

## **KETENGAH HOLDING SDN. BHD.**

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### **Main Points**

#### **What we examined?**

- KETENGAH Holding Sdn. Bhd. (Ketengah Holding's) is a company limited by shares established on 9 July 2003 with a paid-up capital of RM37.29 million. Ketengah Holding's is a company wholly owned by the Central Terengganu Development Authority (KETENGAH).
- Ketengah Holding's main activities are carrying out investments in six business areas, namely livestock, quarrying, tourism, education and plantation.
- The aspects that are evaluated for activity performance are based on achievements of output and outcome. Output achievement is evaluated based on Key Performance Indicators (KPI) and financial performance as well as investment in subsidiaries and associated companies. Achievements of outcome are assessed based on the economic growth and development of KETENGAH and the annual dividend paid to KETENGAH.
- Three aspects that are evaluated for activity management are investment management in the field of livestock - quail breeding activities; investment management in quarrying business; and monitoring of subsidiaries and associated companies.
- Evaluation of nine aspects of corporate governance namely the Chairman, the Board of Directors (BOD), the Company Secretary, the Group Chief Executive Officer, the Roadmap Plan and KPI, the Standard Operating Procedures (SOP), the Audit and Integrity Committee (AIC), the Internal Audit and the Remuneration and Nomination Committee for the year 2020 to 2022.
- Analysis of the financial position is carried out on the audited financial statements for the year 2019, 2020 and 2021.

#### **Why is it important to audit?**

- To evaluate the level of achievement of Ketengah Holding's objective as an investment holding company, as well as providing management and business services to subsidiary and associated companies.
- To evaluate the achievement of Ketengah Holding related to the economic growth and development of KETENGAH.

## What we found?

- Overall, based on the audit scope, Ketengah Holding's has achieved its objectives as an investment holding company, providing management and business services to subsidiaries and associated companies.
- However, the KPI provided are not extensive as it does not take into account the overall business activities carried out by its subsidiary companies. The Ketengah Holding's Group financial performance are strong as it recorded an increase in profit after tax for the period from 2019 to 2021. The cumulative profit at the end of 2021 amounting to RM246.46 million and cash balance amounting to RM32.92 million.
- The performance of the main income generated activities of the subsidiary companies is unsatisfactory as they have not achieved the set targets except for plantation field. However, overall, the dividend income from the subsidiary and associated companies is good, as it has achieved the set targets.
- In term of outcome, the economic growth and development of KETENGAH has been successfully implemented by its subsidiary and associated companies according to respective business fields. A total of RM31.08 million in dividends has been paid to KETENGAH as the major shareholder of the company from the period of 2007 to 2021 by Ketengah Holding's.
- The management of the activities of subsidiary companies in the fields of livestock and quarrying is less efficient. The weakness in the management occurred due to the production of quail products between 22.4% to 52.3% compared to the target; facilities and cage equipment were damaged and could not be used; and the quail breeding and hatchery environment was not well managed. In addition, the production of quarry products between 49.9% to 99.7% compared to the target; the high frequency of machines and quarry machinery breakdowns; quarry machines and machinery that were not regularly maintained; and the Kuari Pondok Limau which has not been operational since 2016.
- The income of subsidiary companies in livestock, quarrying and education businesses has shown declining trend from 2019 to 2021. A total of RM8.87 million in the debt of subsidiary and associated companies uncollected for more than 120 days. The use of capital injection funds by Ketengah Properties amounting to RM2.35 million was not in accordance with the original purpose of the approval.
- Ketengah Holding's corporate governance practices were at a satisfactory level but yet need improvement for the BOD; Roadmap Plan and KPI; SOP; JAI; as well as the Remuneration and Nomination Committee.

**What do we recommend?**

- Stakeholders should consider the following recommendations:
  - to set the KPI's for all the business areas conducted by the subsidiary companies, so that they can be fully monitored and evaluated by the management as well as the BOD;
  - to monitor the achievement of the income target of the subsidiary's main activities to ensure the set targets are met and dividend payments can be made especially from subsidiary companies in the fields of livestock and tourism;
  - to set the outcomes to be achieved as well as the method of measurement for evaluation purposes;
  - to improve the management of livestock activities in terms of production, preparation of a comprehensive marketing plan and addressing issues related to damaged barns and equipment;
  - to enhance the management of quarrying activities so that production can be optimized and overcome the machinery and equipment breakdowns. In addition, the machinery and equipment maintenance should be done periodically to reduce repairs costs;
  - to ensure that Ketengah Holding's 5-Year Roadmap is approved immediately to enable the re-operation of the Kuari Pondok Limau according to plan;
  - to ensure that the endorsed approved capital injection funds are spent according to approval and reported to the BOD for monitoring purposes. In addition, the prior expenses incurred which were not spent in accordance to approval shall need endorsement by the BOD;
  - to ensure debt collection measures are made against subsidiaries and associated companies progressively; and
  - to improve corporate governance practices including those related to the BOD learning programme; preparation of SOP related to the main areas of subsidiary business; with the frequency membership and compliance of holding AIC Meetings; AIC meeting with the Internal Audit Unit of the company; as well as the need to hold a meeting of the Remuneration and Nomination Committee.