - | - | - |

## THIRTY LARGEST SHAREHOLDERS

| No. | Name | No. of shares held | % |
|---|---|---|---|
| 1 | CIMB Group Nominees (Tempatan) Sdn Bhd<br>*CIMB Bank Bhd for Perbadanan Kemajuan Negeri Perak (CBD-NR-PERAKCB)* | 51,506,250 | 51.51 |
| 2 | Sime Darby Property Berhad | 6,125,000 | 6.13 |
| 3 | Pui Cheng Wui | 3,930,600 | 3.93 |
| 4 | KAF Trustee Berhad<br>*KIFB for KAF Seagroatt & Campbell Berhad* | 3,912,000 | 3.91 |
| 5 | Chua Sim Neo @ Diana Chua | 3,785,500 | 3.79 |
| 6 | CIMB Group Nominees (Asing) Sdn Bhd<br>*Exempt an for DBS Bank Ltd (SFS)* | 1,688,100 | 1.69 |
| 7 | Kenanga Nominees (Asing) Sdn Bhd<br>*Cantal Capital Inc.* | 1,000,000 | 1.00 |
| 8 | Gan Kho @ Gan Hong Leong | 831,600 | 0.83 |
| 9 | Wong Shak On | 830,000 | 0.83 |
| 10 | Perbadanan Kemajuan Negeri Perak | 765,003 | 0.76 |
| 11 | Gan Kho @ Gan Hong Leong | 715,900 | 0.72 |
| 12 | Public Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Han Fook Fong (E-PPG)* | 475,500 | 0.47 |
| 13 | Tharumanathan a/l S. Eliathamby | 463,000 | 0.46 |
| 14 | Cherry Blossom Sdn Bhd | 367,150 | 0.37 |
| 15 | KAF Trustee Berhad<br>*KIFB for Yayasan Istana Abdul Aziz* | 360,000 | 0.36 |
| 16 | KAF Trustee Berhad<br>*KIFB for DYMM Tuanku Bainun Mohd Ali* | 351,000 | 0.35 |
| 17 | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Chin Kiam Hsung* | 319,700 | 0.32 |
| 18 | Chee Ah Ngoh | 309,700 | 0.31 |
| 19 | Ng Poh Cheng | 302,200 | 0.30 |
| 20 | Public Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Tam Seng @ Tam Seng Sen (E-PTS)* | 300,000 | 0.30 |
| 21 | Toh Ah Hai | 271,100 | 0.27 |
| 22 | Maybank Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Tay Ong Ngo @ Tay Boon Fang* | 260,000 | 0.26 |
| 23 | Cheong Yoke Choy | 250,000 | 0.25 |
| 24 | Renfield Investment Limited | 250,000 | 0.25 |
| 25 | Fast Continent Sdn Bhd | 247,500 | 0.25 |
| 26 | Chin Kian Fong | 231,600 | 0.23 |
| 27 | UOB Kay Hian Nominees (Asing) Sdn Bhd<br>*Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)* | 231,350 | 0.23 |
| 28 | RHB Nominees (Tempatan) Sdn Bhd<br>*Pledged Securities Account for Chin Kiam Hsung* | 230,000 | 0.23 |
| 29 | Tan Teck Peng | 228,000 | 0.23 |
| 30 | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt an for Credit Suisse (Sg Br-Tst-Asing)* | 200,000 | 0.20 |
| | | **80,737,753** | **80.74** |

# Summary of Properties AS AT 31 DECEMBER 2018

| | Locations | Approximate Land area (acres ) | Tenure | Description | Date of Acquisitions Approx. Age (Building) Net Book Value | Existing Use |
|---|---|---|---|---|---|---|
| PCB Development Sdn Bhd | Part of lot 140407, 15437, 25459, 33004, 52566, 21310, 18202 Mukmin Ulu Kinta, District Of Kinta, Perak Darul Ridzuan | 45.8 | Freehold | Agricultural land with approvals for mixed development from Pejabat Pengarah Tanah & Galian | 31.12.1997<br>RM7,054,529 | Agriculture (Proposed for mixed development) |
| PCB Development Sdn Bhd | No. HDS 98757, PT 167585 Negeri Perak, Mukmin Ulu Kinta, District Of Kinta, Perak Darul Ridzuan. | 5.00 | Freehold | 3-Storey Institutional Building | 1.1.2002<br>RM3,560,048<br>16 years | Vacant |
| PCB Development Sdn Bhd | a) No.HSD 159908, PT 213246 | 0.0616 | Freehold | Double storey building | 30.9.2011<br>RM1,111,500<br>6 years | Vacant |
| | b) No.HDS 159909, PT 213247 | 0.0650 | | | | |
| | c ) No.HDS 159910, PT 213248 | 0.0650 | | | | |
| | Mukim Ulu Kinta, District Of Kinta, Perak Darul Ridzuan | | | | | |
| PCB Development Sdn Bhd | No. HSD 229480, PT 265836 Mukim Ulu Kinta, District Of Kinta, Perak Darul Ridzuan | 3.99 | Freehold | Commercial building | 31.12.1997<br>RM656,164<br>1½ years | Restaurant |
| | Lot PT 2273,Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan | 27.46 | Leasehold (99 years) expiring year 2094 | Waterbody | 30.9.1995<br>RM670,617 | Port Operation |
| | Lot PT 6973,Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan | 72.54 | Leasehold (99 years) expiring year 2094 | Wharf, Warehouse, & office complex building | 10.4.1997<br>RM90,365,719<br>21 years | Port Operation |
| | PT 6972/Lot 11063, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan (purchase vacant land in YR2013) | 1.65 | Leasehold (99 years) expiring year 2094 | Waterbody | 17.4.2013<br>RM2,402,560<br>5 years | Port Operation |
| | PT 4859, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan (purchase vacant land in YR2014) | 3.49 | Leasehold (99 years) expiring year 2113 | Waterbody | 10.3.2015<br>RM1,819,784 | Port Operation |
| | PT 10445 and PT10447, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan (purchase vacant land in YR2017) | 13.3 | Leasehold (99 years) expiring year 2105 | Waterbody | 31.01.2017<br>RM12,959,449 | Port Operation |
| | PT 16661, 16662, 16838 & 16839, Mukim Lumut, Daerah Manjung, Perak Darul Ridzuan (purchase vacant land in YR2017) | 115.31 | Leasehold (99 years) expiring year 2114 | Waterbody | 31.05.2017<br>RM64,867,908 | Port Operation |
| | H.S(D) 204383 PT 245010, Mukim Ulu Kinta, District Of Kinta, Perak Darul Ridzuan. | 7.34 | Freehold | Hotel, convention centre & 2-office towers | 31.2.2013<br>RM55,101,427<br>5 years | Hotel and office operation |

# Statement of Directors' Responsibilities
## In Respect Of The Annual Audited Financial Statements

The Directors are required by the Companies Act, 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and their results and cash flows for the financial year then ended.

In preparing the financial statements, the Directors have:

- Complied with the applicable MASB approved accounting standards in Malaysia.
- Adopted and consistently applied appropriate accounting policies.
- Made judgements and estimates that are prudent and reasonable.

The Directors have responsibility for ensuring that the Company and the Group keep accounting records, which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act, 2016.

The Directors have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

# PERAK CORPORATION BERHAD

INCORPORATED IN MALAYSIA (210915-U)

# DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

**31 DECEMBER 2018**

## CONTENTS

# DIRECTORS' REPORT

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

## Principal activities

The principal activities of the Company consist of property and investment holding, real property development and provision of management services.

The principal activities and other information of the subsidiaries, associates and joint operations are disclosed in Notes 17, 18 and 35 to the financial statements.

## Ultimate holding corporation

The ultimate holding corporation is Perbadanan Kemajuan Negeri Perak, a body corporate established under Perak Enactment No. 3, 1967.

## Results

| | Group RM | Company RM |
|---|---|---|
| Loss for the year | (170,924,702) | (35,786,063) |
| Attributable to: | | |
| Owners of the Company | (104,879,963) | (35,786,063) |
| Non-controlling interests | (66,044,739) | - |
| | (170,924,702) | (35,786,063) |

There were no material transfers to or from reserves or provisions during the financial year.

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.

## Dividend

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

## Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Mohd Ariff Bin Yeop Ishak (appointed on 28 June 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed on 28 June 2018)
Chong Zhemin (appointed on 10 August 2018)
Hatim Bin Musa (appointed on 10 August 2018)
Khairul Anuar Bin Musa (appointed on 10 August 2018)
Mohamed Azni Bin Mohamed Ali (appointed on 10 August 2018)
Ng Shy Ching (appointed on 10 August 2018)
Ibrahim Bin Mohd Hanafiah (appointed on 29 August 2018 and resigned on 15 November 2018)
Dato Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri (resigned on 1 March 2019)
Dato' Nasarudin Bin Hashim (resigned on 10 August 2018)
Dato' Abd Karim Bin Ahmad Tarmizi (resigned on 10 August 2018)
Tuan Haji Ab Rahman Bin Mohammed (resigned on 27 June 2018)
Datuk Dr Wan Norashikin Binti Wan Noordin (resigned on 27 June 2018)
Dato' Dr Vasan A/L Sinnadurai (resigned on 27 June 2018)
Dato' Aminuddin Bin Md Desa (resigned on 28 May 2018)

## Directors of the Company's subsidiaries

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report are:

**Directors of PCB Development Sdn. Bhd.**
Mohd Ariff Bin Yeop Ishak (appointed on 16 July 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed on 16 July 2018)
Sharifah Nor Hashimah Binti Syed Kamaruddin
Azman Bin Mohd Isa (appointed on 16 July 2018)
Dato' Aminuddin Bin Md Desa (resigned on 25 August 2018 )
Dato' Nasarudin Bin Hashim (resigned on 10 August 2018)
Rustam Apandi Bin Jamaludin (resigned on 16 July 2018)

**Directors of PCB Equity Sdn. Bhd.**
Mohd Ariff Bin Yeop Ishak (appointed on 16 July 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed on 16 July 2018)
Ramlan Bin Abdul Rahman (appointed on 10 October 2018)
Ahmad Al-Hadi Bin Abdul Khalid (appointed on 28 May 2018 and resigned on 10 October 2018)
Dato' Aminuddin Bin Md Desa (resigned on 28 May 2018)
Abdul Rahim Bin Bohari @ Bahari (resigned on 10 October 2018)

**Directors (contd.)**

**Directors of the Company's subsidiaries (contd.)**

**Directors of PCB Leisure Sdn. Bhd.**
Mohd Ariff Bin Yeop Ishak (appointed on 16 July 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed on 16 July 2018)
Ramlan Bin Abdul Rahman (appointed on 10 October 2018)
Ahmad Al-Hadi Bin Abdul Khalid (resigned on 10 October 2018)
Dato' Abdul Karim Bin Ahmad Tarmizi (resigned on 8 October 2018)
Rustam Apandi Bin Jamaludin (resigned on 16 July 2018)
Dato' Dr Vasan A/L Sinnadurai (resigned on 16 July 2018)
Dato' Aminuddin Bin Md Desa (resigned on 28 May 2018)

**Directors of PCB Taipan Sdn. Bhd.**
Mohd Ariff Bin Yeop Ishak (appointed 30 July 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed 30 July 2018)
Dato Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri
Ramlan Bin Abdul Rahman (appointed on 10 October 2018)
Ahmad Al-Hadi Bin Abdul Khalid (resigned on 10 October 2018)
Datuk Dr Wan Norashikin Binti Wan Noordin (resigned on 27 June 2018)
Dato' Aminuddin Bin Md Desa (resigned on 28 May 2018)

**Directors of Rungkup Port Sdn. Bhd.**
Mohd Ariff Bin Yeop Ishak (appointed on 16 July 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed on 10 October 2018)
Ramlan Bin Abdul Rahman (appointed on 10 October 2018)
Salween Azila Binti Ahmad Tauffik (resigned on 10 October 2018)
Ahmad Al-Hadi Bin Abdul Khalid (resigned on 10 October 2018)
Dato' Aminuddin Bin Md Desa (resigned on 28 May 2018)

**Directors of Animation Theme Park Sdn. Bhd.**
Mohd Ariff Bin Yeop Ishak (appointed on 13 July 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed on 13 July 2018)
Ramelle Ashram Bin Ramli
Stephen Allan Sanderson
Rozahan Bin Osman (resigned on 3 September 2018)
Rustam Apandi Bin Jamaludin (resigned on 13 July 2018)
Dato' Aminuddin Bin Md Desa (resigned on 28 May 2018)
Yun Kam Fei (resigned on 21 May 2018)

**Directors (contd.)**

**Directors of the Company's subsidiaries (contd.)**

**Directors of Casuarina Pangkor Sdn. Bhd., Casuarina Tanjong Malim Sdn. Bhd., Casuarina Teluk Intan Sdn. Bhd., Casuarina Boathouse Sdn. Bhd., Casuarina Taiping Sdn. Bhd., Lanai Casuarina Sdn. Bhd., Meru Raya Water Park Sdn. Bhd. and Labu Sayong Cafe Sdn. Bhd.**

Mohd Ariff Bin Yeop Ishak (appointed on 16 July 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed on 16 July 2018)
Ramlan Bin Abdul Rahman (appointed on 10 October 2018)
Ahmad Al-Hadi Bin Abdul Khalid (resigned on 10 October 2018)
Rustam Apandi Bin Jamaludin (resigned on 16 July 2018)
Dato' Aminuddin Bin Md Desa (resigned on 28 May 2018)

**Directors of Meru Raya Park Sdn. Bhd.**

Mohd Ariff Bin Yeop Ishak (appointed on 16 July 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed on 16 July 2018)
Rustam Apandi Bin Jamaludin (resigned on 16 July 2018)
Ahmad Al-Hadi Bin Abdul Khalid (resigned on 10 October 2018)
Ramlan Bin Abdul Rahman (appointed on 10 October 2018)

**Directors of BIOD Leisure and Recreation Sdn. Bhd.**

Rozahan Bin Osman
Salween Azila Binti Ahmad Tauffik

**Directors of Rimba Land Sdn. Bhd.**

Mohamed Shafeii Bin Abdul Gaffoor (appointed on 16 July 2018)
Ramlan Bin Abdul Rahman (appointed on 10 October 2018)
Rustam Apandi Bin Jamaludin (resigned on 16 July 2018)
Rozahan Bin Osman (resigned on 3 September 2018)
Ahmad Al-Hadi Bin Abdul Khalid (resigned on 10 October 2018)

**Directors (contd.)**

**Directors of the Company's subsidiaries (contd.)**

**Directors of Lumut Maritime Terminal Sdn. Bhd.**
Mohd Ariff Bin Yeop Ishak (appointed on 19 July 2018)
Mohamed Shafeii Bin Abdul Gaffoor (appointed on 19 July 2018)
Dato' Seri Panglima Mohammad Noordin Bin Ali (appointed on 25 April 2018)
Jamaluddin Bin Lebai Yusop (appointed on 30 January 2019)
Ir. Roslan Bin Abd Rahman (appointed on 2 January 2019)
Mohammad Zahir Bin Ismail
Mohd Shaiful Bahri Bin Hussain
Datuk Zainudin Bin Ibrahim (resigned on 3 September 2018)
Rozahan Bin Osman (resigned on 30 July 2018)
Dato' Azian Bin Osman (resigned on 30 June 2018)
Dato' Aminuddin Bin Md Desa (resigned on 30 May 2018)
Salween Azila Binti Ahmad Tauffik (resigned on 25 April 2018)

**Directors of Casuarina Meru Sdn. Bhd.**
Mohd Ariff Bin Yeop Ishak (appointed on 30 June 2018)
Mohd Shafeii Bin Abdul Gaffoor (appointed on 30 June 2018)
Norhaslinda Binti Zakaria (appointed on 30 July 2018)
Dato' Mohd Azmi Bin Othman (appointed on 19 February 2018 and resigned on 30 July 2018)
Rustam Apandi Bin Jamaludin (resigned on 30 July 2018)
Dato' Khansiyah @ Khamsiyah Binti Yeop (resigned on 30 June 2018)
Dato' Azian Bin Osman (resigned on 30 June 2018)
Dato' Aminuddin Bin Md Desa (resigned on 28 May 2018)

**Directors of LMT Capital Sdn. Bhd.**
Mohd Shaiful Bahri Bin Hussain
Mohd Shafeii Bin Abdul Gaffor (appointed on 30 July 2018)
Rustam Apandi Bin Jamaludin (resigned on 30 July 2018)

**Directors of Silveritage Corporation Sdn. Bhd. and Cash Complex Sdn. Bhd.**
Rusnidar Binti Samsudin (appointed on 3 December 2018)
Mukhriz Bin Che Murad (appointed on 3 December 2018)
Amirul Hakim Bin Abdullah (appointed on 16 July 2018 and resigned on 3 December 2018)
Nik Azman Bin Nik Abdul Aziz (resigned on 3 December 2018)

## 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 remuneration received or due and receivable by the directors or the fixed salary of a full-time employee of the Company or of related corporations as shown in Note 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 32 to the financial statements.

## Directors' interests

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

## Indemnity and insurance costs

During the financial year, directors and officers of the Company are covered under the Directors' and Officers' Liability Insurance Policy in respect of liabilities arising from acts committed in their respective capacity as, inter alia, directors and officers of the Company subject to the terms of the Policy. The total amount of Directors' and Officers' Liability Insurance effected for the directors and officers of the Company was RM10 million.

**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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off 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) the amount written off for 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 financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

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

## Other statutory information (contd.)

(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 significant events during the financial year are as disclosed in Note 36 to the financial statements.

## Subsequent events

Details of subsequent events are disclosed in Note 37 to the financial statements.

**Auditors**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 9 to the financial statements.

To the extent permitted by law, the Group and the Company have agreed to indemnify their auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2019.

Mohd Ariff Bin Yeop Ishak

Mohamed Shafeii Bin Abdul Gaffoor

Ipoh, Perak Darul Ridzuan, Malaysia

# STATEMENT BY DIRECTORS

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

We, Mohd Ariff Bin Yeop Ishak and Mohamed Shafeii Bin Abdul Gaffoor being two of the directors of Perak Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 19 to 161 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 April 2019.

Mohd Ariff Bin Yeop Ishak

Mohamed Shafeii Bin Abdul Gaffoor

Ipoh, Perak Darul Ridzuan, Malaysia

# STATUTORY DECLARATION

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

I, Ramlan Bin Abdul Rahman (NRIC No.: 660110-08-5783), being the officer primarily responsible for the financial management of Perak Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 19 to 161 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 Ramlan Bin Abdul Rahman
at Ipoh in the State of Perak Darul Ridzuan
on 30 April 2019.

Ramlan Bin Abdul Rahman
(MIA 7091)

Before me,

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PERAK CORPORATION BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of Perak Corporation Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 19 to 161.

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

*Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Material uncertainty related to going concern*

We draw attention to Note 2.1 to the financial statements, which describes that the Group incurred a net loss of RM170.9 million during the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by RM316.5 million. The Group also has negative cash flow position of RM68,902 as at 31 December 2018. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*Key audit matters*

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

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

In addition to the matter described in the *Material uncertainty related to going concern* section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of property, plant and equipment

*Refer to Note 3.2 (Key sources of estimation uncertainty) and Note 14 (Property, plant and equipment).*

As at 31 December 2018, the Group's net assets are higher than its market capitalisation and together with the change in business model of the theme park operated by a subsidiary, indicates that the carrying amount of the related property, plant and equipment of the subsidiary may be impaired.

The carrying amount of the Group's property, plant and equipment in respect of theme park operations as at 31 December 2018 amounted to RM183.0 million, representing 58% of the Group's total property, plant and equipment.

The Group is required to perform impairment test of Cash Generating Unit ("CGU") whenever there is an indication that the CGU may be impaired by comparing the carrying amount with its recoverable amount. Accordingly, the Group estimated the recoverable amount of the related property, plant and equipment using Value-In-Use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be derived from the CGU, and discounting them at an appropriate rate. The aforementioned impairment review gave rise to an impairment loss amounted to RM18.2 million for the year ended 31 December 2018.

*Key audit matters (contd.)*

Impairment of property, plant and equipment (contd.)

Due to the significance of the amount and subjectivity involved in the impairment test, we considered this impairment test to be an area of audit focus. Specifically, we focus on evaluation of the assumptions used by the Group to estimate the recoverable amounts of the CGUs which include the number of visitors and the related income to be collected, staff costs and other operating costs, weighted-average cost of capital discount rate and terminal value growth rate.

*How our audit addressed the matter*

As part of our audit procedures, we performed, amongst others, the following procedures:

(a) Obtained an understanding of the relevant internal control over estimating the recoverable amount of the CGU;

(b) Evaluated and assessed the appropriateness of the methodology and approach applied to estimate the recoverable amount of the CGU;

(c) Evaluated whether the key assumptions applied in the determination of:

(i) the revenue to be earned especially on the number of visitors and the related income to be collected; and

(ii) the staff costs and other operating costs

are supportable when compared to the recent trends and future market outlook;

(d) Involved an internal specialist to assist us in assessing the terminal value growth rate and the weighted-average cost of capital discount rate used to determine the present value of the cash flows of the CGU and whether the rate used reflects the current market assessments of the time value money; and

(e) Evaluated the adequacy of the disclosures of each key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on key assumptions and sensitivities are included in Note 14 to the financial statements.

Independent auditors' report to the members of
Perak Corporation Berhad (contd.)
(Incorporated in Malaysia)

*Key audit matters (contd.)*

Revenue recognition

*Refer to Note 2.23 (Summary of significant accounting policies: "Revenue from contracts with customers") and Note 4 (Revenue).*

The Group's revenue for the year ended 31 December 2018 was mainly contributed by port services. The revenue derived from port services amounted to RM124.5 million representing 63% of the revenue of the Group. We considered revenue recognition as a key audit matter due to the risk of material misstatement and the significance of the revenue from the port services.

*How our audit addressed the matter*

As part of our audit procedures, we performed, amongst others, the following procedures:

(a) Obtained an understanding of the Group's internal controls over timing and amount of revenue recognised for revenue from port operations;

(b) Assessed the appropriateness of revenue recognised on the operations and maintenance of the port and compared to the criteria stated in the operations and maintenance agreements; and

(c) Inspected the sales invoices raised for the port operations to the service vouchers which have been acknowledged by the customers.

*Key audit matters (contd.)*

Impairment of investments in subsidiaries

*Refer to Note 3.2 (Key sources of estimation uncertainty) and Note 17 (Investments in subsidiaries).*

As at 31 December 2018, the investments in subsidiaries in the separate financial statements of the Company amounted to RM155.1 million, representing 32% of the Company's total assets.

The continued losses in a subsidiary and deficit in the shareholders' funds and negative operating cash flows reported by a subsidiary indicated that the carrying amount of the investments in subsidiaries may be impaired.

Accordingly, the Company performed an impairment test on the investments in subsidiaries by estimating the recoverable amount of these investments using the fair values of the assets in these subsidiaries. The estimation of the recoverable amount by using the fair value method is based on assumptions that are highly judgmental. Accordingly, we have identified this area to be an area of audit focus.

*How our audit addressed the matter*

As part of our audit procedures, we performed, amongst others, the following procedures:

(a) Obtained an understanding of the relevant internal control over estimating the recoverable amount of the investments in subsidiaries;

(b) Considered the objectivity, independence and expertise of the firms of independent valuers; and

(c) Evaluated the methodology and assumptions applied in the determination of the fair values as an estimate for the recoverable amount and assessed whether such methodology and assumptions are consistent and within the range of those used in the industry.

*Information other than the financial statements and auditors' report thereon*

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

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

*Information other than the financial statements and auditors' report thereon (contd.)*

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors for the financial statements*

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

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

*Auditors' responsibilities for the audit of the financial statements*

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

Independent auditors' report to the members of
Perak Corporation Berhad (contd.)
(Incorporated in Malaysia)

*Auditors' responsibilities for the audit of the financial statements (contd.)*

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

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

*Auditors' responsibilities for the audit of the financial statements (contd.)*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2021 J
Chartered Accountant

Kuala Lumpur, Malaysia
30 April 2019

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | RM | RM | RM | RM |
| Revenue | 4 | 196,563,875 | 185,787,810 | - | 4,288,000 |
| Cost of sales | 5 | (78,742,380) | (68,198,268) | - | (924,305) |
| **Gross profit** | | 117,821,495 | 117,589,542 | - | 3,363,695 |
| **Other items of income** | | | | | |
| Interest income | 6 | 5,742,268 | 4,048,448 | 13,153,083 | 7,918,870 |
| Other income | 7 | 5,851,053 | 4,173,940 | 45,265 | 68,574 |
| **Other items of expense** | | | | | |
| Administrative expenses | | (103,214,612) | (102,906,562) | (17,146,834) | (15,883,676) |
| Finance costs | 8 | (39,800,704) | (37,137,727) | (14,722,307) | (9,893,264) |
| Other expenses | | (133,579,862) | (306,453,159) | (17,260,402) | (13,983,295) |
| Share of profit of associates | | - | 576,859 | - | - |
| **Loss before taxation** | 9 | (147,180,362) | (320,108,659) | (35,931,195) | (28,409,096) |
| Taxation | 12 | (23,744,340) | (20,464,012) | 145,132 | 138,608 |
| **Net loss for the year, representing total comprehensive loss for the year** | | (170,924,702) | (340,572,671) | (35,786,063) | (28,270,488) |
| **Attributable to:** | | | | | |
| Owners of the Company | | (104,879,963) | (174,957,156) | (35,786,063) | (28,270,488) |
| Non-controlling interests | | (66,044,739) | (165,615,515) | - | - |
| | | (170,924,702) | (340,572,671) | (35,786,063) | (28,270,488) |
| **Loss per share attributable to owners of the Company (sen per share):** | | | | | |
| Basic/Diluted, for loss for the year | 13 | (104.88) | (174.96) | | |

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | RM | RM | RM | RM |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 315,852,870 | 364,816,611 | 628,274 | 1,023,260 |
| Port facilities | 15 | 205,428,882 | 171,451,309 | - | - |
| Investment properties | 16 | 4,671,545 | 4,750,635 | - | - |
| Investments in subsidiaries | 17 | - | - | 155,098,590 | 155,098,590 |
| Investments in associates | 18 | - | 3,576,859 | - | - |
| Other investments | 19 | 25,000 | 455,000 | - | - |
| Intangible assets | 20 | 24,618,028 | 42,772,047 | - | - |
| Finance lease receivable | 21 | 312,107 | 429,156 | - | - |
| Inventories | 22 | 22,711,387 | 22,711,387 | - | - |
| | | 573,619,819 | 610,963,004 | 155,726,864 | 156,121,850 |
| **Current assets** | | | | | |
| Other investments | 19 | 109,717 | 418,536 | 39,220 | 350,473 |
| Finance lease receivable | 21 | 117,049 | 109,967 | - | - |
| Inventories | 22 | 205,892,548 | 198,316,545 | 81,995,066 | 87,651,188 |
| Trade and other receivables | 23 | 58,747,736 | 217,110,015 | 239,483,658 | 238,109,350 |
| Other current assets | 24 | 5,351,168 | 16,268,153 | 386,211 | 7,462 |
| Tax recoverable | | 735,226 | 4,868,913 | 579,269 | 2,031,250 |
| Cash and bank balances | 25 | 12,031,924 | 32,569,083 | 24,429 | 103,766 |
| | | 282,985,368 | 469,661,212 | 322,507,853 | 328,253,489 |
| **Total assets** | | 856,605,187 | 1,080,624,216 | 478,234,717 | 484,375,339 |

## Statements of financial position
## As at 31 December 2018 (contd.)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| | Note | RM | RM | RM | RM |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Loans and borrowings | 26 | 401,187,663 | 414,762,067 | 110,000,000 | 110,011,677 |
| Trade and other payables | 28 | 161,527,174 | 185,071,822 | 13,665,267 | 14,872,033 |
| Deferred income | 29 | 25,206,602 | 23,519,659 | - | - |
| Tax payable | | 11,598,463 | 4,779,316 | - | - |
| | | 599,519,902 | 628,132,864 | 123,665,267 | 124,883,710 |
| **Net current liabilities** | | (316,534,534) | (158,471,652) | 198,842,586 | 203,369,779 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 26 | 105,442,140 | 121,794,537 | 37,500,000 | 50,002,017 |
| Trade and other payables | 28 | 9,860,144 | 17,898,796 | 94,447,569 | 32,039,644 |
| Deferred tax liabilities | 30 | 15,411,750 | 12,812,474 | 48,928 | 194,060 |
| | | 130,714,034 | 152,505,807 | 131,996,497 | 82,235,721 |
| **Total liabilities** | | 730,233,936 | 780,638,671 | 255,661,764 | 207,119,431 |
| **Net assets** | | 126,371,251 | 299,985,545 | 222,572,953 | 277,255,908 |
| **Equity attributable to owners to the Company** | | | | | |
| Share capital | 31 | 272,770,440 | 272,770,440 | 272,770,440 | 272,770,440 |
| Retained earnings/ (Accumulated losses) | | 8,414,633 | 113,484,189 | (50,197,487) | 4,485,468 |
| | | 281,185,073 | 386,254,629 | 222,572,953 | 277,255,908 |
| Non-controlling interests | | (154,813,822) | (86,269,084) | - | - |
| **Total equity** | | 126,371,251 | 299,985,545 | 222,572,953 | 277,255,908 |
| **Total equity and liabilities** | | 856,605,187 | 1,080,624,216 | 478,234,717 | 484,375,339 |

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|
| | | | Non-distributable | | Distributable | |
| | Equity total RM | Equity attributable to owners of the Company total RM | Share capital RM | Share premium RM | Retained earnings RM | Non-controlling interests RM |
| **Group** | | | | | | |
| **At 1 January 2017** | 643,063,175 | 561,211,785 | 100,000,000 | 172,770,440 | 288,441,345 | 81,851,390 |
| Total comprehensive loss | (340,572,671) | (174,957,156) | - | - | (174,957,156) | (165,615,515) |
| Transactions with owners: | | | | | | |
| Acquisition of subsidiaries | (4,960) | - | - | - | - | (4,960) |
| Dividend paid by a subsidiary to a non-controlling interest | (2,499,999) | - | - | - | - | (2,499,999) |
| | (2,504,959) | - | - | - | - | (2,504,959) |
| Transfer arising from implementation of Companies Act 2016 | - | - | 172,770,440 | (172,770,440) | - | - |
| **At 31 December 2017** | 299,985,545 | 386,254,629 | 272,770,440 | - | 113,484,189 | (86,269,084) |

**Statements of changes in equity**
**For the financial year ended 31 December 2018 (contd.)**

| | | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Equity attributable to owners of the Company total | Non-distributable | | Distributable | |
| | Note | Equity total RM | RM | Share capital RM | Share premium RM | Retained earnings RM | Non-controlling interests RM |
| **Group** | | | | | | | |
| **At 1 January 2018** | | 299,985,545 | 386,254,629 | 272,770,440 | - | 113,484,189 | (86,269,084) |
| Effect of adoption of MFRS 9 | 2.2 (a) | (189,593) | (189,593) | - | - | (189,593) | - |
| **At 1 January 2018, restated** | | 299,795,952 | 386,065,036 | 272,770,440 | - | 113,294,596 | (86,269,084) |
| Total comprehensive loss | | (170,924,702) | (104,879,963) | - | - | (104,879,963) | (66,044,739) |
| Transaction with owners: | | | | | | | |
| Dividend paid by a subsidiary to a non-controlling interest | | (2,499,999) | - | - | - | - | (2,499,999) |
| | | (2,499,999) | - | - | - | - | (2,499,999) |
| **At 31 December 2018** | | 126,371,251 | 281,185,073 | 272,770,440 | - | 8,414,633 | (154,813,822) |

**Statements of changes in equity**
**For the financial year ended 31 December 2018 (contd.)**

| | | | I------ Non-distributable ------I | | |
|---|---|---|---|---|---|
| | Note | Equity total RM | Share capital RM | Share premium RM | Retained earnings/ (Accumulated losses) RM |
| **Company** | | | | | |
| **At 1 January 2017** | | 305,526,396 | 100,000,000 | 172,770,440 | 32,755,956 |
| Total comprehensive loss | | (28,270,488) | - | - | (28,270,488) |
| Transfer arising from implementation of Companies Act 2016 | | - | 172,770,440 | (172,770,440) | - |
| **At 31 December 2017** | | 277,255,908 | 272,770,440 | - | 4,485,468 |
| Effect of adoption of MFRS 9 | 2.2 (a) | (18,896,892) | - | - | (18,896,892) |
| **At 1 January 2018, restated** | | 258,359,016 | 272,770,440 | - | (14,411,424) |
| Total comprehensive loss | | (35,786,063) | - | - | (35,786,063) |
| **At 31 December 2018** | | 222,572,953 | 272,770,440 | - | (50,197,487) |

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| **Operating activities** | | | | |
| Loss before taxation | (147,180,362) | (320,108,659) | (35,931,195) | (28,409,096) |
| Adjustments for: | | | | |
| Amortisation of intellectual property rights | 562,473 | 583,230 | - | - |
| Bad debts written off | 277,123 | 23,014 | - | - |
| Depreciation | | | | |
| - property, plant and equipment | 16,109,428 | 15,784,137 | 398,325 | 473,464 |
| - port facilities | 4,178,798 | 3,355,176 | - | - |
| - investment properties | 79,090 | 79,090 | - | - |
| Dividend income | (78,271) | (9,510) | - | - |
| Finance costs | 39,800,704 | 37,137,727 | 14,722,307 | 9,893,264 |
| Impairment loss | | | | |
| - dividend receivable in an associate | 76,000 | - | - | - |
| - intangible assets | 129,875 | 19,392,746 | - | - |
| - investment in associates | 1,676,859 | - | - | - |
| - property, plant and equipment | 40,292,933 | 167,239,506 | - | - |
| - trade and other receivables | | | | |
| - amounts due from subsidiaries | - | - | 6,612,599 | - |
| - non-trade third parties | 9,310,821 | 90,413,310 | - | - |
| - trade third parties | 275,557 | - | - | - |
| Fair value loss on financial assets at fair value through profit or loss | | | | |
| - other investments | 430,000 | - | - | - |
| - investment in an associate | 1,900,000 | - | - | - |
| Interest income | (5,742,268) | (4,048,448) | (13,153,083) | (7,918,870) |
| Inventories written down to net realisable value | 3,117,753 | 481,353 | 2,054,308 | - |
| Inventories written off | 7,218,010 | 15,443 | 3,806,316 | - |
| (Gain)/Loss on disposals | | | | |
| - Port facilities | (3,999) | - | - | - |
| - Plant and equipment | (24,377) | - | 6,761 | - |
| Intangible assets written off | 19,425,921 | - | - | - |
| Port facilities written off | 7,589,923 | 1,497 | - | - |
| Property, plant and equipment written off | 8,421,636 | 359,700 | - | - |
| Provision for slow moving inventories | 196,424 | 372,754 | - | - |
| Reversal of allowance for impairment loss on trade receivables | (30,117) | (860,064) | - | - |
| Share of profit of associates | - | (576,859) | - | - |
| Unrealised loss/(gain) on forex exchange | 45,448 | (4,155) | - | - |
| Total adjustments | 155,235,744 | 329,739,647 | 14,447,533 | 2,447,858 |
| **Operating cash flows before changes in working capital carried forward** | 8,055,382 | 9,630,988 | (21,483,662) | (25,961,238) |

## Statements of cash flows
## For the financial year ended 31 December 2018 (contd.)

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| **Operating activities (contd.)** | | | | |
| **Operating cash flows before changes in working capital brought forward** | 8,055,382 | 9,630,988 | (21,483,662) | (25,961,238) |
| Changes in working capital: | | | | |
| Inventories | (17,987,456) | (23,752,305) | (204,502) | (4,039,953) |
| Trade and other receivables | 148,256,220 | (44,059,634) | (26,883,799) | (35,999,181) |
| Other current assets | 10,916,985 | 9,666,689 | (378,749) | (3,400) |
| Trade and other payables | (29,941,805) | 146,743,298 | 61,201,159 | 3,018,754 |
| Total changes in working capital | 111,243,944 | 88,598,048 | 33,734,109 | (37,023,780) |
| **Cash flows generated from/ (used in) operations** | 119,299,326 | 98,229,036 | 12,250,447 | (62,985,018) |
| Interest received | 5,742,268 | 4,048,448 | 13,153,083 | 7,918,870 |
| Interest paid | (41,090,026) | (43,631,558) | (14,722,307) | (9,893,264) |
| Taxes paid/(refunded) | (10,192,230) | (16,188,429) | 1,451,981 | (245,884) |
| **Net cash flows generated from/ (used in) operating activities** | 73,759,338 | 42,457,497 | 12,133,204 | (65,205,296) |
| | | | | |
| **Investing activities** | | | | |
| Additions to intangible assets | (1,964,250) | (20,208) | - | - |
| Dividend received | 78,271 | 9,510 | - | - |
| Receipt of government grant | - | 30,670,000 | - | - |
| Proceeds from disposals | | | | |
| - Port facilities | 3,999 | - | - | - |
| - Plant and equipment | 71,263 | 2,906 | 1,301 | - |
| Proceeds from disposals of other investments | 308,819 | 334,035 | 311,253 | - |
| Addition to investment in an associate | - | (1,900,000) | - | - |
| Net cash inflow/(outflow) on acquisition of subsidiaries | - | 5 | - | (1) |
| Purchase of | | | | |
| - other investments | - | - | - | (11,802) |
| - port facilities | (45,746,294) | (80,071,661) | - | - |
| - property, plant and equipment | (13,694,905) | (136,341,631) | (11,401) | (726,728) |
| Increase/(Decrease) in finance lease receivable | 117,049 | (429,156) | - | - |
| **Net cash flows (used in)/generated from investing activities** | (60,826,048) | (187,746,200) | 301,153 | (738,531) |

## Statements of cash flows
## For the financial year ended 31 December 2018 (contd.)

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| **Financing activities** | | | | |
| Dividend paid to a non-controlling interest | (2,499,999) | (2,499,999) | - | - |
| Withdrawal/(Placement) of deposits pledged | 16,657,421 | (14,021,283) | - | - |
| Placement of deposits with licensed banks | (512,523) | (369,453) | - | - |
| Withdrawal/(Placement) of bank balance pledged | 19,417 | (19,417) | - | - |
| Proceeds from | | | | |
| - revolving credits | - | 61,279,529 | - | 10,000,000 |
| - term financing-i | - | 37,040,000 | - | 50,000,000 |
| Repayments of | | | | |
| - hire purchase and finance lease liabilities | (290,015) | (323,960) | (13,694) | (38,951) |
| - term financing-i | (5,720,000) | - | - | - |
| - term loans | (27,497,074) | (14,126,017) | (12,500,000) | - |
| - revolving credits | (687,529) | - | - | - |
| **Net cash flows (used in)/generated from financing activities** | (20,530,302) | 66,959,400 | (12,513,694) | 59,961,049 |
| **Net decrease in cash and cash equivalents** | (7,597,012) | (78,329,303) | (79,337) | (5,982,778) |
| **Cash and cash equivalents at 1 January** | 7,528,110 | 85,857,413 | 103,766 | 6,086,544 |
| **Cash and cash equivalents at 31 December** | (68,902) | 7,528,110 | 24,429 | 103,766 |

## Statements of cash flows
## For the financial year ended 31 December 2018 (contd.)

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Cash and cash equivalents comprise: | | | | |
| Cash and bank balances (Note 25) | 8,891,933 | 8,083,930 | 19,274 | 98,766 |
| Deposits with licensed banks (Note 25) | 3,139,991 | 24,485,153 | 5,155 | 5,000 |
| | 12,031,924 | 32,569,083 | 24,429 | 103,766 |
| Bank balance pledged for a banking facility (Note 25) | - | (19,417) | - | - |
| Deposits pledged for guarantees and other banking facilities granted to certain subsidiaries (Note 25) | (2,871,682) | (19,529,103) | - | - |
| Deposits with licensed banks maturing more than 3 months | (881,976) | (369,453) | - | - |
| Overdraft (Note 26) | (8,347,168) | (5,123,000) | - | - |
| | (68,902) | 7,528,110 | 24,429 | 103,766 |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 1. Corporate information

Perak Corporation Berhad ("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 D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan. The principal place of business of the Company is located at No. 1-A, Blok B, Menara PKNP, Jalan Meru Casuarina, Bandar Meru Raya, 30020 Ipoh, Perak Darul Ridzuan.

The immediate and ultimate holding corporation of the Company is Perbadanan Kemajuan Negeri Perak, a body corporate established under Perak Enactment No. 3 of 1967.

The principal activities of the Company consist of property and investment holding, real property development and provision of management services. The principal activities of the subsidiaries, associates and joint operations are disclosed in Notes 17, 18 and 35.

## 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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

At the beginning of the current financial year, the Group and the Company adopted new and amended MFRS which are mandatory for financial periods beginning on or after 1 January 2018 as described in Note 2.2.

The financial statements of the Group and of the Company have been prepared on the historical cost basis, unless otherwise indicated in the summary of significant accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") unless otherwise indicated.

The Group incurred a net loss of RM170.9 million during the financial year ended 31 December 2018 and as of that date, the Group's current liabilities exceeded its current assets by RM316.5 million. The Group also has negative cash flow position of RM68,902 as at 31 December 2018.

## 2. Summary of significant accounting policies (contd.)

### 2.1 Basis of preparation (contd.)

As of the date of financial statements, the facility agent has not called for a default event and has not requested for the immediate repayment of the syndicated term loan.

Management is currently working with its ultimate holding corporation on a restructuring plan which entails realisation of various assets with the main objective to ensure that the Group will continue to be able to meet its repayment obligations on its loans and borrowings. The plan has also been shared with the facility agent as part of the process to renegotiate the terms of the term loans with the lenders.

In addition, Perbadanan Kemajuan Negeri Perak ("PKNP"), being the immediate parent company, has agreed to provide financial assistance to the Group to enable it to meet its liabilities as and when they fall due. PKNP will also not demand repayment of the amount owing to them by the Group in the next 12 months except in so far as the funds of the Group permit repayment and such repayment will not adversely affect the ability of the Group to meet their liabilities as and when they fall due.

Due to the above considerations, the financial statements of the Group and of the Company have been prepared on a going concern basis.

## 2. Summary of significant accounting policies (contd.)

### 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 2018, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018:

| Description | Effective for annual periods beginning on or after |
|---|---|
| Annual Improvements to MFRS Standards 2014 – 2016 Cycle | |
| (i) Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards | 1 January 2018 |
| (ii) Amendments to MFRS 128 : Investment in Associates and Joint Ventures | 1 January 2018 |
| IC Interpretation 22 : Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| MFRS 2 : Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2) | 1 January 2018 |
| MFRS 9 : Financial Instruments | 1 January 2018 |
| MFRS 15 : Revenue from Contracts with Customers | 1 January 2018 |
| MFRS 140 : Transfers of Investment Property (Amendments to MFRS 140) | 1 January 2018 |

The adoption of the above do not have a significant impact on the Group and the Company except the following:

**(a) MFRS 9 : Financial Instruments**

MFRS 9 : Financial Instruments replaces MFRS 139 : Financial Instruments : Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments : classification and measurement; impairment and hedge accounting.

The Group and the Company have applied MFRS 9 retrospectively, with the initial application date of 1 January 2018 and not adjusting the comparative information for the period beginning 1 January 2017.

## 2. Summary of significant accounting policies (contd.)

### 2.2 Changes in accounting policies (contd.)

#### (a) MFRS 9 : Financial Instruments (contd.)

The effect of adopting MFRS 9 is as follows:

Impact on the statements of financial position (decrease):

| | Adjustments | 1 January 2018 RM |
|---|---|---|
| **Group** | | |
| **Assets** | | |
| Trade and other receivables | (ii) | (189,593) |
| **Equity** | | |
| Retained earnings | (ii) | (189,593) |
| **Company** | | |
| **Assets** | | |
| Trade and other receivables | (ii) | (18,896,892) |
| **Equity** | | |
| Retained earnings | (ii) | (18,896,892) |

**(i) Classification and measurement**

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income ("OCI"). The classification is based on two criteria: the Group's and the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's and the Company's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact on the Group and the Company.

## 2. Summary of significant accounting policies (contd.)

### 2.2 Changes in accounting policies (contd.)

#### (a) MFRS 9 : Financial Instruments (contd.)

##### (i) Classification and measurement (contd.)

The following are the changes in the classification of the Group's financial assets:

- Trade and other receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.
- Unquoted equity shares previously held as available-for-sale ("AFS") financial assets are now classified and measured as equity instruments designated at fair value through profit or loss ("FVTPL").
- Redeemable Convertible Preference Shares ("RCPS") previously held as held-to-maturity investments are now classified as FVTPL.
- Cumulative Redeemable Non-Convertible Preference Shares ("CRNCPS") previously held at cost as part of investments in associates are now classified as FVTPL.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement of the Group's and the Company's financial liabilities.

##### (ii) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of MFRS 9, the Group and the Company recognised additional impairment on the Group's and Company's trade and other receivables which resulted in a decrease/an increase in retained earnings/accumulated losses of RM189,593 and RM18,896,892 respectively as at 1 January 2018.

2. **Summary of significant accounting policies (contd.)**

**2.2 Changes in accounting policies (contd.)**

**(b) MFRS 15 : Revenue from Contracts with Customers**

MFRS 15 supersedes MFRS 111 : Construction Contracts, MFRS 118 : Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group and the Company have applied MFRS 15 in accordance with the modified transitional approach. The effect of adopting MFRS 15 is, as follows:

**Rendering of services**

The Group provides storage services to customers. Before the adoption of MFRS 15, these services were bundled together with the port services rendered to customers. The Group accounted for the bundled sales as one deliverable and recognised revenue at point in time.

Under MFRS 15, the Group has assessed that there was two performance obligations in a contract for bundled port services and storage services rendered to customers and performed a reallocation of the transaction price based on their relative stand-alone selling prices. Therefore, revenue from the post services and the rendering of storage services are now presented separately in the financial statements.

## 2. Summary of significant accounting policies (contd.)

### 2.2 Changes in accounting policies (contd.)

#### (b) MFRS 15 : Revenue from Contracts with Customers (contd.)

The effect of adopting MFRS 15 to the statements of comprehensive income is as follows:

| Group | 31 December 2018 RM | Adjustments RM | 31 December 2018 RM |
|---|---|---|---|
| Revenue from contracts of customers: | | | |
| Sales of completed properties | 1,000,000 | - | 1,000,000 |
| Sales of land | 24,630,710 | - | 24,630,710 |
| Hotel revenue | | | |
| - Room | 6,131,709 | - | 6,131,709 |
| - Food and beverages | 9,304,213 | - | 9,304,213 |
| - Hall and offices | 910,668 | - | 910,668 |
| Restaurant | 674,574 | - | 674,574 |
| Theme park | 24,374,968 | - | 24,374,968 |
| Port services | 127,303,420 | (2,797,531) | 124,505,889 |
| Management fees | 1,819,934 | - | 1,819,934 |
| Rental income | 413,679 | 2,797,531 | 3,211,210 |
| | 196,563,875 | - | 196,563,875 |

**Company**

The adoption of MFRS 15 does not have any impact to the Company's financial statements.

## 2. Summary of significant accounting policies (contd.)

### 2.3 Standards issued but not yet effective

The standards that are issued but not yet effective up to 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 |
|---|---|
| Annual Improvements to MFRS Standards 2015 - 2017 Cycle | |
| (i) Amendments to MFRS 3 : Previously Held Interest in a Joint Operation | 1 January 2019 |
| (ii) Amendments to MFRS 11 : Previously Held Interest in a Joint Operation | 1 January 2019 |
| (iii) Amendments to MFRS 112 : Income Tax Consequences of Payments on Financial Instruments Classified as Equity | 1 January 2019 |
| (iv) Amendments to MFRS 123 : Borrowing Cost Eligible for Capitalisation | 1 January 2019 |
| IC Interpretation 23 : Uncertainty over Income Tax Treatments | 1 January 2019 |
| MFRS 9 : Prepayment Features with Negative Compensation (Amendments to MFRS 9) | 1 January 2019 |
| MFRS 16 : Leases | 1 January 2019 |
| MFRS 128 : Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128) | 1 January 2019 |
| MFRS 119 : Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119) | 1 January 2019 |
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| Definition of a Business (Amendments to MFRS 3 : Business Combination) | 1 January 2020 |
| Definition of Material (Amendments to MFRS 101 : Presentation of Financial Statements and MFRS 108 : Accounting Policies, Changes in Accounting Estimates and Errors) | 1 January 2020 |
| MFRS 17 : Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

## 2. Summary of significant accounting policies (contd.)

### 2.3 Standards issued but not yet effective (contd.)

#### (a) Annual Improvements to MFRS Standards 2015 – 2017 Cycle

- **MFRS 3 and MFRS 11 : Previously Held Interest in a Joint Operation**

  The amendments to MFRS 3 Business Combinations clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to MFRS 11 Joint Arrangements clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

  An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's and the Company's current practice are in line with these amendments, the Group and the Company do not expect any effect on their financial statements.

- **MFRS 112 : Income Taxes Consequences**

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's and the Company's current practice are in line with these amendments, the Group and the Company do not expect any effect on their financial statements.

- **MFRS 123 : Borrowing Costs Eligible for Capitalisation**

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's and the Company's current practice are in line with these amendments, the Group and the Company do not expect any effect on their financial statements.

## 2. Summary of significant accounting policies (contd.)

### 2.3 Standards issued but not yet effective (contd.)

#### (b) IC Interpretation 23 : Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. This interpretation has no impact on the Group's and the Company's financial statements as the Group and the Company do not operate in a complex multinational tax environment.

#### (c) MFRS 9 : Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest' on the principal amount outstanding (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments must be applied retrospectively. Earlier application is permitted. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

## 2. Summary of significant accounting policies (contd.)

### 2.3 Standards issued but not yet effective (contd.)

#### (d) MFRS 16 : Leases

MFRS 16 will replace MFRS 117 : Leases, IC Interpretation 4 : Determining whether an Arrangement contains a Lease, IC Interpretation 115 : Operating Lease-Incentives and IC Interpretation 127 : Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group and the Company are currently finalising the quantitative effects of applying the standard on the financial statements of the Group and of the Company.

#### (e) MFRS 128 : Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The amendments clarify that an entity applies MFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in MFRS 9 applies to such long-term interests.

2. **Summary of significant accounting policies (contd.)**

**2.3 Standards issued but not yet effective (contd.)**

**(e) MFRS 128 : Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128) (contd.)**

The amendments also clarified that, in applying MFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 : Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group and the Company do not have such long-term interests in its associate and joint venture, the amendments will not have an impact on their financial statements.

**(f) Definition of a Business (Amendments to MFRS : 3 Business Combination)**

Under MFRS 3, the amendments to the definition of a business is to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the following:

- Minimum requirements to be a business;
- Market participants' ability to replace missing elements;
- Assessing whether an acquired process is substantive;
- Narrowed the definitions of outputs; and
- Introduced an optional concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group does not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

## 2. Summary of significant accounting policies (contd.)

### 2.3 Standards issued but not yet effective (contd.)

**(g) Definition of Material (Amendments to MFRS 101 : Presentation of Financial Statements and MFRS 108 : Accounting Policies, Change in Accounting Estimates and Errors)**

Under MFRS 101 and MFRS 108, the amendments were made to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments must be applied prospectively. Early application is permitted and must be disclosed. These amendments are not expected to have a significant impact on the Group's and the Company's financial statements.

**(h) Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in MFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The MASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group and the Company will apply these amendments when they become effective.

## 2. Summary of significant accounting policies (contd.)

### 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 Company controls an investee if and only if the Company has all the following:

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

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

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

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

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

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company 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 Company obtains control over the subsidiary and ceases when the Company 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.

## 2. Summary of significant accounting policies (contd.)

### 2.4 Basis of consolidation (contd.)

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**

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 MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as 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 as a gain on bargain purchase. The accounting policy for goodwill is set out in Note 2.9(a).

## 2. Summary of significant accounting policies (contd.)

### 2.5 Subsidiaries

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

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

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

(iii) 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 any accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

### 2.6 Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held directly or indirectly by the Group. Non-controlling interests are presented separately in the statements of comprehensive income of the Group and within equity in the statements of financial position of the Group, separately from parent shareholder's equity.

All total comprehensive income is proportionately allocated to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

### 2.7 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 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.

## 2. Summary of significant accounting policies (contd.)

### 2.7 Associates (contd.)

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

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 Group. 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 determines 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 MFRS 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.

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

## 2. Summary of significant accounting policies (contd.)

### 2.8 Investment in joint operations

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. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group as joint operator recognise in relation to their interests in joint operations:

(i) their assets, including their shares of any assets held jointly;

(ii) their liabilities, including their shares of any liabilities incurred jointly;

(iii) their revenue from the sale of their shares of the output arising from the joint operations;

(iv) their shares of the revenue from the sale of the output by the joint operations; and

(v) their expenses, including their shares of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in joint operations in accordance with the MFRSs applicable to the particular assets, liabilities, revenues and expenses.

Profits and losses resulting from transactions between the Group and its joint operations are recognised in the Group's consolidated financial statements only to the extent of unrelated investors' interests in the joint operation.

2. **Summary of significant accounting policies (contd.)**

### 2.9 Intangible assets

#### (a) Goodwill

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

For the purposes 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) Intellectual property ("IP") rights

Acquired IP rights include acquired licenses, are stated at cost less accumulated amortisation and accumulated impairment losses. The IP rights are amortised from the point at which the asset is available for use, on a straight-line basis over its useful lives of 3 to 3.5 years.

## 2. Summary of significant accounting policies (contd.)

### 2.10 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

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

Freehold land has an unlimited useful life and therefore is 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 its estimated useful life, at the following annual rates:

| | |
|---|---|
| Buildings and improvements | 2% - 10% |
| Attractions | 10% |
| Other assets | |
| Equipment, furniture and fittings | 5% - 33.33% |
| Computers | 20% |
| Motor vehicles | 10% - 25% |
| Refurbishment and renovations | 2% |

Assets under capital work in progress 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 values, 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 profit or loss in the year the asset is derecognised.

## 2. Summary of significant accounting policies (contd.)

### 2.11 Port facilities

Port facilities are stated at cost less accumulated depreciation and any accumulated impairment losses.

All expenditure incurred, associated with development of port facilities inclusive of interest cost capitalised in accordance with Note 2.20 are amortised on a straight-line basis to write off the cost of the assets over their estimated useful lives.

The principal annual rates of depreciation are:

| | |
|---|---|
| Leasehold port land | 1.01% - 1.25% |
| Port structure | 2% |
| Port equipments | 10% - 20% |

Assets under capital work in progress are not depreciated as these assets are not yet available for use.

### 2.12 Investment properties

Investment property is a property which is held either to earn rental income or for capital appreciation or for both. Such property is initially measured at cost, including transaction costs. Subsequent to initial recognition , investment property is stated at cost less accumulated depreciation and any accumulated impairment losses.

Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

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 is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.10 up to the date of change in use.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings are depreciated on straight-line basis to write down the cost of each buildings to its residual value over its estimated useful life. The principal annual depreciation rate is 2%.

2. Summary of significant accounting policies (contd.)

### 2.13 Inventories

#### (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 as non-current 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.

## 2. Summary of significant accounting policies (contd.)

### 2.13 Inventories (contd.)

#### (iii) Completed properties

Completed properties held for sale are measured at the lower of cost and net realisable value. The cost of completed properties includes expenditures incurred in the acquisition of land, direct cost and appropriate proportions of common cost attributable to developing the properties to completion and borrowing costs.

#### (iv) Other inventories

Other inventories are measured at the lower of cost and net realisable value. The cost of other inventories is calculated using the weighted average method and includes expenditure incurred in acquiring the other inventories and bringing them to their existing location and condition.

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

### 2.14 Impairment of non-financial assets

The carrying amounts of non-financial assets, other than investment properties, inventories and deferred tax assets, 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, 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.

## 2. Summary of significant accounting policies (contd.)

### 2.14 Impairment of non-financial assets (contd.)

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.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

### 2.15 Financial assets

**Initial recognition and measurement**

**Policy from 1 January 2018**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

## 2. Summary of significant accounting policies (contd.)

### 2.15 Financial assets (contd.)

**Initial recognition and measurement (contd.)**

**Policy from 1 January 2018 (contd.)**

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Policy prior to 1 January 2018**

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 the 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 financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

**Financial assets at fair value through profit or loss**

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

## 2. Summary of significant accounting policies (contd.)

### 2.15 Financial assets (contd.)

**Initial recognition and measurement (contd.)**

**Policy prior to 1 January 2018 (contd.)**

**Loans and receivables**

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

**Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the intention and ability to hold the investment to maturity.

**Available-for-sale financial assets**

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

**Subsequent measurement**

**Policy from 1 January 2018**

For the purpose of subsequent measurement, financial assets are classified into following categories:

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost includes trade and other receivables.

2. **Summary of significant accounting policies (contd.)**

**2.15 Financial assets (contd.)**

**Subsequent measurement (contd.)**

**Policy from 1 January 2018 (contd.)**

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in profit or loss.

**Policy prior to 1 January 2018**

**Financial assets at fair value through profit or loss**

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

**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.

## 2. Summary of significant accounting policies (contd.)

### 2.15 Financial assets (contd.)

**Subsequent measurement (contd.)**

**Policy prior to 1 January 2018 (contd.)**

**Loans and receivables (contd.)**

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

**Held-to-maturity investments**

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

Held-to-maturity investments are classified as non-current, except for those having maturity within 12 months after the reporting date which are classified as current.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statements of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (ii) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, they evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

2. **Summary of significant accounting policies (contd.)**

**2.15 Financial assets (contd.)**

**Subsequent measurement (contd.)**

**Derecognition (contd.)**

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

**Impairment of financial assets**

**Policy from 1 January 2018**

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group and the Company consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 2. Summary of significant accounting policies (contd.)

### 2.15 Financial assets (contd.)

**Impairment of financial assets (contd.)**

**Policy prior to 1 January 2018**

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

**<u>Trade and other receivables and other financial assets carried at amortised cost</u>**

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, and 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.

**<u>Unquoted equity securities carried at cost</u>**

If there is objective evidence 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.

## 2. Summary of significant accounting policies (contd.)

### 2.16 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged bank balances and deposits.

### 2.17 Provisions

Provisions are recognised when the Group and the Company have 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.

### 2.18 Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

## 2. Summary of significant accounting policies (contd.)

### 2.18 Financial liabilities

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

**Loans and borrowings**

This is the category most relevant to the Group and the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statements of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

## 2. Summary of significant accounting policies (contd.)

### 2.18 Financial liabilities (contd.)

**Derecognition**

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.

### 2.19 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.21 Employee benefits

**(i) 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 of the Group and the Company. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

## 2. Summary of significant accounting policies (contd.)

### 2.21 Employee benefits (contd.)

#### (ii) Defined contribution plans

As required by law, the Group and the Company make contributions to the statutory pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss as incurred.

#### (iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits as a liability and an expense when the Group and the Company have a detailed formal plan for the termination and without realistic possibility of withdrawal.

### 2.22 Leases

#### (i) As lessee

Finance leases or hire purchase liabilities, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased or hire purchase item, are capitalised at the inception of the lease at the fair value of the leased or hire purchase 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 or hire purchase payments are apportioned between the finance charges and reduction of the lease or hire purchase 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 or hire purchase 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 assets are 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.

#### (ii) 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 cost 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 2.23(iii).

## 2. Summary of significant accounting policies (contd.)

### 2.23 Revenue from contracts with customers

Revenue from contacts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue from contracts with customers is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's and the Company's performance as the Group and Company perform;

- The Group's and the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

**(i) Hotel operations**

Revenue from hotel operations comprising rental of hotel rooms, hall and office, sale of food and beverages and other related income are recognised when the services are provided.

**(ii) Port services**

Revenue from port services is recognised in profit or loss as and when services are rendered. Revenue from Lekir Bulk Terminal Operations and Maintenance Agreement ("LBT O&M"), where fixed in nature, is recognised in profit or loss as it accrues and, where not fixed in nature, as and when services are rendered.

**(iii) Rental income**

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

## 2. Summary of significant accounting policies (contd.)

### 2.23 Revenue from contracts with customers (contd.)

#### (iv) Theme park related operations

Revenue from sale of goods (merchandises, photo, food and beverages) are recognised based on invoiced value of goods sold when risks and rewards have been transferred. Revenue from sale of services is recognised net of discounts as and when services are performed.

Entrance fees collected for rights of enjoyment of facilities are recognised when tickets are redeemed.

Revenue from the sale of annual passes is deferred and recognised over the period that the pass is valid.

#### (v) Sale of land/completed properties

Revenue from sales of completed properties is recognised at the point in time when the control of the properties is transferred to the buyers without any significant contractual acts to complete.

#### (vi) Revenue from restaurant operations

Revenue from restaurant operations comprising sale of food and beverages are recognised when the services are provided.

#### (vii) Management fees

Management fees in respect of the management services provided by the Group are recognised when the services are provided.

#### (viii) Sale of properties under development

Where property is under development and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises a contract to construct a property or a contract for the sale of a completed property and whether the financial outcome of the development activity can be reliably estimated.

Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as described in Note 2.13(ii).

2. **Summary of significant accounting policies (contd.)**

### 2.23 Revenue from contracts with customers (contd.)

#### (viii) Sale of properties under development (contd.)

Where the contract is judged to be for the sale of property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage-of-completion method of revenue recognition is applied and revenue is recognised as work progresses. Continuous transfer of work in progress is applied when:

(i) The buyer controls the work in progress, typically when the land on which the development takes place is owned by the final customer; and

(ii) All significant risks and rewards of ownership of the work in progress in its present state are transferred to the buyer as construction progresses, typically, when buyer cannot put the incomplete property back to the Group.

In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

### 2.24 Revenue from other sources

#### (i) Dividend income

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

#### (ii) Interest income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

## 2. Summary of significant accounting policies (contd.)

### 2.25 Income taxes

#### (i) 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.

#### (ii) 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.

## 2. Summary of significant accounting policies (contd.)

### 2.25 Income taxes (contd.)

#### (ii) Deferred tax (contd.)

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 same taxation authority.

#### (iii) Goods and Services Tax ("GST")

The net amount of GST being the difference between output GST and input GST, payable to or receivable from the respective authorities at the reporting date, is included in other payables or other receivables in the statements of financial position.

#### (iv) Sales and service tax

Expenses and assets are recognised net of the amount of sales tax except:

(i) where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable, and

(ii) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statements of financial position.

## 2. Summary of significant accounting policies (contd.)

### 2.26 Contingencies

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

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

### 2.27 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 Group 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 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.28 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of 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.

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

## 2. Summary of significant accounting policies (contd.)

### 2.29 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted available-for-sale financial assets, and for non-recurring measurement, such as assets held for distribution in the discontinued operation.

## 2. Summary of significant accounting policies (contd.)

### 2.29 Fair value measurement (contd.)

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 2.30 Foreign currencies

#### (i) 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.

#### (ii) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company 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.

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.

## 2. Summary of significant accounting policies (contd.)

### 2.31 Financial guarantee contracts

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

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

### 2.32 Redeemable Convertible Preference Shares ("RCPS")

The RCPS are regarded as compound instruments, consisting of a liability component and an equity component. The component of RCPS that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest rate method. On issuance of the RCPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability in accordance with the accounting policy for financial liabilities set out in Note 2.18.

The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholders' equity, net of transaction costs and deferred tax liability.

Transaction costs are apportioned between the liability and equity components of the RCPS based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

### 2.33 Government grant

Government grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant related to an asset, the fair value is presented in the statements of financial position by deducting the grants in arriving at the carrying amount of the asset.

## 3. Significant accounting judgements and estimates

### 3.1 Judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

**Impairment of property, plant and equipment**

The Group reviews its property, plant and equipment at each reporting date to assess whether they are impaired. The Group also records impairment loss when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

### 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:

**(i) Revenue from sales of land**

The Group recognises revenue from sales of land at the point in time when the control of the land is transferred to the buyers and whether it is probable that the sale consideration will flow to the Group.

Significant judgement is required in assessing the point in time when the control of the land is transferred to the as well as the recoverability of the sales. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

**(ii) Impairment assessment on property, plant and equipment, investment properties and IP rights**

The Group reviews the carrying amounts of the property, plant and equipment, investment properties and IP rights at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount which is the higher of its fair value less costs to sell or its value in use is estimated.

## 3. Significant accounting judgements and estimates (contd.)

### 3.2 Key sources of estimation uncertainty (contd.)

#### (ii) Impairment assessment on property, plant and equipment, investment properties and IP rights (contd.)

For the purpose of impairment testing of land and buildings, the recoverable amount is determined based on prevailing market value determined by professional valuers or last transacted sale of surrounding property.

In addition, the Group carried out the impairment test based on a variety of estimation including the value-in-use of the CGU to which the property, plant and equipment and IP rights are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment of the Group and of the Company as at the reporting date will be disclosed in the notes to the financial statements.

Based on the Group's impairment review, impairment loss on property, plant and equipment and IP rights of RM40,292,933 (2017 : RM167,239,506) and RM109,667 (2017 : RM19,292,185) respectively were provided for in the current financial year.

#### (iii) Impairment of investments in subsidiaries and associates

The Group assesses whether there any indicators of impairment for its investments in subsidiaries and associates at each reporting date.

In assessing whether there is any indication that its investments in subsidiaries and associates may be impaired, the Group considers the external and internal sources of information. The external sources include the market value of the investments, the significant changes in the technological, market, economic or legal environment in which the subsidiaries and associates operate, market interest rate or other market rates of return on investments. The internal sources include corporate plan and evidence of internal reporting of the subsidiaries and associates.

Based on the Group's impairment review, impairment loss on associates of RM1,676,859 (2017 : RMNil) was provided for in the current financial year. Further details are disclosed in Notes 9 and 18.

## 4. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Sales of completed properties | 1,000,000 | 160,000 | - | - |
| Sales of land | 24,630,710 | 47,668,338 | - | 4,288,000 |
| Hotel revenue | | | | |
| - Room | 6,131,709 | 5,796,231 | - | - |
| - Food and beverages | 9,304,213 | 9,443,466 | - | - |
| - Hall and offices | 910,668 | 909,168 | - | - |
| Restaurant | 674,574 | 181,152 | - | - |
| Theme park | 24,374,968 | 14,316,281 | - | - |
| Port services | 124,505,889 | 105,314,216 | - | - |
| Management fees | 1,819,934 | 1,800,000 | - | - |
| Rental income | 3,211,210 | 198,958 | - | - |
| | 196,563,875 | 185,787,810 | - | 4,288,000 |

**Timing of revenue recognition**

| | | | | |
|---|---|---|---|---|
| Goods transferred/services rendered at a point in time | 156,953,503 | 141,033,303 | - | 4,288,000 |
| Services transferred over time | 39,610,372 | 44,754,507 | - | - |
| | 196,563,875 | 185,787,810 | - | 4,288,000 |

## 5. Cost of sales

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Cost of completed properties sold | 796,947 | 261,678 | - | - |
| Cost of land sold | 7,626,776 | 12,286,021 | - | 924,305 |
| Cost of services rendered | | | | |
| - hotel operations | 9,152,050 | 9,708,939 | - | - |
| - restaurant operations | 1,051,150 | 84,125 | - | - |
| - theme park operations | 9,049,746 | 4,142,040 | - | - |
| - port services | 49,158,087 | 40,542,741 | - | - |
| - management services | 1,907,624 | 1,172,724 | - | - |
| | 78,742,380 | 68,198,268 | - | 924,305 |

## 6. Interest income

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Interest income from: | | | | |
| Amounts due from related parties | 5,293,522 | 2,980,378 | 1,495,370 | 296,355 |
| Amounts due from subsidiaries | - | - | 11,602,509 | 7,592,190 |
| Fixed deposits | 437,565 | 1,015,875 | 46,457 | 18,523 |
| Financial assets at fair value through profit or loss | 11,181 | 52,195 | 8,747 | 11,802 |
| | 5,742,268 | 4,048,448 | 13,153,083 | 7,918,870 |

## 7. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Dividend income | 78,271 | 9,510 | - | - |
| Gain on disposals | | | | |
| - Port facilities | 3,999 | - | - | - |
| - Plant and equipment | 24,377 | - | - | - |
| Rental income from leasing of buildings | 2,050,642 | 2,138,942 | 30,550 | 54,617 |
| Gain on forex exchange | | | | |
| - Realised | 119,605 | - | - | - |
| - Unrealised | - | 4,155 | - | - |
| Reversal of allowance for impairment loss on trade receivables | 30,117 | 860,064 | - | - |
| Sundry income | 3,544,042 | 1,161,269 | 14,715 | 13,957 |
| | 5,851,053 | 4,173,940 | 45,265 | 68,574 |

## 8. Finance costs

| | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|
| Interest expenses | | | | |
| - advances from related parties | 5,287,231 | 5,666,969 | 5,872,368 | 1,823,426 |
| - finance lease liabilities | 45,679 | 39,377 | - | 2,149 |
| - revolving credits | 7,889,160 | 9,922,857 | 6,253,731 | 5,927,219 |
| - term loans | 25,820,624 | 26,071,878 | 2,596,208 | 2,140,470 |
| - redeemable convertible preference shares | 2,979,649 | 3,757,336 | - | - |
| | 42,022,343 | 45,458,417 | 14,722,307 | 9,893,264 |
| Unwinding of discount on provision for intellectual property rights | 111,332 | - | - | - |
| | 42,133,675 | 45,458,417 | 14,722,307 | 9,893,264 |
| Recognised in profit or loss | 39,800,704 | 37,137,727 | 14,722,307 | 9,893,264 |
| Capitalised in qualifying assets | | | | |
| - inventories | 120,734 | 224,281 | - | - |
| - property, plant and equipment | 2,212,237 | 8,096,409 | - | - |
| | 42,133,675 | 45,458,417 | 14,722,307 | 9,893,264 |

## 9. Loss before taxation

The following items have been included in arriving at loss before taxation:

| | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|
| Amortisation of intellectual property rights | 562,473 | 583,230 | - | - |
| Auditors' remuneration | | | | |
| Statutory audits | | | | |
| - current year | 587,000 | 492,000 | 117,500 | 120,000 |
| Non-audit fees | | | | |
| - assurance related | | | | |
| - current year | 15,000 | 21,000 | 15,000 | 15,000 |
| - (over)/under provision in prior year | (6,000) | 15,000 | - | - |
| - tax and other non-audit services | 76,500 | 72,500 | 5,000 | 5,000 |
| Bad debts written off | 277,123 | 23,014 | - | - |

## 9. Loss before taxation (contd.)

The following items have been included in arriving at loss before taxation (contd.):

| | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|
| Depreciation | | | | |
| - property, plant and equipment (Note 14) | 16,109,428 | 15,784,137 | 398,325 | 473,464 |
| - port facilities (Note 15) | 4,178,798 | 3,355,176 | - | - |
| - investment properties (Note 16) | 79,090 | 79,090 | - | - |
| Directors' fees and remuneration (Note 11) | 1,614,268 | 1,537,552 | 886,527 | 491,600 |
| Employee benefits expense (Note 10) | 72,188,607 | 62,910,772 | 17,146,834 | 15,378,078 |
| Fair value loss on financial assets at fair value through profit or loss | | | | |
| - other investments | 430,000 | - | - | - |
| - investment in an associate (Note 18) | 1,900,000 | - | - | - |
| Impairment loss | | | | |
| - trade and other receivables | | | | |
| - trade third parties (Note 23(a)) | 275,557 | - | - | - |
| - non-trade third parties (Note 23) | 9,310,821 | 90,413,310 | - | - |
| - amounts due from subsidiaries | - | - | 6,612,599 | - |
| - dividend receivable in an associate | 76,000 | - | - | - |
| - investment in an associate | 1,676,859 | - | - | - |
| - property, plant and equipment (Note 14) | 40,292,933 | 167,239,506 | - | - |
| - intangible assets (Note 20) | 129,875 | 19,392,746 | - | - |
| Provision for slow moving inventories (Note 22) | 196,424 | 372,754 | - | - |
| Inventories written down to net realisable value (Note 22) | 3,117,753 | 481,353 | 2,054,308 | - |
| Inventories written off: | | | | |
| - Development costs written off (Note 22) | 3,806,316 | - | 3,806,316 | - |
| - Merchandise goods written off (Note 22) | 3,411,694 | 15,443 | - | - |

## 9. Loss before taxation (contd.)

The following items have been included in arriving at loss before taxation (contd.):

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Loss on disposal of plant and equipment | - | - | 6,761 | - |
| Port facilities written off | 7,589,923 | 1,497 | - | - |
| Property, plant and equipment written off | 8,421,636 | 359,700 | - | - |
| Intangible assets written off | 19,425,921 | - | - | - |
| Loss/(Gain) on foreign exchange | | | | |
| - Realised | - | 21,935 | - | - |
| - Unrealised | 45,448 | (4,155) | - | - |
| Rental expense in respect of | | | | |
| - motor vehicles | 429,753 | 443,156 | - | - |
| - premises | 1,824,719 | 500,007 | 841,594 | 761,836 |
| - plant and office equipment | 855,964 | 77,818 | 5,267 | 3,245 |
| - port equipments | 12,979,951 | 11,470,724 | - | - |
| - miscellaneous | 174,763 | 236,497 | - | - |
| Royalty fees | 118,271 | 474,788 | - | - |

## 10. Employee benefits expense

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Salaries and wages | 54,545,436 | 48,431,753 | 13,790,529 | 11,943,303 |
| Employees Provident Fund contributions | 7,109,978 | 6,186,453 | 2,171,717 | 2,103,244 |
| Social security contributions and employment insurance system contributions | 652,285 | 528,782 | 137,800 | 107,865 |
| Other staff related expenses | 9,880,908 | 7,763,784 | 1,046,788 | 1,223,666 |
| | 72,188,607 | 62,910,772 | 17,146,834 | 15,378,078 |

## 11. Directors' fees and remuneration

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows:

| Group | Salaries and other emoluments* RM | Fees RM | Defined contribution plan RM | Total RM |
|---|---|---|---|---|
| **2018** | | | | |
| **Executive directors:** | | | | |
| Mohamed Shafeii Bin Abdul Gaffoor | 194,339 | 50,000 | - | 244,339 |
| Dato' Aminuddin Bin Md Desa | 135,175 | 230,233 | - | 365,408 |
| Rozahan Bin Osman | 28,620 | 34,839 | - | 63,459 |
| Salween Azila Binti Ahmad Tauffik | - | 19,000 | - | 19,000 |
| | 358,134 | 334,072 | - | 692,206 |
| **Non-executive directors:** | | | | |
| Mohd Ariff Bin Yeop Ishak | 28,500 | 58,000 | - | 86,500 |
| Chong Zhemin | 2,000 | 20,000 | - | 22,000 |
| Hatim Bin Musa | 3,000 | 20,000 | - | 23,000 |
| Khairul Anuar Bin Musa | 3,000 | 20,000 | - | 23,000 |
| Mohamed Azni Bin Mohamed Ali | 3,000 | 20,000 | - | 23,000 |
| Ng Shy Ching | 2,000 | 20,000 | - | 22,000 |
| Dato' Seri Panglima Mohammad Noordin Bin Ali | 2,250 | 41,000 | - | 43,250 |
| Ibrahim Bin Mohd Hanafiah | 1,000 | 10,000 | - | 11,000 |
| Datuk Zainuddin Bin Ibrahim | 2,250 | 45,000 | - | 47,250 |
| Mohammad Zahir Bin Ismail | 50,250 | 60,000 | - | 110,250 |
| Mohd Shaiful Bahri Bin Hussain | 51,000 | 60,000 | - | 111,000 |
| Norhaslinda Binti Zakaria | - | 7,500 | - | 7,500 |
| **Balance carried forward** | 148,250 | 381,500 | - | 529,750 |

## 11. Directors' fees and remuneration (contd.)

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows (contd.):

| Group (contd.) | Salaries and other emoluments* RM | Fees RM | Defined contribution plan RM | Total RM |
|---|---|---|---|---|
| **2018** | | | | |
| **Balance brought forward** | 148,250 | 381,500 | - | 529,750 |
| **Non-executive directors (contd.):** | | | | |
| Dato Azmi Bin Othman | 12,000 | - | - | 12,000 |
| Dato' Nasarudin Bin Hashim | 98,532 | 29,290 | - | 127,822 |
| Dato' Abd Karim Bin Ahmad Tarmizi | 8,000 | 29,290 | - | 37,290 |
| Dato' Dr Vasan A/L Sinnadurai | 8,000 | 23,600 | - | 31,600 |
| Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri | 7,000 | 48,000 | - | 55,000 |
| Datuk Dr Wan Norashikin Binti Wan Noordin | 10,000 | 23,600 | - | 33,600 |
| Tuan Haji Ab Rahman Bin Mohammed | 9,000 | 23,600 | - | 32,600 |
| Dato' Azian Bin Osman | 5,400 | 45,000 | - | 50,400 |
| Dato' Khansiyah @ Khamsiyah Binti Yeop | 12,000 | - | - | 12,000 |
| | 318,182 | 603,880 | - | 922,062 |
| **Total directors' remuneration** | 676,316 | 937,952 | - | 1,614,268 |

## 11. Directors' fees and remuneration (contd.)

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows (contd.):

| Group (contd.) | Salaries and other emoluments* RM | Fees RM | Defined contribution plan RM | Total RM |
|---|---|---|---|---|
| **2017** | | | | |
| **Executive directors:** | | | | |
| Dato' Aminuddin Bin Md Desa | 51,469 | 119,374 | 4,864 | 175,707 |
| Jamal Bin Mohd Aris | 10,508 | 10,323 | 1,074 | 21,905 |
| Rozahan Bin Osman | 52,500 | 60,000 | 6,240 | 118,740 |
| Rustam Apandi Bin Jamaludin | 4,000 | - | - | 4,000 |
| Salween Azila Binti Ahmad Tauffik | 3,750 | 60,000 | - | 63,750 |
| | 122,227 | 249,697 | 12,178 | 384,102 |
| **Non-executive directors:** | | | | |
| Dato' Nasarudin Bin Hashim | 154,800 | - | - | 154,800 |
| Dato' Abd Karim Bin Ahmad Tarmizi | 6,000 | 72,600 | - | 78,600 |
| Dato' Dr Vasan A/L Sinnadurai | 8,400 | 72,600 | - | 81,000 |
| Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri | 4,800 | 72,600 | - | 77,400 |
| Datuk Dr Wan Norashikin Binti Wan Noordin | 7,800 | 72,600 | - | 80,400 |
| Tuan Haji Ab Rahman Bin Mohammed | 10,350 | 78,650 | - | 89,000 |
| Mohammad Zahir Bin Ismail | 51,000 | 60,000 | - | 111,000 |
| Mohd Shaiful Bahri Bin Hussain | 52,500 | 60,000 | - | 112,500 |
| Dato' Azian Bin Osman | 22,750 | 150,000 | - | 172,750 |
| Datuk Zainuddin Bin Ibrahim | 3,000 | 60,000 | - | 63,000 |
| Dato' Khansiyah @ Khamsiyah Binti Yeop | 4,000 | 24,000 | - | 28,000 |
| Ramelle Ashram Bin Ramli | - | 105,000 | - | 105,000 |
| | 325,400 | 828,050 | - | 1,153,450 |
| **Total directors' remuneration** | 447,627 | 1,077,747 | 12,178 | 1,537,552 |

## 11. Directors' fees and remuneration (contd.)

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows (contd.):

| Company | Salaries and other emoluments* RM | Fees RM | Defined contribution plan RM | Total RM |
|---|---|---|---|---|
| **2018** | | | | |
| **Executive directors:** | | | | |
| Mohamed Shafeii Bin Abdul Gaffoor | 168,839 | 20,000 | - | 188,839 |
| Dato' Aminuddin Bin Md Desa | 111,075 | 205,233 | - | 316,308 |
| | 279,914 | 225,233 | - | 505,147 |
| **Non-executive directors:** | | | | |
| Mohd Ariff Bin Yeop Ishak | 3,000 | 28,000 | - | 31,000 |
| Chong Zhemin | 2,000 | 20,000 | - | 22,000 |
| Hatim Bin Musa | 3,000 | 20,000 | - | 23,000 |
| Khairul Anuar Bin Musa | 3,000 | 20,000 | - | 23,000 |
| Mohamed Azni Bin Mohamed Ali | 3,000 | 20,000 | - | 23,000 |
| Ng Shy Ching | 2,000 | 20,000 | - | 22,000 |
| Ibrahim Bin Mohd Hanafiah | 1,000 | 10,000 | - | 11,000 |
| Dato' Nasarudin Bin Hashim | 7,000 | 29,290 | - | 36,290 |
| Dato' Abd Karim Bin Ahmad Tarmizi | 8,000 | 29,290 | - | 37,290 |
| Dato' Dr Vasan A/L Sinnadurai | 8,000 | 23,600 | - | 31,600 |
| Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri | 7,000 | 48,000 | - | 55,000 |
| Datuk Dr Wan Norashikin Binti Wan Noordin | 10,000 | 23,600 | - | 33,600 |
| Tuan Haji Ab Rahman Bin Mohammed | 9,000 | 23,600 | - | 32,600 |
| | 66,000 | 315,380 | - | 381,380 |
| **Total directors' remuneration** | 345,914 | 540,613 | - | 886,527 |

## 11. Directors' fees and remuneration (contd.)

The details of remuneration receivable by directors of the Group and of the Company during the year are as follows (contd.):

| Company | Salaries and other emoluments* RM | Fees RM | Defined contribution plan RM | Total RM |
|---|---|---|---|---|
| **2017** | | | | |
| **Executive director:** | | | | |
| Dato' Aminuddin Bin Md Desa | 7,800 | 72,600 | - | 80,400 |
| **Non-executive directors:** | | | | |
| Dato' Nasarudin Bin Hashim | 4,800 | - | - | 4,800 |
| Dato' Abd Karim Bin Ahmad Tarmizi | 6,000 | 72,600 | - | 78,600 |
| Dato' Dr Vasan A/L Sinnadurai | 8,400 | 72,600 | - | 81,000 |
| Dato' Wan Hashimi Albakri Bin Wan Ahmad Amin Jaffri | 4,800 | 72,600 | - | 77,400 |
| Datuk Dr Wan Norashikin Binti Wan Noordin | 7,800 | 72,600 | - | 80,400 |
| Tuan Haji Ab Rahman Bin Mohammed | 10,350 | 78,650 | - | 89,000 |
| | 42,150 | 369,050 | - | 411,200 |
| **Total directors' remuneration** | 49,950 | 441,650 | - | 491,600 |

* Includes bonus, meeting allowances and executive committee members allowances.

## 11. Directors' fees and remuneration (contd.)

The number of directors of the Group and of the Company whose total remuneration during the year fell within the following bands are analysed as follows:

| | Number of directors Group | | Number of directors Company | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **Executive directors:** | | | | |
| Below RM50,000 | 1 | 2 | 2 | - |
| RM50,001 - RM100,000 | 3 | 1 | - | 1 |
| RM100,001 - RM150,000 | - | 1 | - | - |
| RM150,001 - RM200,000 | - | 1 | - | - |
| **Non-executive directors:** | | | | |
| Below RM50,000 | 15 | 1 | 12 | 1 |
| RM50,001 - RM100,000 | 3 | 6 | 1 | 5 |
| RM100,001 - RM150,000 | 3 | 3 | - | - |
| RM150,001 - RM200,000 | - | 2 | - | - |

## 12. Taxation

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Current tax: | | | | |
| Malaysian income tax | 19,258,190 | 20,119,271 | - | - |
| Under/(Over) provision of Malaysian income tax in prior year | 1,886,874 | (297,053) | - | - |
| Over provision of real property gains tax in prior year | - | (138,608) | - | (138,608) |
| | 21,145,064 | 19,683,610 | - | (138,608) |
| Deferred tax (Note 30): | | | | |
| Relating to origination and reversal of temporary differences | 2,738,987 | (116,553) | (56,232) | - |
| (Over)/Under provision in prior year | (139,711) | 896,955 | (88,900) | - |
| | 2,599,276 | 780,402 | (145,132) | - |
| Income tax expense recognised in profit or loss | 23,744,340 | 20,464,012 | (145,132) | (138,608) |

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

## 12. Taxation (contd.)

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rates to income tax expense at the effective income tax rates of the Group and of the Company is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Loss before taxation | (147,180,362) | (320,108,659) | (35,931,195) | (28,409,096) |
| Taxation at applicable statutory tax rate of 24% (2017 : 24%) | (35,323,287) | (76,826,078) | (8,623,487) | (6,818,183) |
| Adjustments: | | | | |
| Non-deductible expenses | 35,289,124 | 97,361,837 | 10,103,233 | 6,818,183 |
| Income not subject to tax | (490,910) | (1,303,199) | - | - |
| Deferred tax assets not recognised on unutilised tax losses and unabsorbed capital allowances | 24,058,228 | 770,158 | - | - |
| Utilisation of previously unrecognised deferred tax assets | (1,535,978) | - | (1,535,978) | - |
| Under/(Over) provision of Malaysian income tax in prior year | 1,886,874 | (297,053) | - | - |
| (Over)/Under provision of deferred tax in prior year | (139,711) | 896,955 | (88,900) | - |
| Over provision of real property gains tax in prior year | - | (138,608) | - | (138,608) |
| Income tax expense/(benefit) recognised in profit or loss | 23,744,340 | 20,464,012 | (145,132) | (138,608) |

## 13. Loss per ordinary share

### (a) Basic per ordinary share

The basic loss per ordinary share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|---|---|---|
| | 2018<br>RM | 2017<br>RM |
| Loss attributable to ordinary equity holders of the Company (RM) | (104,879,963) | (174,957,156) |
| Weighted average number of ordinary shares in issue | 100,000,000 | 100,000,000 |
| Basic loss per ordinary share (sen) for: | | |
| Loss for the year | (104.88) | (174.96) |

### (b) Diluted

There is no dilutive effect on loss per share as the Company has no potential issue of ordinary shares.

## 14. Property, plant and equipment

| Group | Freehold land RM | Buildings and improvements RM | Attractions RM | Equipment, furniture and fittings and computers RM | Motor vehicles RM | Refurbishment and renovations RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **At 1 January 2017** | 66,749,199 | 68,553,750 | - | 25,954,118 | 4,160,781 | 11,335,679 | 314,202,127 | 490,955,654 |
| Additions | - | 4,131,528 | - | 7,116,518 | 1,153,986 | 420,319 | 133,415,809 | 146,238,160 |
| Disposals | - | - | - | (4,843) | - | - | - | (4,843) |
| Written off | - | - | - | (6,550) | - | - | (359,697) | (366,247) |
| Government grant received | - | - | - | - | - | - | (30,670,000) | (30,670,000) |
| Reclassifications | - | - | - | 6,890,457 | - | (6,890,457) | - | - |
| Transfer from capital work-in-progress | - | 170,861,098 | 35,196,372 | 43,147,373 | 72,000 | - | (249,276,843) | - |
| Transfer to intangible assets (Note 20) | - | - | - | - | - | - | (38,816,251) | (38,816,251) |
| **At 31 December 2017** | 66,749,199 | 243,546,376 | 35,196,372 | 83,097,073 | 5,386,767 | 4,865,541 | 128,495,145 | 567,336,473 |
| Additions | - | 782,518 | - | 6,570,049 | 778,520 | 92,393 | 7,683,662 | 15,907,142 |
| Disposals | - | - | - | (13,935) | (244,009) | - | - | (257,944) |
| Written off | - | (257,509) | - | (2,675,307) | - | - | (10,750,185) | (13,683,001) |
| Transfer from capital work-in-progress | - | 35,303,026 | 24,827,256 | - | - | 437,772 | (60,568,054) | - |
| **At 31 December 2018** | 66,749,199 | 279,374,411 | 60,023,628 | 86,977,880 | 5,921,278 | 5,395,706 | 64,860,568 | 569,302,670 |

## 14. Property, plant and equipment (contd.)

| Group (contd.) | Freehold land RM | Buildings and improvements RM | Attractions RM | Equipment, furniture and fittings and computers RM | Motor vehicles RM | Refurbishment and renovations RM | Capital work-in-progress RM | Total RM |
|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| **At 1 January 2017** | - | 4,118,159 | - | 10,577,002 | 2,172,405 | 2,637,137 | - | 19,504,703 |
| Impairment loss for the year (Note 9) | - | 84,515,628 | 16,847,243 | 22,904,961 | 520,573 | - | 42,451,101 | 167,239,506 |
| Depreciation for the year | - | 4,918,667 | 1,808,708 | 8,103,686 | 802,774 | 150,302 | - | 15,784,137 |
| Disposals | - | - | - | (1,937) | - | - | - | (1,937) |
| Written off | - | - | - | (6,547) | - | - | - | (6,547) |
| Reclassifications | - | - | - | 2,421,294 | - | (2,421,294) | - | - |
| **At 31 December 2017** | - | 93,552,454 | 18,655,951 | 43,998,459 | 3,495,752 | 366,145 | 42,451,101 | 202,519,862 |
| Impairment loss for the year (Note 9) | - | 13,804,296 | 3,200,147 | 2,429,612 | 75,659 | - | 20,783,219 | 40,292,933 |
| Depreciation for the year | - | 4,940,170 | 2,090,122 | 8,211,211 | 683,474 | 184,451 | - | 16,109,428 |
| Disposals | - | - | - | (5,873) | (205,185) | - | - | (211,058) |
| Written off | - | (3,303) | - | (1,636,818) | - | - | (3,621,244) | (5,261,365) |
| Transfer from capital work-in-progress | - | 17,814,004 | 12,527,902 | - | - | - | (30,341,906) | - |
| **At 31 December 2018** | - | 130,107,621 | 36,474,122 | 52,996,591 | 4,049,700 | 550,596 | 29,271,170 | 253,449,800 |
| **Net carrying amount** | | | | | | | | |
| **At 31 December 2017** | 66,749,199 | 149,993,922 | 16,540,421 | 39,098,614 | 1,891,015 | 4,499,396 | 86,044,044 | 364,816,611 |
| **At 31 December 2018** | 66,749,199 | 149,266,790 | 23,549,506 | 33,981,289 | 1,871,578 | 4,845,110 | 35,589,398 | 315,852,870 |

## 14. Property, plant and equipment (contd.)

| | Equipment, furniture and fittings RM | Motor vehicles RM | Total RM |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| **At 1 January 2017** | 950,900 | 789,345 | 1,740,245 |
| Additions | 142,014 | 584,714 | 726,728 |
| **At 31 December 2017** | 1,092,914 | 1,374,059 | 2,466,973 |
| Additions | 11,401 | - | 11,401 |
| Disposal | (13,935) | - | (13,935) |
| **At 31 December 2018** | 1,090,380 | 1,374,059 | 2,464,439 |
| **Accumulated depreciation** | | | |
| **At 1 January 2017** | 417,152 | 553,097 | 970,249 |
| Depreciation for the year | 203,485 | 269,979 | 473,464 |
| **At 31 December 2017** | 620,637 | 823,076 | 1,443,713 |
| Depreciation for the year | 198,175 | 200,150 | 398,325 |
| Disposal | (5,873) | - | (5,873) |
| **At 31 December 2018** | 812,939 | 1,023,226 | 1,836,165 |
| **Net carrying amount** | | | |
| **At 31 December 2017** | 472,277 | 550,983 | 1,023,260 |
| **At 31 December 2018** | 277,441 | 350,833 | 628,274 |

(a) Net carrying amount of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

| | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|
| Buildings and improvements | 7,381,766 | 7,459,181 | - | - |
| Motor vehicles | - | 14,104 | - | 14,103 |

## 14. Property, plant and equipment (contd.)

(b) During the year, the property, plant and equipment of the Group and of the Company were acquired by means of:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Cash payments | 15,907,142 | 144,438,040 | 11,401 | 726,728 |
| Finance lease liabilities | - | 1,800,120 | - | - |
| | 15,907,142 | 146,238,160 | 11,401 | 726,728 |

During the financial year, included in cash payments of the Group are borrowing costs capitalised amounting to RM2,212,237 (2017 : RM8,096,409). The net cash payments, excluding borrowing costs capitalised amounted to RM13,694,905 (2017 : RM136,341,631).

(c) At 31 December 2018, certain freehold land of the Group with a carrying amount of RM105,269,323 (2017 : RM105,269,323) is charged to secure bank loans granted to the Group (see Note 26).

Included in property, plant and equipment is a property known as Casuarina Hotel Meru with a carrying amount of RM66,436,044 (2017 : RM66,533,589) charged to secure bank facilities granted to the Company.

(d) Included in motor vehicles is a motor vehicle with a carrying amount of RM360,574 (2017 : RM467,772) which is held in trust by a former director of the Group and of the Company.

(e) A subsidiary of the Group has been awarded a government grant, amounted to RM30,670,000 in October 2014 to facilitate the planning, financing, developing, constructing, equipping, installing, completing, testing and commissioning of an international standard theme park, Movie Animation Park Studios ("MAPS"), in a specified region. The grant was received in 2017, upon the completion of the project. The cost of the property, plant and equipment was reduced by the amount of the grant received to arrive at the carrying amount of the asset. The grant is recognised in profit or loss over the useful life of the depreciable asset by way of a reduced depreciation charge.

(f) Impairment

As at 31 December 2018, the Group's net assets are higher than its market capitalisation and  together with the change in business model of the theme park operated by a subsidiary, indicates that the carrying amount of the related property, plant and equipment of the subsidiary may be impaired.

## 14. Property, plant and equipment (contd.)

(f) Impairment (contd.)

**Animation Theme Park Sdn. Bhd.**

During the financial year, a subsidiary of the Group, Animation Theme Park Sdn. Bhd. carried out a review of the recoverable amount of its property, plant and equipment of RM183.0 million. The Company recorded an impairment loss of RM37,970,686 which detailed as follows:

- RM19,743,930 on "Inversion 10 Roller Coaster" included in theme park development in progress. The recoverable amount of Inversion 10 Roller Coaster was determined based on its fair value less costs to sell which was determined based on a scrap value quoted by an independent third party; and
- RM18,226,756 (2017 : RM167,245,113) on the remaining property, plant and equipment. The recoverable amount of the property, plant and equipment was determined based on its value in use ("VIU") and was determined by discounting the future cash flows expected to be generated from the continuing use of the division.

Key assumptions used in the VIU calculation are as follows:

- Cash flows were projected based on forecasted operating results and a 5 years (2017 : 5 years) projection.
- Terminal growth rate is projected at 3% (2017 : 3%).
- A pre-tax discount rate for 10% (2017 : 10%) was applied in determining the recoverable amount of the division. The discount rate was estimated based on the industry average weighted average cost of capital.
- Number of visitors
- Staff costs

The values assigned to the key assumptions represent management's assessment of recent trends and future market outlook.

| | Change in assumption | Increase in assumption | Decrease in assumption |
|---|---|---|---|
| Discount rate | 1% | Decrease in VIU by 15% | Increase in VIU by 20% |
| Terminal growth rate | 1% | Increase in VIU by 15% | Decrease in VIU by 11% |
| Number of visitors | 10% | Increase in VIU by 6% | Decrease in VIU by 5% |
| Staff costs | 10% | Increase in VIU by 4% | Decrease in VIU by 4% |

## 14. Property, plant and equipment (contd.)

(f) Impairment (contd.)

**Lanai Casuarina Sdn. Bhd.**

During the financial year, a subsidiary of the Group, Lanai Casuarina Sdn. Bhd. carried out a review of the recoverable amount of its property, plant and equipment. An impairment loss of RM2,322,247 (2017 : RMNil) was recognised in profit or loss for the financial year ended 31 December 2018. The recoverable amount for the above was based on its value in use ("VIU") and was determined by discounting the future cash flows expected to be generated from the continuing use of the division and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5 years projection.
- Terminal growth rate is projected at 0%.
- A pre-tax discount rate for 12% was applied in determining the recoverable amount of the cash generating unit. The discount rate was estimated based on the industry average weighted average cost of capital.

The values assigned to the key assumptions represent management's assessment of recent trends and future market outlook.

The sensitivity of its VIU to changes in the key assumptions are as set out below:

| | Change in assumption | Increase in assumption | Decrease in assumption |
|---|---|---|---|
| Discount rate | 1% | Decrease in VIU by 8% | Increase in VIU by 9% |
| Terminal growth rate | 1% | Increase in VIU by 6% | Decrease in VIU by 5% |

## 15. Port facilities

| Group | Leasehold port land RM | Port structure RM | Port equipment RM | Capital work in progress RM | Total RM |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 1 January 2017** | 19,226,760 | 89,116,426 | 19,875,391 | 6,243,192 | 134,461,769 |
| Additions | 12,646,285 | - | 1,553,286 | 65,872,090 | 80,071,661 |
| Written off | - | - | (111,823) | - | (111,823) |
| **At 31 December 2017** | 31,873,045 | 89,116,426 | 21,316,854 | 72,115,282 | 214,421,607 |
| Additions | - | - | 19,575,010 | 26,171,284 | 45,746,294 |
| Disposal | - | - | (70,000) | - | (70,000) |
| Transfer | - | - | 2,998,493 | (2,998,493) | - |
| Written off | - | - | (80,350) | (7,589,923) | (7,670,273) |
| **At 31 December 2018** | 31,873,045 | 89,116,426 | 43,740,007 | 87,698,150 | 252,427,628 |
| **Accumulated depreciation** | | | | | |
| **At 1 January 2017** | 3,199,866 | 24,618,217 | 11,907,365 | - | 39,725,448 |
| Depreciation for the year (Note 9) | 344,833 | 1,983,996 | 1,026,347 | - | 3,355,176 |
| Written off | - | - | (110,326) | - | (110,326) |
| **At 31 December 2017** | 3,544,699 | 26,602,213 | 12,823,386 | - | 42,970,298 |
| Depreciation for the year (Note 9) | 344,833 | 2,089,808 | 1,744,157 | - | 4,178,798 |
| Disposal | - | - | (70,000) | - | (70,000) |
| Written off | - | - | (80,350) | - | (80,350) |
| **At 31 December 2018** | 3,889,532 | 28,692,021 | 14,417,193 | - | 46,998,746 |
| **Net carrying amount** | | | | | |
| **At 31 December 2017** | 28,328,346 | 62,514,213 | 8,493,468 | 72,115,282 | 171,451,309 |
| **At 31 December 2018** | 27,983,513 | 60,424,405 | 29,322,814 | 87,698,150 | 205,428,882 |

(a) During the year, additions to port facilities of the Group were acquired by means of:

| | Group 2018 RM | Group 2017 RM |
|---|---|---|
| Cash payments | 45,746,294 | 80,071,661 |

(b) At 31 December 2018, certain land held under capital work in progress of the Group with a carrying amount of RM56,000,000 (2017 : RM56,000,000) is charged to secure bank loans granted to the Group (see Note 26(b)).

## 16. Investment properties

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM |
| **Cost** | | |
| At 1 January and 31 December | 5,390,949 | 5,390,949 |
| **Accumulated depreciation** | | |
| At 1 January | 640,314 | 561,224 |
| Depreciation for the year (Note 9) | 79,090 | 79,090 |
| At 31 December | 719,404 | 640,314 |
| **Net carrying amount** | | |
| At 31 December | 4,671,545 | 4,750,635 |
| Included in the above are: | | |
| Freehold land | 1,679,998 | 1,679,998 |
| Buildings | 2,991,547 | 3,070,637 |
| | 4,671,545 | 4,750,635 |
| **Fair value** | | |
| At 31 December | 14,630,000 | 11,550,000 |

The fair value of investment properties have been determined based on valuation performed by accredited independent valuers with recent experience in the location and category of properties being valued. The valuations are based on the comparison method that makes reference to recent transaction value.

## 17. Investments in subsidiaries

| | Company 2018 RM | Company 2017 RM |
|---|---|---|
| Unquoted shares, at cost | 1,602,001 | 1,602,001 |
| Equity loans to subsidiaries | 153,996,589 | 153,996,589 |
| | 155,598,590 | 155,598,590 |
| Less: Accumulated impairment losses | (500,000) | (500,000) |
| | 155,098,590 | 155,098,590 |

Details of subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Equity interest held (%) 2018 | Equity interest held (%) 2017 | Principal activities |
|---|---|---|---|---|
| PCB Development Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding and real property development |
| PCB Equity Sdn. Bhd. | Malaysia | 100 | 100 | Property development and project management |
| PCB Leisure Sdn. Bhd. | Malaysia | 100 | 100 | Property investment and investment holding |
| PCB Taipan Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| Rungkup Port Sdn. Bhd. | Malaysia | 70 | 70 | Operation of port facility |
| **Held by PCB Development Sdn. Bhd.** | | | | |
| Animation Theme Park Sdn. Bhd. | Malaysia | 51 | 51 | Develop and operate an animation theme park |

## 17. Investments in subsidiaries (contd.)

| Name of subsidiaries | Country of incorporation | Equity interest held (%) 2018 | Equity interest held (%) 2017 | Principal activities |
|---|---|---|---|---|
| **Held by PCB Leisure Sdn. Bhd.** | | | | |
| Casuarina Pangkor Sdn. Bhd. | Malaysia | 100 | 100 | Operation and management of hotel |
| Casuarina Tanjong Malim Sdn. Bhd. | Malaysia | 100 | 100 | Operation and management of hotel |
| Casuarina Teluk Intan Sdn. Bhd. | Malaysia | 100 | 100 | Operation and management of hotel |
| Casuarina Boathouse Sdn. Bhd. | Malaysia | 100 | 100 | Provision of accommodation facilities |
| Casuarina Taiping Sdn. Bhd. | Malaysia | 100 | 100 | Operation and management of rest house |
| Lanai Casuarina Sdn. Bhd. | Malaysia | 100 | 100 | Operation and management of hotel |
| Meru Raya Park Sdn. Bhd. | Malaysia | 100 | 100 | Property development and facilities management |
| BioD Leisure and Recreation Sdn. Bhd. | Malaysia | 100 | 100 | Provision of transportation and travel services |
| Meru Raya Water Park Sdn. Bhd. | Malaysia | 100 | 100 | Management of water parks, theme parks, water sport and recreational related activities |
| Labu Sayong Cafe Sdn. Bhd. | Malaysia | 100 | 100 | Operation and management of restaurant and cafe |
| Rimba Land Sdn. Bhd. | Malaysia | 100 | 100 | Jungle adventure park operator |

## 17. Investments in subsidiaries (contd.)

| Name of subsidiaries | Country of incorporation | Equity interest held (%) 2018 | 2017 | Principal activities |
|---|---|---|---|---|
| **Held by PCB Taipan Sdn. Bhd.** | | | | |
| Lumut Maritime Terminal Sdn. Bhd. | Malaysia | 50 plus 1 share | 50 plus 1 share | Development of an integrated privatised project encompassing ownership and operations of multi-purpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities |
| Casuarina Meru Sdn. Bhd. | Malaysia | 89.54 | 89.54 | Hotelier, restaurateur and property developer |
| **Held by Lumut Maritime Terminal Sdn. Bhd.** | | | | |
| LMT Capital Sdn. Bhd. * | Malaysia | 50 plus 1 share | 50 plus 1 share | Dormant |
| **Held by Casuarina Meru Sdn. Bhd.** | | | | |
| Silveritage Corporation Sdn. Bhd. | Malaysia | 89.54 | 89.54 | Development of tourism projects |
| **Held by Silveritage Corporation Sdn. Bhd.** | | | | |
| Cash Complex Sdn. Bhd. | Malaysia | 66.18 | 66.18 | Investment holding |

* Although the Group has 50% effective ownership interest, the directors have determined that the Group controls LMT Capital Sdn. Bhd. as Lumut Maritime Terminal Sdn. Bhd. has 100% voting interest in LMT Capital Sdn. Bhd..

## 17. Investments in subsidiaries (contd.)

(i) Summarised statements of financial position

| | Lumut Maritime Terminal Sdn. Bhd. | | Casuarina Meru Sdn. Bhd. | | Animation Theme Park Sdn. Bhd. | | Rungkup Port Sdn. Bhd. | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Non-current assets | 214,429,761 | 175,414,428 | 72,539,417 | 75,777,294 | 183,794,568 | 251,623,607 | - | - | 470,763,746 | 502,815,329 |
| Current assets | 59,272,636 | 61,758,969 | 9,753,998 | 11,576,361 | 9,899,354 | 27,643,698 | 145 | 5 | 78,926,133 | 100,979,033 |
| **Total assets** | 273,702,397 | 237,173,397 | 82,293,415 | 87,353,655 | 193,693,922 | 279,267,305 | 145 | 5 | 549,689,879 | 603,794,362 |
| Non-current liabilities | 35,951,930 | 38,686,201 | 671,262 | - | 363,546,163 | 305,781,586 | - | - | 400,169,355 | 344,467,787 |
| Current liabilities | 24,852,160 | 17,304,529 | 10,919,276 | 11,048,015 | 376,921,656 | 353,632,188 | 7,624,608 | 24,013 | 420,317,700 | 382,008,745 |
| **Total liabilities** | 60,804,090 | 55,990,730 | 11,590,538 | 11,048,015 | 740,467,819 | 659,413,774 | 7,624,608 | 24,013 | 820,487,055 | 726,476,532 |
| **Net assets/ (liabilities)** | 212,898,307 | 181,182,667 | 70,702,877 | 76,305,640 | (546,773,897) | (380,146,469) | (7,624,463) | (24,008) | (270,797,176) | (122,682,170) |
| **Equity attributable to:** | | | | | | | | | | |
| Owners of the Company | 106,571,147 | 90,713,323 | 63,195,930 | 68,324,069 | (280,411,419) | (195,431,431) | (5,343,973) | (24,008) | (115,988,315) | (36,418,047) |
| Non-controlling interests | 106,327,160 | 90,469,344 | 7,506,947 | 7,981,571 | (266,362,478) | (184,715,038) | (2,280,490) | - | (154,808,861) | (86,264,123) |
| | 212,898,307 | 181,182,667 | 70,702,877 | 76,305,640 | (546,773,897) | (380,146,469) | (7,624,463) | (24,008) | (270,797,176) | (122,682,170) |

## 17. Investments in subsidiaries (contd.)

(ii) Summarised statements of comprehensive income

| | Lumut Maritime Terminal Sdn. Bhd. | | Casuarina Meru Sdn. Bhd. | | Animation Theme Park Sdn. Bhd. | | Rungkup Port Sdn. Bhd. | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Revenue | 127,303,421 | 105,314,215 | 15,729,065 | 15,235,068 | 24,472,678 | 14,561,642 | - | - | 167,505,164 | 135,110,925 |
| Profit/(Loss) for the year | 36,715,631 | 31,764,056 | (4,537,518) | (1,976,807) | (166,627,428) | (369,981,162) | (7,600,455) | (9,671) | (142,049,770) | (340,203,584) |
| Total comprehensive income | 36,715,631 | 31,764,056 | (4,537,518) | (1,976,807) | (166,627,428) | (369,981,162) | (7,600,455) | (9,671) | (142,049,770) | (340,203,584) |
| Profit/(Loss) attributable to: | | | | | | | | | | |
| Owners of the Company | 18,357,816 | 15,882,028 | (4,062,894) | (1,770,033) | (84,979,988) | (188,690,393) | (5,319,965) | (9,671) | (76,005,031) | (174,588,069) |
| Non-controlling interests | 18,357,815 | 15,882,028 | (474,624) | (206,774) | (81,647,440) | (181,290,769) | (2,280,490) | - | (66,044,739) | (165,615,515) |
| | 36,715,631 | 31,764,056 | (4,537,518) | (1,976,807) | (166,627,428) | (369,981,162) | (7,600,455) | (9,671) | (142,049,770) | (340,203,584) |
| Total comprehensive income attributable to: | | | | | | | | | | |
| Owners of the Company | 18,357,816 | 15,882,028 | (4,062,894) | (1,770,033) | (84,979,988) | (188,690,393) | (5,319,965) | (9,671) | (76,005,031) | (174,588,069) |
| Non-controlling interests | 18,357,815 | 15,882,028 | (474,624) | (206,774) | (81,647,440) | (181,290,769) | (2,280,490) | - | (66,044,739) | (165,615,515) |
| | 36,715,631 | 31,764,056 | (4,537,518) | (1,976,807) | (166,627,428) | (369,981,162) | (7,600,455) | (9,671) | (142,049,770) | (340,203,584) |
| Dividend paid to non-controlling interests | 2,499,999 | 2,499,999 | - | - | - | - | - | - | 2,499,999 | 2,499,999 |

## 17. Investments in subsidiaries (contd.)

(iii) Summarised statements of cash flows

| | Lumut Maritime Terminal Sdn. Bhd. | | Casuarina Meru Sdn. Bhd. | | Animation Theme Park Sdn. Bhd. | | Rungkup Port Sdn. Bhd. | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Net cash flows generated from/ (used in): | | | | | | | | | | |
| Operating activities | 46,634,483 | 26,427,207 | (665,703) | (1,486,066) | (40,950,725) | (50,268,640) | (7,007) | (5,118) | 5,011,048 | (25,332,617) |
| Investing activities | (44,119,598) | (82,151,149) | (740,897) | (857,023) | 4,887,234 | (99,179,949) | - | - | (39,973,261) | (182,188,121) |
| Financing activities | (7,889,377) | 32,001,635 | 1,044,879 | 38,519 | 36,070,937 | 124,391,429 | 7,147 | 5,070 | 29,233,586 | 156,436,653 |
| Net (decrease)/ increase in cash and cash equivalents | (5,374,492) | (23,722,307) | (361,721) | (2,304,570) | 7,446 | (25,057,160) | 140 | (48) | (5,728,627) | (51,084,085) |
| Cash and cash equivalents at: | | | | | | | | | | |
| Beginning of the year | 7,457,642 | 31,179,949 | (4,077,469) | (1,772,899) | 1,613,748 | 26,670,908 | 5 | 53 | 4,993,926 | 56,078,011 |
| End of the year | 2,083,150 | 7,457,642 | (4,439,190) | (4,077,469) | 1,621,194 | 1,613,748 | 145 | 5 | (734,701) | 4,993,926 |

The financial information of Rungkup Port Sdn. Bhd. was not disclosed in previous financial year as it was not material to the Group.

## 18. Investments in associates

| | Group 2018 RM | Group 2017 RM |
|---|---|---|
| Unquoted shares | | |
| - Ordinary shares, at cost | 6,100,000 | 6,100,000 |
| - Cumulative Redeemable Non-Convertible Preference Shares ("CRNCPS") at fair value/cost | - | 1,900,000 |
| Share of post-acquisition loss | (592,199) | (592,199) |
| | 5,507,801 | 7,407,801 |
| Less: Accumulated impairment loss | (5,507,801) | (3,830,942) |
| | - | 3,576,859 |

The CRNCPS are categorised as financial assets at fair value through profit or loss under MFRS 9. During the financial year, fair value loss of RM1,900,000 has been recognised as disclosed in Note 9.

Details of the associates are as follows:

| Name of associates | Country of incorporation | Principal activity | Percentage of equity held through subsidiary (%) 2018 | Percentage of equity held through subsidiary (%) 2017 |
|---|---|---|---|---|
| **Held by PCB Equity Sdn. Bhd.** | | | | |
| Visi Cenderawasih Sdn. Bhd. © | Malaysia | Network facilities provider | 49 | 49 |
| Unified Million (M) Sdn. Bhd. © | Malaysia | Resort operator for Pangkor Village Resort | 30 | 30 |

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**Financial information of material associates**

As at 31 December 2018, the Group did not have any associate that is individually material to the Group.

## 19. Other investments

| | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|
| **Non-current** | | | | |
| **3.5% Redeemable Convertible Preference Shares ("RCPS")** | | | | |
| - Held-to-maturity investments | - | 430,000 | - | - |
| **Unquoted shares in Malaysia** | | | | |
| - Financial assets at fair value through profit or loss | 25,000 | - | - | - |
| - Available-for-sale financial assets | - | 25,000 | - | - |
| | 25,000 | 25,000 | - | - |
| | 25,000 | 455,000 | - | - |
| **Current** | | | | |
| **Unit trust fund (quoted in Malaysia)** | | | | |
| - Financial assets at fair value through profit or loss | 109,717 | 418,536 | 39,220 | 350,473 |
| Market value of quoted investments | 109,717 | 418,536 | 39,220 | 350,473 |

## 20. Intangible assets

| Group | Goodwill RM | Intellectual property rights RM | Intellectual property rights work-in-progress RM | Total RM |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2017 | 23,930,243 | - | - | 23,930,243 |
| Acquisition through business combination | 20,208 | - | - | 20,208 |
| Transfer from property, plant and equipment (Note 14) | - | 3,568,998 | 35,247,253 | 38,816,251 |
| At 31 December 2017 | 23,950,451 | 3,568,998 | 35,247,253 | 62,766,702 |
| Addition | - | - | 1,964,250 | 1,964,250 |
| Written off | - | - | (37,211,503) | (37,211,503) |
| At 31 December | 23,950,451 | 3,568,998 | - | 27,519,449 |
| **Accumulated amortisation and impairment** | | | | |
| At 1 January 2017 | 18,679 | - | - | 18,679 |
| Amortisation | - | 583,230 | - | 583,230 |
| Impairment loss | 100,561 | 1,506,603 | 17,785,582 | 19,392,746 |
| At 31 December 2017 | 119,240 | 2,089,833 | 17,785,582 | 19,994,655 |
| Amortisation | - | 562,473 | - | 562,473 |
| Impairment loss | 20,208 | 109,667 | - | 129,875 |
| Written off | - | - | (17,785,582) | (17,785,582) |
| At 31 December | 139,448 | 2,761,973 | - | 2,901,421 |
| **Net carrying amount** | | | | |
| At 31 December 2017 | 23,831,211 | 1,479,165 | 17,461,671 | 42,772,047 |
| At 31 December 2018 | 23,811,003 | 807,025 | - | 24,618,028 |

Goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

## 20. Intangible assets (contd.)

Goodwill (contd.)

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

| | 2018<br>RM | 2017<br>RM |
|---|---|---|
| Lumut Maritime Terminal Sdn. Bhd. | 23,811,003 | 23,811,003 |
| Rungkup Port Sdn. Bhd. | - | 11,573 |
| Rimba Land Sdn. Bhd. | - | 8,635 |
| | 23,811,003 | 23,831,211 |

**Lumut Maritime Terminal Sdn. Bhd.**

The recoverable amount for the above was based on its VIU and was determined by discounting the future cash flows expected to be generated from the continuing use of the division and was based on the following key assumptions:

- Cash flows were projected based on actual operating results and a 5 years (2017 : 5 years) projection.

- Revenue was projected at anticipated annual growth of 2% (2017 : 2%) per annum.

- A pre-tax discount rate for 10% (2017 : 10%) was applied in determining the recoverable amount of the division. The discount rate was estimated based on the industry average weighted average cost of capital.

- Terminal growth rate is projected at 3% (2017 : 3%)

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data).

## 20. Intangible assets (contd.)

Intellectual property rights

Intellectual property rights relate to license rights acquired for the use in a theme park operated by a subsidiary.

The amortisation is calculated on a straight-line basis over the estimated useful lives of 3 to 3.5 years and is included in the "Other expenses" line item of the statements of comprehensive income.

## 21. Finance lease receivable

A subsidiary of the Group is a lessor in connection with the finance lease. Essentially, this relates to the leasing of air-conditioning equipment. The Group recognises a receivable for the amount of the net investment in the lease. The lease payments made by the lessee are split into an interest component and a principal component using the effective interest method. The lease receivable is reduced by the principal received. The interest component of the payments is recognised as interest income in profit or loss. The following table shows how the amount of the net investment in a finance lease is determined:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM |
| Non-current | 312,107 | 429,156 |
| Current | 117,049 | 109,967 |
| | 429,156 | 539,123 |

The following table presents the gross investment amounts and the present value of payable on minimum lease payments:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM |
| Maturity | | |
| Not later than 1 year | 138,000 | 138,000 |
| Later than 1 year and not later than 5 years | 333,500 | 414,000 |
| More than 5 years | - | 57,500 |
| | 471,500 | 609,500 |
| Less: Interest income | (42,344) | (70,377) |
| | 429,156 | 539,123 |

The finance lease of the Group bears interest at 3% (2017 : 3%) per annum.

## 22. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| **Non-current** | | | | |
| Properties held for development | | | | |
| - Freehold land | 22,711,387 | 22,711,387 | - | - |
| **Current** | | | | |
| Properties under development | | | | |
| - Freehold land | 60,787,706 | 61,362,101 | 23,429,173 | 23,404,056 |
| - Leasehold land with unexpired lease period of more than 50 years | 51,459,096 | 50,085,101 | 49,113,708 | 47,739,712 |
| - Development costs | 68,868,100 | 59,777,851 | 9,452,185 | 16,507,420 |
| | 181,114,902 | 171,225,053 | 81,995,066 | 87,651,188 |
| Completed properties | 12,322,453 | 13,463,519 | - | - |
| Food and beverages | 511,442 | 819,204 | - | - |
| Merchandise goods | 2,542,616 | 6,141,927 | - | - |
| Other supplies | 358,169 | 399,412 | - | - |
| Tools and spares | 9,042,966 | 6,267,430 | - | - |
| | 205,892,548 | 198,316,545 | 81,995,066 | 87,651,188 |
| | 228,603,935 | 221,027,932 | 81,995,066 | 87,651,188 |
| Presented as: | | | | |
| At cost | 189,031,747 | 211,700,997 | 80,420,066 | 87,651,188 |
| Net realisable value | 39,572,188 | 9,326,935 | 1,575,000 | - |
| Recognised in profit or loss: | | | | |
| Inventories recognised as cost of sales | 78,742,380 | 66,241,710 | - | 924,305 |
| Provision for slow moving inventories | 196,424 | 372,754 | - | - |
| Merchandise goods written off | 3,411,694 | 15,443 | - | - |
| Development costs written off | 3,806,316 | - | 3,806,316 | - |
| Write-down to net realisable value | 3,117,753 | 481,353 | 2,054,308 | - |

## 22. Inventories (contd.)

(a) In prior year, the ultimate holding corporation, Perbadanan Kemajuan Negeri Perak had issued master block titles for certain parcels of land to the Group through Pejabat Tanah dan Galian ("PTG"). Upon receiving the master block titles, the Group had throughout the past years disposed off certain pieces of development and vacant land to third parties.

As at 31 December 2018, certain land titles belonging to the Group totalling RM11,989,962 (2017 : RM13,103,774) have been surrendered to PTG and will be re-issued to the Group in due course.

(b) Freehold land under development with carrying amounts totalling RM12,500,000 (2017 : RM12,500,000) of the Group have been pledged to a financial institution as security for banking facilities as disclosed in Note 26(c)(i).

(c) Included in development costs are borrowing costs capitalised of RM120,734 (2017 : RM224,281).

## 23. Trade and other receivables

| | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|
| **Trade receivables** | | | | |
| Third parties | 32,746,310 | 39,293,923 | - | - |
| Amount due from a related party: | | | | |
| Ultimate holding corporation | 238,160 | - | - | - |
| | 32,984,470 | 39,293,923 | - | - |
| Less: | | | | |
| Allowance for impairment loss | | | | |
| Third parties | (1,763,888) | (1,498,398) | - | - |
| Trade receivables, net | 31,220,582 | 37,795,525 | - | - |
| **Other receivables** | | | | |
| Amounts due from related parties: | | | | |
| Ultimate holding corporation | - | 69,119,209 | - | - |
| Subsidiaries | - | - | 266,739,592 | 163,867,117 |
| Associate | 5,384,773 | 1,054,040 | 3,126,693 | - |
| Subsidiaries of ultimate holding corporation | 11,628,392 | 90,904,430 | 2,060,929 | 80,893,994 |
| | 17,013,165 | 161,077,679 | 271,927,214 | 244,761,111 |
| Amounts due from third parties | 109,104,812 | 105,527,202 | 402,422 | 672,986 |
| Deposits | 1,996,046 | 2,279,466 | 7,400 | - |
| Goods and Services Tax receivable | 380,680 | 1,897,493 | 50,196 | 69,336 |
| | 128,494,703 | 270,781,840 | 272,387,232 | 245,503,433 |
| Less: | | | | |
| Allowance for impairment loss | | | | |
| Amounts due from subsidiaries | - | - | (32,903,574) | (7,394,083) |
| Amount due from an associate | (1,054,040) | (1,054,040) | - | - |
| Amounts due from subsidiaries of ultimate holding corporation | (189,378) | - | - | - |
| Amounts due from third parties | (99,724,131) | (90,413,310) | - | - |
| | (100,967,549) | (91,467,350) | (32,903,574) | (7,394,083) |
| Other receivables, net | 27,527,154 | 179,314,490 | 239,483,658 | 238,109,350 |
| Total trade and other receivables | 58,747,736 | 217,110,015 | 239,483,658 | 238,109,350 |
| Less: Goods and Services Tax receivable | (380,680) | (1,897,493) | (50,196) | (69,336) |
| | 58,367,056 | 215,212,522 | 239,433,462 | 238,040,014 |
| Add: Cash and bank balances (Note 25) | 12,031,924 | 32,569,083 | 24,429 | 103,766 |
| Total financial assets carried at amortised cost | 70,398,980 | 247,781,605 | 239,457,891 | 238,143,780 |

## 23. Trade and other receivables (contd.)

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 days (2017 : 30 to 60 days) terms. Other credit terms are assessed and approved on a case-by-case basis. They are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Ageing analysis of trade receivables

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

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RM** | **RM** |
| Neither past due nor impaired | 12,589,528 | 22,384,082 |
| 1 to 30 days past due not impaired | 7,931,588 | 6,203,228 |
| 31 to 60 days past due not impaired | 1,789,010 | 4,999,892 |
| 61 to 90 days past due not impaired | 320,085 | 862,435 |
| More than 91 days past due not impaired | 8,590,371 | 3,345,888 |
| | 18,631,054 | 15,411,443 |
| Impaired | 1,763,888 | 1,498,398 |
| | 32,984,470 | 39,293,923 |

## 23. Trade and other receivables (contd.)

### (a) Trade receivables (contd.)

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 | |
|---|---|---|
| | 2018 | 2017 |
| | RM | RM |
| Trade receivables - nominal amounts | 1,763,888 | 1,498,398 |
| Less: Allowance for impairment | (1,763,888) | (1,498,398) |
| | - | - |

Movement in allowance accounts:

| | 2018 | 2017 |
|---|---|---|
| | RM | RM |
| At 1 January | 1,498,398 | 2,358,462 |
| Effect on adoption of MFRS 9 | 20,050 | - |
| Charge for the year | 275,557 | - |
| Reversal of impairment losses | (30,117) | (860,064) |
| At 31 December | 1,763,888 | 1,498,398 |

The allowance amount in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

## 23. Trade and other receivables (contd.)

### (b) Related parties (non-trade)

Amount due from ultimate holding corporation ("UHC")

The amount due from UHC is unsecured and subject to interest of 6.81% (2017 : 6.00%) per annum. The amount due from UHC has been settled during the financial year following from the offsetting of the amount due from UHC by the Group.

Amounts due from subsidiaries, an associate and subsidiaries of ultimate holding corporation

The amounts due from subsidiaries, an associate and subsidiaries of ultimate holding corporation are unsecured and subject to interest of 6.81% (2017 : 6.00%) per annum.

Included in amounts due from subsidiaries of ultimate holding corporation was an amount due from Perak Equity Sdn. Bhd. whereby the amount due has been settled following the offsetting of the amount from ultimate holding corporation by the Group as disclosed in Note 36(a).

### (c) Other receivables

Included in other receivables is an amount due from a contractor, Daya Sejahtera Sdn. Bhd., amounting to RM99,161,520 (2017 : RM90,413,310). The Group has provided an allowance for impairment on the full amount during the year.

Included in other receivables is an amount due from a related party, Lekir Bulk Terminal Sdn. Bhd. amounting to RM4,614,060 (2017 : RM4,765,869).

## 24. Other current assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Prepayments | 5,351,168 | 16,268,153 | 386,211 | 7,462 |

Included in prepayments are payments made for general and staff insurance amounting to RM2,103,619 (2017: RM1,860,312) and merchandise goods amounting to RM662,550 (2017 : RM1,971,676). Both amounts are in respect of a theme park operated by a subsidiary.

## 25. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Cash and bank balances | 8,891,933 | 8,083,930 | 19,274 | 98,766 |
| Deposits with licensed banks | 3,139,991 | 24,485,153 | 5,155 | 5,000 |
| | 12,031,924 | 32,569,083 | 24,429 | 103,766 |

Included in the deposits with licensed banks of the Group are RM2,871,682 (2017 : RM19,529,103) pledged as securities for bank facilities granted as disclosed in Note 26.

Included in cash and bank balances of the Group in the previous financial year was RM19,417 pledged as securities for bank facilities as disclosed in Note 26.

The average interest rates of the deposits with licensed banks during the year range between 3.00% to 3.50% (2017 : 2.66% to 4.05%) per annum and the maturities of the deposits as at reporting date range between 1 to 12 months (2017 : 1 to 12 months).

Included in the deposits with licensed banks of the Group are deposits with maturity period of more than three months amounting to RM881,976 (2017 : RM369,453).

## 26. Loans and borrowings

| | Note | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Secured: | | | | | |
| Hire purchase and finance lease liabilities | 27, (a) | 837,374 | 859,997 | - | 11,677 |
| Term financing-i | (b) | 5,720,000 | 5,720,000 | - | - |
| Term loans | (c) | 246,283,121 | 262,371,541 | - | - |
| Revolving credits | (d) | 140,000,000 | 140,687,529 | 110,000,000 | 110,000,000 |
| Overdraft | | 8,347,168 | 5,123,000 | - | - |
| | | 401,187,663 | 414,762,067 | 110,000,000 | 110,011,677 |
| **Non-current** | | | | | |
| Secured: | | | | | |
| Hire purchase and finance lease liabilities | 27, (a) | 6,045,207 | 6,312,599 | - | 2,017 |
| Term financing-i | (b) | 25,600,000 | 31,320,000 | - | - |
| Term loans | (c) | 39,183,346 | 50,592,000 | 37,500,000 | 50,000,000 |
| RCPS | (e) | 34,613,587 | 33,569,938 | - | - |
| | | 105,442,140 | 121,794,537 | 37,500,000 | 50,002,017 |
| **Total borrowings** | | | | | |
| Hire purchase and finance lease liabilities | 27, (a) | 6,882,581 | 7,172,596 | - | 13,694 |
| Term financing-i | (b) | 31,320,000 | 37,040,000 | - | - |
| Term loans | (c) | 285,466,467 | 312,963,541 | 37,500,000 | 50,000,000 |
| Revolving credits | (d) | 140,000,000 | 140,687,529 | 110,000,000 | 110,000,000 |
| RCPS | (e) | 34,613,587 | 33,569,938 | - | - |
| Overdraft | | 8,347,168 | 5,123,000 | - | - |
| | | 506,629,803 | 536,556,604 | 147,500,000 | 160,013,694 |
| Maturity of borrowings (excluding hire purchase and finance lease liabilities and RCPS): | | | | | |
| On demand or within one year | | 400,350,289 | 413,902,070 | 110,000,000 | 110,000,000 |
| More than 1 year and less than 2 years | | 44,903,346 | 56,312,000 | 12,500,000 | 50,000,000 |
| More than 2 years and less than 5 years | | 11,440,000 | 25,600,000 | 25,000,000 | - |
| More than 5 years | | 8,440,000 | - | - | - |
| | | 465,133,635 | 495,814,070 | 147,500,000 | 160,000,000 |

## 26. Loans and borrowings (contd.)

### (a) Hire purchase and finance lease liabilities

The finance leases of the Group and of the Company bear interest at rates which range between 3.91% to 4.19% (2017 : 2.35% to 4.19%) per annum.

### (b) Term financing-i at bank's Cost of Fund ("COF") plus 1.25%

The term financing-i of a subsidiary is secured by the following:

- registered First Party Fixed Legal Charge in favour of the bank over 4 lots of leasehold land of the subsidiary;
- debenture by way of registered First Fixed and/or Floating Charge over all the present and future assets of the subsidiary; and
- First Party Assignment and Charge over Financing Payment Reserve Account ("FPRA").

### (c) Term loans

(i) Term loan at 7.50% to 7.85%

The term loan bears interest rate at 7.50% to 7.85% (2017 : 7.40% to 7.65%) per annum and is repayable in 60 monthly instalments.

The term loan is secured by a charge over certain freehold land held under development amounting to RM12,500,000 (2017 : RM12,500,000) of a subsidiary as disclosed in Note 22(b).

(ii) Musharakah Mutanaqisah Term Financing-i at iCOF + 1.5%

The facility is secured by a charge over property known as Casuarina Hotel Meru held under property, plant and equipment amounting to RM65,436,044 (2017 : RM66,533,589) of a subsidiary.

(iii) Business Financing- i and Business Cash Line- i

The facilities of the subsidiaries are secured by:

(a) Third Party First and Second Legal Charges over 3.782 Acres of Commercial Land at Bandar Baru Teluk Intan; and

(b) Third Party First and Second Legal Charges over 2 Acres of Commercial Land at Bandar Kuala Kangsar.

The term loan bears interest rate at 6.60% to 6.98% (2017 : 6.60% to 6.85%) per annum and is repayable in 180 monthly instalments.

## 26. Loans and borrowings (contd.)

### (c) Term loans (contd.)

(iv) Syndicated term loan

Term loan of a subsidiary bears interest at 5.30% to 8.45% (2017 : 5.30% to 8.15%) per annum. The loan principal is repayable in 8 equal instalment with the first repayment due on 26 September 2017 (the third year from the first drawndown date).

The term loan is secured by:

- Legal charges on the subsidiary's freehold land with a carrying amount of RM48,269,323 (2017 : RM48,269,323);
- Jointly and severally guaranteed by two directors and a former director;
- Corporate guarantee from a corporate shareholder and the holding company;
- Deed of guarantee and indemnity by two directors and a former director;
- Pledged fixed deposits amounting to RMNil (2017 : RM8,018,814) of the subsidiary;
- Assignment and charge over Designated Accounts of the subsidiary;
- Assignment of proceeds by way of first legal assignment on the subsidiary's revenue proceeds;
- Assignment on insurance procured in connection with a project of the subsidiary and all the benefits thereof including proceeds from claims and any return of premium;
- Assignment of Performance Guarantee issued for or in connection with a project of the subsidiary during the construction period by way of first legal assignment;
- Fixed and Floating debenture on all present and future assets of the subsidiary; and
- Letter of undertaking by a corporate shareholder and the holding company.

The Syndicated term loan is subjected to covenant clauses, whereby the subsidiary is required to meet certain financial covenants. The subsidiary did not fulfil the debt equity ratio and debt service coverage ratio as required in the agreement of which the subsidiary currently has an outstanding amount of RM245,000,000.

Due to this breach of the covenant clause, the outstanding amount may become immediately due and payable and is presented as a current liability as at 31 December 2018 and 31 December 2017.

## 26. Loans and borrowings (contd.)

### (d) Revolving credits

(i) Revolving credits (secured)

The revolving credits for share financing bear interest at a rate 5.35% to 5.90% (2017 : 5.29% to 5.35%) per annum and are secured by way of:

(a) Third party first fixed legal charge over two pieces of freehold land of the Company held under HSD 228153, HSD 228154 ("Secured Property 1") or HSD 229479 ("Secured Property 2");

(b) First party legal charge over the Current Account maintained with Affin Islamic Bank Berhad; and

(c) Corporate guarantee of the Company.

(ii) Tawarruq Revolving Credit-i at iCOF + 1.5%

The facility is secured by a charge over property known as Casuarina Hotel Meru held under property, plant and equipment amounting to RM65,436,044 (2017 : RM66,533,589) of a subsidiary.

(iii) Revolving credit for share financing

The securities for the revolving credit are as follows:

(a) First fixed legal charge over a piece of leasehold land of a subsidiary held under HS(D) 229479, PT 265385, Mukim Hulu Kinta, District of Kinta, Perak;

(b) Fixed deposit to a minimum of RM750,000; and

(c) Corporate guarantee of the Company.

Borrowings on-lent to ultimate holding corporation and subsidiaries

At the reporting date, the revolving credits obtained by the Group are on-lent to ultimate holding corporation and subsidiaries as follows:

| | Group | |
|---|---|---|
| | 2018 RM | 2017 RM |
| Ultimate holding corporation | 16,367,089 | 16,367,089 |
| Subsidiaries | 92,000,000 | 92,000,000 |
| | 108,367,089 | 108,367,089 |

## 26. Loans and borrowings (contd.)

### (e) Redeemable convertible preference shares ("RCPS")

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 RM | 2017 RM |
| **Issued and fully paid shares classified as debt instruments:** | | | | |
| At 1 January | 31,743,079 | 31,743,079 | 33,569,938 | 31,743,079 |
| Accretion during the year | - | - | 1,043,649 | 1,826,859 |
| At 31 December | 31,743,079 | 31,743,079 | 34,613,587 | 33,569,938 |

The RCPS comprise 31,743,079 shares issued by Animation Theme Park Sdn. Bhd. ("ATP"), a subsidiary of the Group.

The salient features of the RCPS are as follows:

- From the date of issuance up to and including first anniversary date of the issue, the RCPS is redeemable for cash at RM1.00 at the option of the issuer;
- Thereafter, the RCPS is redeemable for cash at RM1.00 from the first anniversary date of the issue up and including the Maturity Date (20 years) at the option of the RCPS holders subject to the banking facilities to part-finance the proposed theme park have been fully repaid by the issuer and availability of funds; or after the fifteenth anniversary of the date of issue of RCPS, whichever is later;
- The RCPS holders are entitled to annual cumulative preferential dividend rate of four percent (4.0%) per annum calculated based on the issue price of RM1.00 per RCPS;
- Any outstanding RCPS which have not been redeemed or cancelled at Maturity Date (20 years) shall be convertible into fully paid new ordinary shares at RM1.00 each;
- Any accrued RCPS dividends payable for any outstanding RCPS which have not been redeemed or cancelled at Maturity Date (20 years) shall be convertible into fully paid new ordinary shares at RM1.00 each, at equivalent to its accrued sum;
- The RCPS shall carry no right to vote at any general meeting of ATP except with regards to any proposal to reduce the capital of ATP, to dispose the whole of ATP's property, business and undertaking, to wind-up ATP, during the winding up of ATP and on any proposal that affects the rights attached to RCPS. In any such case, the holders of RCPS shall be entitled to vote together with the holders of ordinary shares and to one (1) vote for each RCPS held; and
- The RCPS shall entitle a holder to one (1) vote for each RCPS held at any class meeting in relation to any proposal by ATP to vary or abrogate the rights of RCPS as stated in the Articles of Association of ATP. In all class meetings, each RCPS shall entitle the holder to one (1) vote.

## 26. Loans and borrowings (contd.)

### (e) Redeemable convertible preference shares ("RCPS") (contd.)

The RCPS are compound financial instruments and are allocated and classified as debt instruments and equity component attributable to non-controlling interests holder of ATP as follows:

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| | **RM** | **RM** |
| Total consideration received from issuance of RCPS to non-controlling interests holder of ATP | 48,412,000 | 48,412,000 |
| Amount classified as equity component attributed to non-controlling interests holder of ATP | (13,128,050) | (13,128,050) |
| Deferred tax liabilities | (4,000,541) | (4,000,541) |
| | 31,283,409 | 31,283,409 |
| Accrual of interest | 3,330,178 | 2,286,529 |
| Amount classified as debt instruments | 34,613,587 | 33,569,938 |

## 26. Loans and borrowings (contd.)

### (f) Changes in liability arising from financing activities:

| | 1 January RM | Proceeds RM | Repayments RM | New leases RM | Non-cash changes RM | Overdraft RM | 31 December RM |
|---|---|---|---|---|---|---|---|
| **31 December 2018** | | | | | | | |
| **Group** | | | | | | | |
| Loans and borrowings | 536,556,604 | - | (34,194,618) | - | 1,043,649 | 3,224,168 | 506,629,803 |
| **Company** | | | | | | | |
| Loans and borrowings | 160,013,694 | - | (12,513,694) | - | - | - | 147,500,000 |
| **31 December 2017** | | | | | | | |
| **Group** | | | | | | | |
| Loans and borrowings | 446,136,181 | 98,319,529 | (14,449,977) | 1,800,120 | 1,826,859 | 2,923,892 | 536,556,604 |
| **Company** | | | | | | | |
| Loans and borrowings | 100,052,645 | 59,961,049 | - | - | - | - | 160,013,694 |

## 27. Hire purchase and finance lease liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| **Minimum lease payments:** | | | | |
| Not later than 1 year | 894,000 | 905,677 | - | 11,677 |
| Later than 1 year and not later than 5 years | 1,610,000 | 1,612,238 | - | 2,239 |
| More than 5 years | 28,480,000 | 28,802,000 | - | - |
| | 30,984,000 | 31,319,915 | - | 13,916 |
| Less: Finance charges | (24,101,419) | (24,147,319) | - | (221) |
| | 6,882,581 | 7,172,596 | - | 13,695 |
| **Present value of payments:** | | | | |
| Amount due within 12 months (Note 26) | 837,374 | 859,997 | - | 11,677 |
| Amount due after 12 months (Note 26) | 6,045,207 | 6,312,599 | - | 2,018 |
| | 6,882,581 | 7,172,596 | - | 13,695 |

The finance leases of the Group and of the Company bear interest at rates which range between 3.91% to 4.19% (2017 : 2.34% to 4.19%) per annum.

## 28. Trade and other payables

| | Note | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| **Other payables** | | | | | |
| Third parties | | 410,454 | 17,751,410 | - | - |
| Amounts due to related parties: | (b) | | | | |
| Ultimate holding corporation | | 7,616,753 | - | 12,269,794 | - |
| Subsidiaries | | - | - | 81,095,032 | 32,010,571 |
| Subsidiaries of ultimate holding corporation | | 1,832,937 | 147,386 | 1,082,743 | 29,073 |
| | | 9,860,144 | 17,898,796 | 94,447,569 | 32,039,644 |
| **Current** | | | | | |
| **Trade payables** | | | | | |
| Third parties | (a) | 5,998,846 | 9,192,932 | 308,100 | 308,100 |
| Amounts due to related parties: | (b) | | | | |
| Subsidiaries of ultimate holding corporation | | 2,274,219 | 5,576,038 | - | - |
| | | 8,273,065 | 14,768,970 | 308,100 | 308,100 |
| **Other payables** | | | | | |
| Amounts due to related parties: | (b) | | | | |
| Ultimate holding corporation | | - | 67,478,801 | - | 10,214,451 |
| Subsidiaries of ultimate holding corporation | | 4,905,015 | 252,747 | 6,390,125 | - |
| Associate | | 414,141 | 60,674 | - | - |
| Shareholder | | 6,250,000 | 6,250,000 | - | - |
| Directors | | 201,883 | 247,765 | 192,161 | 247,765 |
| | | 11,771,039 | 74,289,987 | 6,582,286 | 10,462,216 |
| Deposits received | | 734,780 | 1,800,124 | 300 | 300 |
| Accruals | | 87,851,047 | 61,665,005 | 1,347,767 | 1,354,230 |
| Other payables | | 52,897,243 | 32,547,736 | 5,426,814 | 2,747,187 |
| | | 153,254,109 | 170,302,852 | 13,357,167 | 14,563,933 |
| Total trade and other payables (current) | | 161,527,174 | 185,071,822 | 13,665,267 | 14,872,033 |
| Total trade and other payables (non-current and current) | | 171,387,318 | 202,970,618 | 108,112,836 | 46,911,677 |
| Add: Loans and borrowings (Note 26) | | 506,629,803 | 536,556,604 | 147,500,000 | 160,013,694 |
| Total financial liabilities carried at amortised cost | | 678,017,121 | 739,527,222 | 255,612,836 | 206,925,371 |

## 28. Trade and other payables (contd.)

### (a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled within 7 to 90 days (2017 : 7 to 90 days).

### (b) Related parties balances

The amounts due to related parties (excluding amounts due to directors and a shareholder) are non-trade in nature, unsecured and subject to interest range between 6.64% to 7.11% (2017 : 6%) per annum. During the year, the holding corporation issued a letter to confirm that there will not be any demand for repayments within the next 12 months on the outstanding amounts as at 31 December 2018.

The amounts due to directors and a shareholder are unsecured, non-interest bearing and repayable on demand.

## 29. Deferred income

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Contract liabilities | 13,348,437 | 21,881,305 | - | - |
| Unearned revenue | 11,858,165 | 1,638,354 | - | - |
| | 25,206,602 | 23,519,659 | - | - |

Contract liabilities mainly relates to proceeds received in advance before completion of sales of land.

Unearned revenue consists mainly of tickets sold in advance of the theme park of a subsidiary.

Included in unearned revenue is advance payment received from ultimate holding corporation for admission tickets amounting to RM10,810,000 (2017 : RMNil).

## 30. Deferred tax

### Recognised deferred tax assets/(liabilities)

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| **Group** | | | | |
| Property, plant and equipment and port facilities | - | - | (10,684,469) | (9,955,844) |
| Redeemable convertible preference shares | - | - | (4,986,679) | (3,562,093) |
| Other provisions | 259,398 | 705,463 | - | - |
| Net tax assets/(liabilities) | 259,398 | 705,463 | (15,671,148) | (13,517,937) |
| Set off of tax | (259,398) | (705,463) | 259,398 | 705,463 |
| | - | - | (15,411,750) | (12,812,474) |
| **Company** | | | | |
| Property, plant and equipment | - | - | (48,928) | (194,060) |

### Unrecognised deferred tax assets

Deferred tax assets have also not been recognised by the Group and the Company in respect of the following items (stated at gross):

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Unutilised tax losses | 160,900,869 | 104,881,335 | 9,345,053 | 15,683,764 |
| Unabsorbed capital allowances | 61,789,340 | 38,049,277 | - | 61,198 |
| Other deductible temporary differences | 33,754,708 | 19,671,596 | - | - |
| | 256,444,917 | 162,602,208 | 9,345,053 | 15,744,962 |
| Deferred tax benefit at 24% (2017 : 24%) | 61,546,780 | 39,024,530 | 2,242,813 | 3,778,791 |

Deferred tax assets in respect of these items have not been recognised because it is not probable that there are available future taxable profit against which the Group can utilise the benefits therefrom.

## 30. Deferred tax (contd.)

| | At 1 January 2017 RM | Recognised in profit or loss RM | At 31 December 2017 RM | Recognised in profit or loss RM | As at 31 December 2018 RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Property, plant and equipment and port facilities | (9,040,353) | (915,491) | (9,955,844) | (728,625) | (10,684,469) |
| Redeemable convertible preference shares | (4,000,541) | 438,448 | (3,562,093) | (1,424,586) | (4,986,679) |
| Other provisions | 1,008,822 | (303,359) | 705,463 | (446,065) | 259,398 |
| | (12,032,072) | (780,402) | (12,812,474) | (2,599,276) | (15,411,750) |
| **Company** | | | | | |
| Property, plant and equipment | (194,060) | - | (194,060) | 145,132 | (48,928) |

## 31. Share capital

| | Number of ordinary shares 2018 | 2017 | Amount 2018 RM | 2017 RM |
|---|---|---|---|---|
| **Issued and fully paid:** | | | | |
| Ordinary shares | 100,000,000 | 100,000,000 | 272,770,440 | 100,000,000 |
| Effect of implementation of Companies Act 2016 | - | - | - | 172,770,440 |
| | 100,000,000 | 100,000,000 | 272,770,440 | 272,770,440 |

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.

## 32. Related party disclosures

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. Remuneration of the directors of the Group are disclosed in Note 11.

The Group has related party relationship with its holding corporation, subsidiaries and related parties.

The Group is related to the Government of Malaysia in view that it is controlled by an agency of the government.

### (a) Significant related party transactions

Related party transactions have been entered into in the normal course of business. The significant related party transactions of the Group and of the Company are shown below:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| **Holding corporation** | | | | |
| Advances paid | (939,757) | (10,001,020) | (554,239) | - |
| Advances received | 92,889,732 | 51,978,283 | 58,860,208 | 927,601 |
| Advance payment received for ticket sales | 10,810,000 | - | - | - |
| Management fees | 1,845,000 | 1,827,000 | - | - |
| Rental income | 1,310,036 | 1,981,911 | - | - |
| Interest expenses | (7,648,483) | (2,256,391) | (3,670,133) | - |
| Set off of debts | (131,555,870) | - | (21,337,658) | - |
| Sales of ticket | 1,077,990 | - | - | - |
| Interest income | 1,341,099 | 2,871,155 | 956,608 | 924,741 |

## 32. Related party disclosures (contd.)

### (a) Significant related party transactions (contd.)

Related party transactions have been entered into in the normal course of business. The significant related party transactions of the Group and of the Company are shown below (contd.):

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| **Subsidiaries** | | | | |
| Advances paid | - | - | (30,479,549) | - |
| Advances received | - | - | 8,523,575 | 954,000 |
| Interest income | - | - | 11,179,934 | - |
| Interest expenses | - | - | (2,130,354) | (4,387,374) |
| Set off of debts | - | - | 18,508,421 | - |
| Rental received | - | - | (841,594) | - |
| **Related companies** | | | | |
| Interest income | 1,369,043 | 566,485 | 797,981 | 170,177 |
| Interest expenses | (534,254) | (2,165) | (71,881) | - |
| Management fees paid | (28,428) | - | - | - |
| Purchase of goods | (749,165) | - | - | - |
| Set off of debts | 7,132,598 | - | 2,829,237 | - |
| Rental income | 151,672 | 598,586 | - | - |
| Rental expenses | (24,000) | (294,097) | - | - |
| Room sales | 47,043 | - | - | - |
| Sales of ticket | 171,669 | - | - | - |
| Advances received | 7,061,103 | 76,460 | 1,077,407 | - |
| Advances paid | (3,379,671) | (1,434,286) | (416,692) | - |
| **Associate** | | | | |
| Advances paid | (75,000) | - | - | - |
| Advances received | 549,703 | - | 36,663 | - |
| Rendering of internet services | (801,035) | - | - | - |
| Interest income | 163,356 | - | 163,356 | - |
| Room sales | 9,398 | - | - | - |
| **Government related entity** | | | | |
| Revenue from Operation and maintenance in respect of Lekir Bulk Terminal Sdn. Bhd. | 54,241,228 | 58,560,419 | - | - |

32. Related party disclosures (contd.)

(b) Key management compensation

| | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|
| Salaries and other short term employee benefits | 3,982,022 | 2,201,854 | 886,527 | 491,600 |
| Post employment benefits | 135,613 | 93,356 | - | - |
| | 4,117,635 | 2,295,210 | 886,527 | 491,600 |
| Included herein are directors' remuneration | 1,614,268 | 1,537,552 | 886,527 | 491,600 |

## 33. Commitments

### (a) Capital commitments

Capital expenditure as at the reporting date are as follows:

| | Group 2018 RM | Group 2017 RM | Company 2018 RM | Company 2017 RM |
|---|---|---|---|---|
| **(i) Authorised and contracted for:** | | | | |
| Property, plant and equipment | 41,767,730 | 46,533,059 | - | - |
| Port facilities | 46,230,700 | 46,230,700 | - | - |
| | 87,998,430 | 92,763,759 | - | - |
| **(ii) Authorised but not contracted for:** | | | | |
| Property, plant and equipment | 4,497,197 | 7,761,689 | - | - |
| Port facilities | 44,264,950 | 199,029,200 | - | - |
| | 48,762,147 | 206,790,889 | - | - |

## 33. Commitments (contd.)

### (b) Operating lease commitments

**Leases as lessee**

Non-cancellable operating lease rentals are payables as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| Less than 1 year | 8,000 | 96,000 | - | - |
| Between 1 and 5 years | - | 56,000 | - | - |
| | 8,000 | 152,000 | - | - |

The Group leases a premise under an operating lease from a related company in the previous year. The lease typically runs for a period of 2 years, with an option to renew the lease after that date. There are no restrictions placed upon the Group by entering into this lease.

The Group has terminated the lease subsequent to the financial year end.

### (c) Contingent liabilities

(i) On 27 March 2017, ZJ Advisory Sdn. Bhd. ("ZJ") served a winding up notice on a subsidiary of the Company, allegedly claiming RM2,756,000 being the balance of final success fee under a consultancy contract between both parties. On 19 April 2017, the subsidiary filed an injunction to stop ZJ from filing a winding notice, and had successfully obtained an injunction order from the Ipoh High Court. ZJ has filed an appeal to the Court of Appeal which is fixed for hearing on 16 April 2018. During the hearing, ZJ has withdrawn its appeal. As a result, the injunction order stays.

On 6 June 2018, ZJ has filed a writ of summons in the Ipoh High Court against Company for the amount of RM2,756,000 being claim for the balance of final success fee. The case is now fixed for trial on 18 June 2019, 12 July 2019 and 19 July 2019.

The directors are of the view that the claim from ZJ will not be successful and as such, no provision is required to be made in the financial statements.

## 33. Commitments (contd.)

### (c) Contingent liabilities (contd.)

(ii) On 12 September 2018, a Writ of Summon has been filed in Ipoh High Court against the Company, by Warran Technology Sdn Bhd ("WT"). WT is a sub-contractor appointed by Daya Sejahtera Sdn. Bhd., turnkey contractor of the theme park developed by a subsidiary of the Company. WT is claiming for outstanding progressive contract price from the Company due to an Undertaking Letter issued by the Company dated 23 June 2017 to settle the payment owed to WT through the subsidiary. The Company's defence will be on the structure of the letter of undertaking which is conditional upon completion of works by WT. The case is now fixed for trial on 6 May 2019.

The directors are of the view that the claim from WT will not be successful and as such no provision is required to be made in the financial statements.

(iii) During the financial year, the Company has undertaken to pay certain outstanding progressive contract price for the certified completed works ("Outstanding Sum") and all other sums payable to certain subcontractors for the completion of a theme park operated by a subsidiary. The subsidiary has quantified the amounts payable and these have been recorded in the financial statements. The directors do not foresee any additional amounts required to be made in the financial statements.

## 34. Financial guarantees

### Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, associates and joint operations. The Group and the Company monitor on an ongoing basis the results of the subsidiaries, associates and joint operations and repayments made by these companies.

The Group and the Company have undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

Exposure to credit risk, credit quality and collateral

The Group and the Company have provided the following guarantees as at the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Corporate guarantees given to banks for bank facilities granted to subsidiaries | 327,765,900 | 327,765,900 | 327,765,900 | 327,765,900 |
| Corporate guarantees given to banks for bank facilities granted to associates | 45,141,000 | 45,141,000 | 45,141,000 | 45,141,000 |
| Corporate guarantees given to banks for bank facilities granted to joint operations | 28,500,000 | 28,500,000 | 28,500,000 | 28,500,000 |

At the end of the reporting period, there was no indication that the subsidiaries, associates and joint operations would default on repayment other than as disclosed in Note 26.

## 35. Interest in joint operations

### (a) Cempaka Majujaya Sdn. Bhd. ("Cempaka Majujaya")

The Group has a 30% ownership interest in a joint operation, Cempaka Majujaya with Sunny Reap Development Sdn. Bhd.. Cempaka Majujaya's principal place of business is in Malaysia. Cempaka Majujaya develops a piece of land in Bandar Meru Raya, Perak into a housing development comprising of affordable housing scheme and is strategic for the Group's desire to achieve its social agenda and fulfil the aspiration of the Perak State Government.

### (b) D Aman Residences Sdn. Bhd. ("D Aman Residences")

The Group has a 20% ownership interest in a joint operation, D Aman Residences with Euro-Master Sdn. Bhd.. D Aman Residences' principal place of business is in Malaysia. D Aman Residences develops a piece of land in Bandar Meru Raya, Perak into a housing and commercial development comprising of residential and commercial buildings and is strategic for the Group's growth.

### (c) Gelombang Prestasi Sdn. Bhd. ("Gelombang Prestasi")

The Group has a 20% ownership interest in a joint operation, Gelombang Prestasi with Teguh Revenue Sdn. Bhd.. Gelombang Prestasi's principal place of business is in Malaysia. Gelombang Prestasi Sdn. Bhd. develops a piece of land in Bandar Meru Raya, Perak into a commercial development area comprising of residential and commercial buildings and is strategic for the Group's growth. A subsidiary of the Company had entered into an early settlement agreement with Gelombang Prestasi whereby the landowner's entitlement had been settled via cash and in kind subsequent to year end.

### (d) OPG Meru Land Sdn. Bhd. ("OPG Meru Land")

The Company has a 20% ownership interest in a joint operation, OPG Meru Land with OP Global Sdn. Bhd.. OPG Meru Land's principal place of business is in Malaysia. OPG Meru Land develops a piece of land in Bandar Meru Raya, Perak into a housing development comprising of affordable apartments and is strategic for the Group's desire to achieve its social agenda and fulfil the aspiration of the Perak State Government.

## 36. Significant events

(a) On 28 February 2012, the Company had entered into a conditional Settlement Agreement ("Settlement Agreement") with Perak Equity Sdn. Bhd. ("PESB"), a subsidiary of its ultimate holding corporation to partially settle the total debt of RM104.62 million owing as at 31 December 2011 by PESB to the Company by way of set-off against the total purchase consideration of RM70.27 million for two properties to be acquired by the Company from PESB ("Proposed Settlement").

In tandem with the execution of the Settlement Agreement on 28 February 2012, the Company had entered into two separate conditional Sale and Purchase Agreements ("S&P Agreements") to acquire the Settlement Lands from PESB ("Proposed Acquisitions").

The Settlement Lands with a total attributed value of RM70.27 million consist of the following:

(1) 1,002.939 acres of land to be provided with main infrastructure for the purpose of development of Bio-Tech Industrial Park, Forest Arboretum Technology Park and Herbal Park located at a proposed Perak Hi-Tech Park ("PHTP"), Off Jalan Kanthan/Sg Siput, Kanthan, Perak valued at RM38.13 million comprising:

(i) 96.118 acres of industrial land together with main infrastructure with an attributed value of RM17.80 million; and

(ii) 906.821 acres of agricultural land together with main infrastructure with an attributed value of RM20.33 million.

*(collectively known as the "PHTP Lands")*

(2) Lands and buildings at Teluk Dalam Resort located at Pantai Teluk Dalam, Pulau Pangkor, Perak, valued at RM32.14 million comprising:

(i) land measuring approximately 10.33 acres together with one block of main building, office, cafeteria, hall, 32 units of chalets (Tanjung-Seaview) and 69 units of chalets (Melati) erected on the land with an attributed value of RM23.63 million; and

(ii) land measuring approximately 4.17 acres together with 34 units of bungalow chalets erected on the land with an attributed value of RM8.51 million.

all in 35 titles of land all in the Mukim of Lumut, District of Manjung in the state of Perak Darul Ridzuan, with one title, namely, H.S.(D) 29371, P.T. No. 13222 in Mukim of Lumut, District of Manjung, State of Perak Darul Ridzuan, designated as Malay Reserved Land ("Reserved Land").

*(collectively known as the "Teluk Dalam Lands")*

## 36. Significant events (contd.)

(a) (contd.)

The Proposed Settlement and Proposed Acquisitions were subject to fulfillment of conditions precedent of the Agreements and the approvals of the following:

(i) the Shareholders of the Company at an Extraordinary General Meeting to be convened; and

(ii) the relevant authorities for the transfer and issue of the document of titles of the Settlement lands.

On 26 July 2012, the Proposed Settlement and Proposed Acquisitions had been duly approved by the Shareholders at an Extraordinary General Meeting.

On 27 February 2013, the Company had agreed to grant PESB an extension of time to the Extended Conditional Period, which was first due on 28 November 2012 and extended automatically to 28 February 2013, for an additional period of 6 months to 28 August 2013.

On 28 August 2013, an additional period of 6 months to 28 February 2014 ("Further Extended Conditional Period") was granted.

On 26 February 2014, the Company had agreed to grant PESB an additional period of one year to the Further Extended Conditional Period to be due on 28 February 2015.

On 12 February 2015, the Company had entered into a Supplementary Settlement Agreement and a Supplementary Sale and Purchase Agreement (collectively be referred to as the "Revised Agreements") with PESB to vary the terms of the Settlement Agreement and one of the two Sale and Purchase Agreements respectively, both dated 28 February 2012, with regard to the PHTP Lands ("Proposed Variation to PHTP Lands").

The Proposed Variation to PHTP Lands arises following the issuance of the new layout plan for Perak Hi-Tech Park which has been recently approved by the State Authority. Accordingly, certain pieces of the PHTP Lands stated in the Sale and Purchase Agreement are to be substituted, as set out below, which revised the acreage to an area of 959.87 acres ("Revised PHTP Lands") priced at a consideration of RM38.22 million instead of the earlier indicative area of 1,002.939 acres priced at a consideration of RM38.13 million. Consequently, the original total purchase consideration of RM70.27 million for the PHTP Lands and Teluk Dalam Lands is now revised to RM70.36 million.

A valuation has been carried out on the Revised PHTP Lands by Messrs Suleiman & Co Property Consultants Sdn Bhd adopting the residual method and comparison method in assessing the market values of the Revised PHTP Lands similar to that used in the valuation of the Settlement Lands. The valuation report thereon dated 12 November 2014 has indicated a market value of RM44.05 million for the Revised PHTP Lands adopting the residual method.

## 36. Significant events (contd.)

(a) (contd.)

The Proposed Variation to PHTP Lands is in the best interest of the Group in moving towards the completion of the Proposed Settlement.

On 25 February 2015, the Company had agreed to grant PESB an additional period of one year to the Further Extended Conditional Period to be due on 28 February 2016.

The Company has agreed to grant PESB the said extension on the basis that the following are still pending:

(i) issuance of new land title after the revocation of the status of "Pengisytiharan Rezab Melayu" on the Reserved Land in respect of the Teluk Dalam Lands before the land title could be transferred; and

(ii) the approval by the State Authority for the transfer of the PHTP Lands and Teluk Dalam Lands to the Company or its appointed nominee.

On 29 February 2016, 30 June 2016, 3 January 2017, 23 August 2017, 4 April 2018 and 1 October 2018, the Company had agreed to grant PESB a further extension to the Further Extended Conditional Period to be due on 30 June 2016, 31 December 2016, 30 June 2017, 31 March 2018, 30 September 2018 and 31 March 2019 respectively.

On 28 November 2018 the Board of Directors had decided to offset the amount owing to ultimate holding corporation by the Group in order to resolve the above long outstanding debt. This was subsequently agreed by ultimate holding corporation. As a result, the Company and PESB have mutually agreed to terminate the Agreements as the Conditions Precedent have not been fulfilled after the Extended Conditional Period which expired on 31 March 2019. As at 31 December 2018, the above debt has been set-off between the Company and ultimate holding corporation. As a result, PESB does not have any debt owing to the Company.

(b) Lumut Maritime Terminal Sdn. Bhd. ("LMT"), a 50% plus 1 share subsidiary of PCB Taipan Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, has on 5 April 2018 entered into:

(i) Addendum to existing Operation & Maintenance Agreement ("OMA1");

(ii) New Operation & Maintenance Agreement No. 2 ("OMA2"); and

(iii) New Operation & Maintenance Agreement No. 3 ("OMA3").

*(collectively referred to as the "OM Agreements")*

with Lekir Bulk Terminal Sdn. Bhd. ("LBT"), a subsidiary of Integrax Berhad.

## 36. Significant events (contd.)

(b) (contd.)

The principal activities of LBT are that of the development of an integrated privatised project encompassing ownership of a bulk terminal, LBT Terminal. Indirectly LBT is being owned and controlled by Tenaga Nasional Berhad ("TNB") via it's holding of Integrax Berhad.

Pursuant to the OM Agreements, LMT will continue to operate and maintain LBT Terminal which is owned by LBT.

LMT had been operating under OMA1 for LBT for the last 15 years since May 2002. The execution of the OM Agreements will also give a secured potential revenue of approximately RM800 mill in the span of 26 years.

(c) Effective 1 August 2018, Animation Theme Park Sdn Bhd ("ATP"), an indirect 51%-owned subsidiary of the Company, has officially discontinued the License Agreement dated 1 January 2013, as amended, ("License Agreement") entered with DreamWorks Animation L.L.C. ("DreamWorks") for the establishment and operation of DreamWorks' attractions within the Movie Animation Park Studios ("MAPS") effective 1 August 2018. The reason for the discontinuance being ATP and DreamWorks have not reached an agreement to open the DreamWorks' attractions to public by 1 August 2018. ATP has the option to extend the License Agreement to 30 September 2018 but decided not to exercise the option in order to accelerate the full opening of the MAPS as soon as possible. The MAPS has been soft opened on 26 June 2017, without the DreamWorks' attractions.

ATP is working closely and will potentially sign a mutual termination agreement with DreamWorks to ensure all outstanding obligations are fully met so that both parties exit the License Agreement amicably.

The DreamWorks' intellectual properties from the MAPS have been removed and the zone designated for the DreamWorks' attractions is now open to public.

The Board of Directors of the Company is of the opinion that the decision was made in the best interest of ATP and the Group, to ensure their ability to continue to operate as a going concern.

## 36. Significant events (contd.)

(d) On 24 January 2018, a subsidiary of the Company entered into a Heads of Agreement ("HOA") with Only World Group Holdings Berhad ("OWG") to negotiate for a potential collaboration to manage and operate the theme park, Movie Animation Park Studios ("MAPS").

The HOA enables the contracting parties, the subsidiary of the Company and OWG, to explore and negotiate in good faith with a view to execute a definitive management services agreement ("Definitive MSA") for OWG to manage and operate the MAPS. The HOA sets out both parties' understanding with respect to certain general principles upon which MAPS will be operated and the course of the dealings will be documented in the Definitive MSA to be finalised and executed thereafter. The terms and conditions of the HOA are not exhaustive and expressively subject to contract until the definitive MSA has been entered into.

On 25 October 2018, the subsidiary of the Company has signed the Letter of Extension to the HOA with OWG to mutually agreed that the term of the HOA shall end on 23 October 2018. With this, the HOA is mutually terminated effective 23 October 2018 as the parties have not executed the Definitive MSA.

## 37. Subsequent events

(a) Following the termination of the license agreement, a mediation proceeding between ATP and DreamWorks in relations to DreamWorks' claim against ATP of USD7 million being the balance of the annual license fees for the remainder of the license period and ATP's claim for USD250 million being claim for special and general damages for DreamWorks' failure to grant its approval to open the "Dream Zone" had been held on 7 March 2019 before Hon. Judge James Ware (Retired) as the Mediator.

On 13 March 2019, the Mediator confirmed that the parties have accepted the Mediator's settlement proposal agreement in which for no additional monetary consideration, the parties to mutually release each other from all claims that were or might have been brought against each other up to the date of the execution of the settlement agreement . The parties are now finalising the confidential settlement agreement.

Adjustments will only be made to the financial statements upon the signing of the confidential settlement agreement.

(b) On 1 March 2019, the Movie Animation Park Studios ("MAPS") operated and owned by ATP introduced a new business model where visitors could enter MAPS for free and only pay for the rides and attractions which they preferred to play and participate. The Board of Directors believe this new business strategy will attract more visitors to MAPS.

(c) On 22 March 2019, the Company announced that it has agreed to the request of the Perak Public Accounts Committee ("PAC") for the conduct of a forensic audit by PwC Consulting Associates (M) Sdn Bhd on Animation Theme Park Sdn. Bhd., a 51%-owned subsidiary of PCB Development Sdn. Bhd. which in turn is a wholly-owned subsidiary of the Company, which is the owner and operator of the Movie Animation Park Studios ("MAPS"), an animation theme park located in Bandar Meru Raya, Ipoh, Perak Darul Ridzuan.

The Company had also announced that, through its in-house internal auditors, conducted a special internal audit in respect of the construction and development of the MAPS and the enhancement to the attractions in the MAPS. A copy of the special internal audit report arising therefrom has been furnished to the PAC for use by the committee as it deems fit and to assist in its on-going inquiry on the MAPS.

The directors believe that no adjustments are required to the current year's financial statements arising from the findings of the special internal audit.

## 38. Fair value of financial instruments

### (a) 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

| Group | 2018 Carrying amount RM | 2018 Fair value RM | 2017 Carrying amount RM | 2017 Fair value RM |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Unquoted shares in Malaysia at cost (Note 19) | | | | |
| - Available-for-sale financial assets | - | - | 25,000 | * |
| 3.5% Redeemable Convertible Preference Shares (Note 19) | | | | |
| - Held-to-maturity investments | - | - | 430,000 | ** |

<u>* Available-for-sale financial assets</u>

Fair value information had not been disclosed in the previous financial year for the Group's investment in equity instrument that was carried at cost because fair value cannot be measured reliably. This equity instrument was not quoted on any market and do not have any comparable industry peer that is listed. The Group did not intend to dispose of this investment in the foreseeable future.

<u>** Held-to-maturity investments</u>

Fair value information had not been disclosed in the previous financial year for the Group's held-to-maturity investments that were carried at cost because fair values cannot be measured reliably. These held-to-maturity investments were not quoted on any market and did not have any comparable industry peer that is listed. The Group had the positive intention and ability to hold the investment to maturity.

## 38. Fair value of financial instruments (contd.)

### (b) Determination 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 |
|---|---|
| Finance lease receivable (non-current and current) | 21 |
| Trade and other receivables (current) | 23 |
| Loans and borrowings (non-current and current) | 26 |
| Trade and other payables (non-current) | 28 |

The carrying amounts of these financial assets and liabilities are reasonable approximations 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 following methods and assumptions were used to estimate the fair value:

**Finance lease receivable and loans and borrowings**

The carrying amounts of the current portion of finance lease receivable and loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting. The fair values are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

The carrying amounts of the non-current portion of finance lease receivable and loans and borrowings are also approximate fair values upon discounting the expected future cash flows at market incremental lending rate for similar types of lending or borrowing arrangements at the reporting date.

**Trade and other payables**

The fair value of the non-current trade and other payables (amounts due to related parties) are estimated by discounting expected future cash flows at weighted average borrowing interest rates of the Group.

## 38. Fair value of financial instruments (contd.)

### (b) Determination of fair value (contd.)

**Financial guarantees**

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;

- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and

- The estimated loss exposure if the party guaranteed were to default.

The fair value of the financial guarantees is negligible as the probability of the financial guarantees being called is remote as these subsidiaries, associates and joint operators will be able to meet their short term loans and borrowings obligations as and when they are due other than as disclosed in Note 26.

**Quoted equity instruments**

The fair value of quoted shares is determined directly by reference to their published market bid price at the reporting date.

## 38. Fair value of financial instruments (contd.)

### (c) 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:

| | Quoted prices in active markets for identical instruments Level 1 RM | Significant other observable inputs Level 2 RM | Significant unobservable inputs Level 3 RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **At 31 December 2018** | | | | |
| **Financial assets:** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Unit trust fund (quoted in Malaysia) | 109,717 | - | - | 109,717 |
| - Other investment | - | - | 25,000 | 25,000 |
| **As 31 December 2017** | | | | |
| **Financial assets:** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Unit trust fund (quoted in Malaysia) | 418,536 | - | - | 418,536 |
| **Company** | | | | |
| **At 31 December 2018** | | | | |
| **Financial assets:** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Unit trust fund (quoted in Malaysia) | 39,220 | - | - | 39,220 |
| **As 31 December 2017** | | | | |
| **Financial assets:** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Unit trust fund (quoted in Malaysia) | 350,473 | - | - | 350,473 |

## 38. Fair value of financial instruments (contd.)

### (c) Fair value of financial instruments that are carried at fair value (contd.)

Fair value hierarchy

The Group and the Company classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as disclosed in Note 2.29. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - Inputs for the asset that are not based on observable market data (unobservable inputs).

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 31 December 2018 and 31 December 2017.

## 39. Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its credit risk, liquidity risk and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

### (i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables.

**Receivables**

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., geographical region, and product type, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the sectors that the Group operates in, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

All exposure of credit risk for trade receivables as at the end of the reporting period are in Malaysia.

## 39. Financial risk management objectives and policies

### (i) Credit risk (contd.)

**Receivables (contd.)**

The following table provides information about the exposure to credit risk and expected credit loss ("ECLs") for trade receivables as at 31 December 2018 :

| | Gross carrying amount RM | Expected credit loss RM | Net carrying amount RM |
|---|---|---|---|
| **Group** | | | |
| Current (not past due) | 12,658,620 | (69,092) | 12,589,528 |
| 1 to 30 days past due | 7,941,501 | (9,913) | 7,931,588 |
| 31 to 60 days past due | 1,789,330 | (320) | 1,789,010 |
| 61 to 90 days past due | 10,595,019 | (1,684,563) | 8,910,456 |
| | 32,984,470 | (1,763,888) | 31,220,582 |

**Investments and other financial assets**

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

Exposure to credit risk, credit quality and collateral

The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties for investments and other financial assets.

The investments and other financial assets are unsecured.

Impairment losses

As at the end of the reporting period, there was no indication that the investments are not recoverable.

## 39. Financial risk management objectives and policies (contd.)

### (i) Credit risk (contd.)

**Financial guarantees**

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, associates and joint operations. The Group and the Company monitor on an ongoing basis the results of the subsidiaries, associates and joint operations and repayments made by these companies.

The Group and the Company have undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

At the end of the reporting period, there was no indication that subsidiaries, associates and joint operations would default on repayment other than as disclosed in Note 26.

**Loans and advances to related parties**

Risk management objectives, policies and processes for managing the risk

The Group has balances arising from trade and non-trade transactions with its related parties. The Group monitors the results of its related parties regularly.

Exposure to credit risk, credit quality and collateral

The following table provides information about the exposure to credit risk and expected credit loss ("ECLs") for loans and advances to related parties as at 31 December 2018:

| | Gross carrying amount RM | Expected credit loss RM | Net carrying amount RM |
|---|---|---|---|
| **Group** | | | |
| Loans and advances to related parties | 17,202,543 | (189,378) | 17,013,165 |
| **Company** | | | |
| Loans and advances to related parties | 297,436,705 | (25,509,491) | 271,927,214 |

## 39. Financial risk management objectives and policies (contd.)

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various trade and other payables and loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The holding corporation has also issued a letter to confirm that it will not demand for repayments within the next twelve months on the outstanding amounts as at 31 December 2018.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## 39. Financial risk management objectives and policies (contd.)

### (ii) Liquidity risk (contd.)

**Maturity analysis**

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| Group | Carrying amount RM | Contractual interest rate per annum % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables (current) | 161,527,174 | - | 161,527,174 | 161,527,174 | - | - | - |
| Trade and other payables (non-current) | 9,860,144 | 6.64 - 7.11 | 10,523,472 | - | 10,523,472 | - | - |
| Loans and borrowings | 506,629,803 | 5.30 - 8.45 | 523,282,447 | 408,228,484 | 44,595,648 | 13,179,687 | 57,278,628 |
| Financial guarantees | - | - | 401,406,900 | 401,406,900 | - | - | - |
| | 678,017,121 | | 1,096,739,993 | 971,162,558 | 55,119,120 | 13,179,687 | 57,278,628 |

## 39. Financial risk management objectives and policies (contd.)

### (ii) Liquidity risk (contd.)

**Maturity analysis (contd.)**

| Group (contd.) | Carrying amount RM | Contractual interest rate per annum % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables (current) | 185,071,822 | - | 185,071,822 | 185,071,822 | - | - | - |
| Trade and other payables (non-current) | 17,898,796 | 6.00 | 18,972,724 | - | 18,972,724 | - | - |
| Loans and borrowings | 536,556,604 | 2.35 - 6.35 | 585,333,291 | 496,968,545 | 62,764,746 | 17,160,000 | 8,440,000 |
| Financial guarantees | - | - | 401,406,900 | 401,406,900 | - | - | - |
| | 739,527,222 | | 1,190,784,737 | 1,083,447,267 | 81,737,470 | 17,160,000 | 8,440,000 |

## 39. Financial risk management objectives and policies (contd.)

### (ii) Liquidity risk (contd.)

**Maturity analysis (contd.)**

| Company | Carrying amount RM | Contractual interest rate per annum % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables (current) | 13,665,267 | - | 13,665,267 | 13,665,267 | - | - | - |
| Trade and other payables (non-current) | 94,447,569 | 6.64 - 7.11 | 100,861,838 | - | 100,861,838 | - | - |
| Loans and borrowings | 147,500,000 | 5.74 - 5.90 | 156,050,250 | 116,394,000 | 39,656,250 | - | - |
| Financial guarantees | - | - | 401,406,900 | 401,406,900 | - | - | - |
| | 255,612,836 | | 671,984,255 | 531,466,167 | 140,518,088 | - | - |

## 39. Financial risk management objectives and policies (contd.)

### (ii) Liquidity risk (contd.)

**Maturity analysis (contd.)**

| Company (contd.) | Carrying amount RM | Contractual interest rate per annum % | Contractual cash flows RM | Under 1 year RM | 1 - 2 years RM | 2 - 5 years RM | More than 5 years RM |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Trade and other payables (current) | 14,872,033 | - | 14,872,033 | 14,872,033 | - | - | - |
| Trade and other payables (non-current) | 32,039,644 | 6.00 | 33,962,023 | - | 33,962,023 | - | - |
| Loans and borrowings | 160,013,694 | 5.35 - 6.00 | 168,151,493 | 115,324,476 | 52,827,017 | - | - |
| Financial guarantees | - | - | 401,406,900 | 401,406,900 | - | - | - |
| | 206,925,371 | | 618,392,449 | 531,603,409 | 86,789,040 | - | - |

## 39. Financial risk management objectives and policies (contd.)

### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's financial position or cash flows. The Group's exposure to foreign exchange risk is minimal.

**Interest rate risk**

The Group's variable rate loans and borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Interest rate exposure arises mainly from the Group's loans and borrowings. The Group closely monitors the interest rate trends and decisions in respect of floating rate debt structure, and tenor of borrowings are made based on the expected interest rate trends and after consultations with the bankers.

The Group places cash balances with reputable licensed banks to generate interest income for the Group. The Group manages its interest rate risk by placing such balances on varying maturities and interest rate terms.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | RM | RM | RM | RM |
| **Fixed rate instruments** | | | | |
| Financial assets | 24,009,812 | 193,550,381 | 2,124,577 | 81,348,233 |
| Financial liabilities | (63,371,244) | (121,688,506) | (12,289,490) | (10,243,524) |
| | (39,361,432) | 71,861,875 | (10,164,913) | 71,104,709 |
| **Floating rate instruments** | | | | |
| Financial liabilities | (456,194,467) | (493,059,070) | (147,500,000) | (160,000,000) |

## 39. Financial risk management objectives and policies (contd.)

### (iii) Market risk (contd.)

**Interest rate risk (contd.)**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flows sensitivity analysis for variable rate instruments

A change of 25 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | 25 bp increase RM | 25 bp decrease RM | 25 bp increase RM | 25 bp decrease RM |
| **Group** | | | | |
| Floating rate instruments | (866,769) | 866,769 | (936,812) | 936,812 |
| **Company** | | | | |
| Floating rate instruments | (280,250) | 280,250 | (304,000) | 304,000 |

## 40. Capital management

The Group's objectives when managing capital is to maintain an optimal capital structure in order to support their business and maximise shareholders' value.

The capital structure of the Group and of the Company consists of net debt and equity of the Group and of the Company. The Group and the Company are not subject to any externally imposed capital requirements apart from a subsidiary which is required to maintain the debt-to-equity ratio of not more than four times throughout the tenure of the syndicated term loan in accordance to the Facility Agreement dated 10 July 2014.

As at 31 December 2018, the debt-to-equity ratio is more than four times. As such, the syndicated term loan of a subsidiary of RM210.1 million has been reclassified to current liability due to a covenant breach as disclosed in Note 26. Management is currently working with its ultimate holding corporation on a restructuring plan which entails realisation of various assets with the main objective to ensure that the Group will continue to be able to meet its repayment obligations on its loans and borrowings. The plan has also been shared with the facility agent as part of the process to renegotiate the terms of the term loans with the lenders.

As of the date of financial statements, the facility agent has not called for a default event and has not requested for the immediate repayment of the syndicated term loan.

The Group has also identified certain lands that can be disposed for cash to meet any payment obligations should the need arise.

There were no changes in the Group's approach to capital management during the financial year.

| | **Group** | |
|---|---|---|
| | **2018** | **2017** |
| | **RM** | **RM** |
| Loans and borrowings | 506,629,803 | 536,556,604 |
| Trade and other payables | 171,387,318 | 202,970,618 |
| Less: Cash and bank balances | (12,031,924) | (32,569,083) |
| Net debt | 665,985,197 | 706,958,139 |
| Equity attributable to the owners of the Company | 281,185,073 | 386,254,629 |
| **Capital and net debt** | 947,170,270 | 1,093,212,768 |
| **Gearing ratio** | 70% | 65% |

## 41. Segmental information

Segment information is presented in respect of the Group's business segments. No geographical segment analysis is prepared as the Group's business activities are predominantly located in Malaysia.

The Group is organised into four (2017 : four) major business segments:

### (i) Ports and logistics

Maritime services in respect of the development of an integrated privatised project and encompassing operations of multipurpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities.

### (ii) Property development

Township development of real property and ancillary services.

### (iii) Hospitality and tourism

Hotelier, restaurateur and theme park.

### (iv) Management services and others

Provision of management services and other business segments which include property investment and distribution, none of which are of a sufficient size to be reported separately.

Management monitors the operating results of the Group's business segments 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. The segment performance is included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Within the Group's business segments, the financing resources (including finance costs) and income taxes are not apportioned to the individual strategic operating units. These are managed and allocated as a whole against the total operating profit or loss of the business segments.

The directors are of the opinion that all inter-segment transactions have been established on negotiated terms.

## 41. Segmental information (contd.)

| 2018 | Ports and logistics RM | Property development RM | Hospitality and tourism RM | Management services and others RM | Total RM | Adjustments and eliminations RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | | |
| External revenue | 127,303,420 | 25,630,710 | 43,629,745 | - | 196,563,875 | - | | 196,563,875 |
| Inter-segment revenue | - | - | 515,741 | 2,500,000 | 3,015,741 | (3,015,741) | A | - |
| Total revenue | 127,303,420 | 25,630,710 | 44,145,486 | 2,500,000 | 199,579,616 | (3,015,741) | | 196,563,875 |
| **Results:** | | | | | | | | |
| Interest income | 88,817 | 18,630,290 | 1,208,998 | 21,768,652 | 41,696,757 | (35,954,489) | | 5,742,268 |
| Depreciation and amortisation | 5,220,658 | 131,840 | 13,367,105 | 2,210,186 | 20,929,789 | - | B | 20,929,789 |
| Other non-cash expenses | 7,880,719 | 1,165,744 | 81,373,849 | 9,963,971 | 100,384,283 | - | C | 100,384,283 |
| Finance costs | 305,057 | 13,231,944 | 46,954,569 | 17,274,101 | 77,765,671 | (37,964,967) | | 39,800,704 |
| Profit/(loss) before taxation | 42,679,499 | (56,221,979) | (182,197,071) | (42,344,452) | (238,084,003) | 90,903,641 | | (147,180,362) |
| **Assets:** | | | | | | | | |
| Additions to non-current assets | | | | | | | | |
| - Property, plant and equipment | 6,119,244 | 180,508 | 9,383,088 | 224,302 | 15,907,142 | - | | 15,907,142 |
| - Port facilities | 45,746,294 | - | - | - | 45,746,294 | - | | 45,746,294 |
| Segment assets | 273,702,542 | 149,097,336 | 311,641,739 | 769,369,963 | 1,503,811,580 | (647,206,393) | D | 856,605,187 |
| **Segment liabilities** | (68,428,700) | (304,583,605) | (802,175,879) | (307,071,288) | (1,482,259,472) | 752,025,536 | E | (730,233,936) |

## 41. Segmental information (contd.)

| 2017 | Ports and logistics RM | Property development RM | Hospitality and tourism RM | Management services and others RM | Total RM | Adjustments and eliminations RM | Notes | Per consolidated financial statements RM |
|---|---|---|---|---|---|---|---|---|
| **Revenue:** | | | | | | | | |
| External revenue | 105,314,216 | 43,540,338 | 32,645,256 | 4,288,000 | 185,787,810 | - | | 185,787,810 |
| Inter-segment revenue | - | - | 365,361 | 2,500,001 | 2,865,362 | (2,865,362) | | - |
| Total revenue | 105,314,216 | 43,540,338 | 33,010,617 | 6,788,001 | 188,653,172 | (2,865,362) | A | 185,787,810 |
| **Results:** | | | | | | | | |
| Interest income | 317,116 | 13,226,547 | 836,959 | 14,996,497 | 29,377,119 | (25,328,671) | | 4,048,448 |
| Depreciation and amortisation | 3,872,023 | 109,547 | 13,630,258 | 2,189,805 | 19,801,633 | - | B | 19,801,633 |
| Other non-cash expenses | 377,010 | 581,915 | 277,338,901 | - | 278,297,826 | - | C | 278,297,826 |
| Finance costs | 41,483 | 11,373,376 | 38,942,013 | 12,109,526 | 62,466,398 | (25,328,671) | | 37,137,727 |
| Share of results of associates | - | - | - | - | - | 576,859 | | 576,859 |
| Profit/(loss) before taxation | 41,364,744 | (239,482,291) | (375,068,609) | (24,521,710) | (597,707,866) | 277,599,207 | | (320,108,659) |
| **Assets:** | | | | | | | | |
| Additions to non-current assets | | | | | | | | |
| - Property, plant and equipment | 2,396,603 | 3,375 | 139,826,444 | 4,858,991 | 147,085,413 | (847,253) | | 146,238,160 |
| - Port facilities | 80,071,661 | - | - | - | 80,071,661 | - | | 80,071,661 |
| Segment assets | 237,173,400 | 172,581,048 | 406,229,482 | 788,104,815 | 1,604,088,745 | (523,464,529) | D | 1,080,624,216 |
| **Segment liabilities** | (56,013,564) | (264,544,610) | (712,593,076) | (253,122,943) | (1,286,274,193) | 505,635,522 | E | (780,638,671) |

## 41. Segmental information (contd.)

**Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements**

**Note**

**A** Inter-segment revenue are eliminated on consolidation.

**B** Depreciation and amortisation consist of the following items as presented in the respective notes to the financial statements:

| | Group | |
|---|---|---|
| | 2018 RM | 2017 RM |
| Depreciation of property, plant and equipment | 16,109,428 | 15,784,137 |
| Depreciation of port facilities | 4,178,798 | 3,355,176 |
| Depreciation of investment properties | 79,090 | 79,090 |
| Amortisation of intangible assets | 562,473 | 583,230 |
| | 20,929,789 | 19,801,633 |

**C** Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

| | Group | |
|---|---|---|
| | 2018 RM | 2017 RM |
| Bad debts written off | 277,123 | 23,014 |
| Fair value loss on financial assets at fair value through profit or loss | | |
| - other investments | 430,000 | - |
| - investment in an associate | 1,900,000 | - |
| Impairment loss: | | |
| - dividend receivable in an associate | 76,000 | - |
| - intangible assets | 129,875 | 19,392,746 |
| - investment in an associates | 1,676,859 | - |
| - property, plant and equipment | 40,292,933 | 167,239,506 |
| - receivables | 9,586,378 | 90,413,310 |
| Inventories written down to net realisable value | 3,117,753 | 481,353 |
| Inventories written off: | | |
| - development costs written off | 3,806,316 | - |
| - merchandise goods written off | 3,411,694 | 15,443 |
| Intangible assets written off | 19,425,921 | - |
| Port facilities written off | 7,589,923 | - |
| Property, plant and equipment written off | 8,421,636 | 359,700 |
| Provision for slow moving inventories | 196,424 | 372,754 |
| Unrealised loss on foreign exchange | 45,448 | - |
| | 100,384,283 | 278,297,826 |

## 41. Segmental information (contd.)

**Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (contd.)**

**Note**

**D** The following items are (deducted from)/added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | Group 2018 RM | Group 2017 RM |
|---|---|---|
| Inter-segment assets elimination | | |
| - subsidiaries | (671,017,396) | (547,295,740) |
| Goodwill on consolidation | 23,811,003 | 23,831,211 |
| | (647,206,393) | (523,464,529) |

**E** The following item is added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

| | 2018 RM | 2017 RM |
|---|---|---|
| Inter-segment liabilities elimination | | |
| - subsidiaries | 752,025,536 | 505,635,522 |

## 42. Comparatives

The following comparative amounts as at 31 December 2017 have been reclassified to conform with the current year's presentation:

**Group**

| | Previously stated RM | Adjustment RM | As restated RM |
|---|---|---|---|
| **Statements of comprehensive income** | | | |
| Cost of sales | 66,241,710 | 1,956,558 | 68,198,268 |
| Administrative expenses | 104,863,120 | (1,956,558) | 102,906,562 |
| Finance costs | | | |
| - advances from related parties | 3,645,446 | 2,021,523 | 5,666,969 |
| - redeemable convertible preference shares | 5,778,859 | (2,021,523) | 3,757,336 |

## 43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 30 April 2019.

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# PERAK CORPORATION BERHAD

INCORPORATED IN MALAYSIA (Company No.: 210915-U)

# FORM OF PROXY

**Before completing the form please refer to the notes below.**

| Number of ordinary shares held |
|---|
| |

I/We ____________________________________________ NRIC/Passport/Company No. ________________
(FULL NAME IN BLOCK CAPITALS)

of ______________________________________________________________ Tel. No. ________________
(FULL ADDRESS)

being a member of **PERAK CORPORATION BERHAD**, hereby appoint:

| **PROXY 1** (FULL NAME IN BLOCK CAPITALS) | NRIC/Passport No. | No. of shares | % of shareholdings |
|---|---|---|---|
| | | | |
| Address: | | | |

| **PROXY 2** (FULL NAME IN BLOCK CAPITALS) | NRIC/Passport No. | No. of shares | % of shareholdings |
|---|---|---|---|
| | | | |
| Address: | | | |

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf, at the **TWENTY-EIGHTH ANNUAL GENERAL MEETING** of the Company to be held at Amanjaya Convention Centre, Casuarina @ Meru Hotel, No. 1-C, Jalan Meru Casuarina, Bandar Meru Raya, 30020 Ipoh, Perak Darul Ridzuan on **Wednesday, 19 June 2019** at **10.00 a.m.** or at any adjournment thereof in the manner indicated below:

| No. | RESOLUTIONS | For | Against |
|---|---|---|---|
| 1. | To approve the payment of Directors' fees and benefits in respect of the financial year ended 31 December 2018. | | |
| 2. | To approve the payment of Directors' fees and benefits from 1 January 2019 until the conclusion of the next AGM. | | |
| 3. | To re-elect Encik Mohd Ariff bin Yeop Ishak as Director of the Company. | | |
| 4. | To re-elect Encik Mohamed Shafeii bin Abdul Gaffoor as Director of the Company. | | |
| 5. | To re-elect Encik Mohamed Azni bin Mohamed Ali as Director of the Company. | | |
| 6. | To re-elect YB Chong Zhemin as Director of the Company. | | |
| 7. | To re-elect YB Ng Shy Ching as Director of the Company. | | |
| 8. | To re-elect Encik Hatim bin Musa as Director of the Company. | | |
| 9. | To re-elect Encik Khairul Anuar bin Musa as Director of the Company. | | |
| 10. | To appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company. | | |
| 11. | Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature. | | |
| 12. | Proposed Rescission and Revocation of Gratuity Policy | | |

(Please indicate with an "X" in the appropriate box above how you wish to cast your vote. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.)

Dated this _____ day of __________________ in the year ______.

______________________________
Signature/Seal

Notes:

1. A member of the Company entitled to attend and vote at the meeting may appoint any person to be his/her proxy to attend and vote in his/her stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy shall have the same rights as the member to speak at the meeting.
2. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
3. When a member appoints more than one proxy the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at D-3-7, Greentown Square, Jalan Dato' Seri Ahmad Said, 30450 Ipoh, Perak Darul Ridzuan at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting or at any adjournment thereof.
6. Only members whose names appear in the Record of Depositors as at 13 June 2019 will be entitled to attend and vote at the above Meeting.
7. The registration for the above Meeting will commence on Wednesday, 19 June 2019 at 9.00 a.m.

*fold this flap for sealing*

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affix
stamp

THE COMPANY SECRETARY
PERAK CORPORATION BERHAD Co. No. 210915-U
D-3-7, Greentown Square,
Jalan Dato' Seri Ahmad Said,
30450 Ipoh,
Perak Darul Ridzuan, Malaysia.

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PERAK CORPORATION BERHAD (210915-U)
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